

Louisiana Land Trust Home Demolition Program Informational Report



Louisiana Legislative Auditor

The Louisiana Legislative Auditor compiled the following information in response to a legislative request concerning the Louisiana Land Trust (LLT) Home Demolition Program.

What is the current disposition of properties in the Home Demolition Program?

As of December 1, 2010, LLT's property list contained 10,421 properties. The status of those properties is as follows: 6,440 are awaiting the applicable parish's decision on the disposal method or request for transfer; 1,989 are in progress toward demolition or transfer to the applicable parish or end user; 1,472 have been transferred to the applicable parish or end user; 472 are in transfer to the applicable parish or end user; and 48 are on hold due to title issues or have been determined inactive or ineligible by LLT.

Will LLT complete the Home Demolition Program on time and within budget?

LLT's cost projections are based on six assumptions that do not appear to be reasonable. Four of the six assumptions are based on factors beyond LLT's control, and the remaining two assumptions depend on the other four assumptions being met. Therefore, it is unlikely that LLT will complete the program on time, which could cause LLT to exhaust its funding before completing its work.

Should LLT have rebid CDM's project management contract instead of increasing the contract amount?

To avoid delays in program operations, LLT decided to use its current contractor, CDM, instead of seeking new bids for management services. While LLT chose to bid out CDM's contract initially, LLT was under no obligation to rebid the contract instead of increasing the contract amount.

Why did LLT not appeal EPA's and LDEQ's enforcement of the storm water regulations?

LLT did not appeal the enforcement of the storm water regulations because the Louisiana Recovery Authority directed LLT to comply with the regulations and an appeals process could have further delayed the demolitions and increased LLT's costs.

Before LLT Demolition



After LLT Demolition



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Source: LLT's maintenance database

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As of December 1, 2010, LLT’s property list contained 10,421 properties. The status of those properties is as follows:

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- 1,989 are in progress toward demolition or transfer to the applicable parish or end user;
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- 472 are in transfer to the applicable parish or end user; and
- 48 are on hold due to title issues or have been determined inactive or ineligible by LLT.

The majority (99.7%) of the 6,440 properties awaiting the applicable parish’s decision on the disposal method or request for transfer are located in Orleans and St. Bernard parishes as shown below.

Properties Awaiting Parish Action December 1, 2010			
Parish	Decision on Disposal Method	Request for Transfer	Total
Orleans	1,501	1,535	3,036
St. Bernard	4	3,379	3,383
Other Parishes	11	10	21
Total	1,516	4,924	6,440

Orleans Parish. According to LLT, the New Orleans Recovery Authority (NORA), the receiving entity for the parish, has not declared the disposal method for approximately 1,500 properties. LLT is unable to proceed with those properties until NORA makes its decision.

In November 2010, there were 1,700 properties awaiting NORA’s decision on the disposal method. At that time, NORA anticipated the outstanding properties would be disposed of or evaluated as follows:

- 350 properties are not currently eligible for demolition due to prior or pending sale, lack of environmental review, title hold, Neighborhood

¹ The parish must decide on the disposal method before LLT can conduct its work and must identify an end user before requesting a transfer.

Conservation District Committee (NCDC) review,² or condition as a multi-family property.

- 750 properties will be rehabilitated and will not require demolition.
- 300 properties can be demolished immediately.
- 300 properties can be demolished once final approval is obtained through the NCDC review or the Lot Next Door (LND) program.³

NORA did not provide a timeline for disposing of these properties. In addition, Orleans Parish has not requested the transfer of approximately 1,500 properties that are ready for transfer. According to LLT, the parish has not yet identified an end user for those properties. LLT must continue to maintain the properties until they are transferred to the parish or end user.

St. Bernard Parish. According to LLT, St. Bernard Parish has not requested the transfer of approximately 3,400 properties that are ready for transfer because the parish has not identified an end user for the properties. According to the parish, those properties will be disposed of through the LND program to parish entities, homeowner associations for green space, and nonprofit entities for rehabilitation. The parish is unable to set a deadline for the transfer due to the environmental review process administered by the state.

Will LLT complete the Home Demolition Program on time and within budget?

LLT’s cost projections are based on six assumptions that do not appear to be reasonable. Four of the six assumptions are based on factors beyond LLT’s control and the remaining two assumptions depend on the other four assumptions being met. Therefore, it is unlikely that LLT will complete the program on time, which could cause LLT to exhaust its funding before completing its work.

Cost Projections. LLT’s current allocation of Community Development Block Grant money from the Office of Community Development (OCD) is approximately \$213.6 million of the \$221 million OCD set aside for LLT. As of June 30, 2010, LLT

² The NCDC of the City of New Orleans reviews demolition applications within the district to ensure that demolitions are not performed unnecessarily.

³ Under the LND program, notices are sent to adjacent homeowners with homestead exemptions allowing them the opportunity to purchase the adjacent property for fair market value.

has spent \$133.7 million, with \$79.9 million remaining in allocated funds. LLT management assumes its Board of Directors will approve an increase in spending of \$10 million and, based on board approval, has \$89.9 million remaining.

Of the remaining \$89.9 million, LLT estimates it will spend \$37.5 million (42%) on demolitions, \$24.8 million (28%) on maintenance and security, and \$14.8 million (17%) on additional demolitions of LLT and non-LLT slabs in St. Bernard Parish.⁴ The remaining \$12.8 million (14%) will be spent on administration, closing, insurance, and professional services. The complete breakdown of LLT's cost projections is shown below. These projections are as of September 30, 2010.

Breakdown of Cost Projections September 30, 2010 (in thousands)			
Category	Total Allocation	Actual Spent (06/30/10)	Remaining Allocation
Demolition	\$84,004	\$46,514	\$37,490
Maintenance	78,489	54,134	24,355
Security	7,322	6,822	500
Administration	11,039	6,090	4,949
Closing	6,832	721	6,111
Insurance	2,072	1,444	628
Professional Services	2,848	1,702	1,146
Miscellaneous	31,000	16,235	14,765
Total	\$223,606	\$133,662	\$89,944

According to LLT, these cost projections are based on the six assumptions below, which were made early on in the program and will have to be revised again. LLT agreed that many of its assumptions are aggressive and are based on the best case scenario.

Assumptions. LLT projects it will demolish an additional 3,975 properties by March 31, 2011, based on the following six assumptions:

1. All properties approved for demolition must be identified by December 31, 2010.

This assumption does not appear to be reasonable. This assumption is dependent on NORA's approval of the demolition of properties in Orleans Parish. However, LLT states that NORA has not identified properties approved for demolition, and LLT has no authority to require

NORA to do so. LLT plans to meet with NORA regarding this issue.

2. All properties must clear the permit process, including NCDC review of properties in Orleans Parish, by January 31, 2011.

This assumption does not appear to be reasonable. LLT assumes it will receive NORA's approval for the demolition of 300 properties by December 31, 2010. Considering LLT does not know when it will receive NORA's approval for demolition, it does not know how many properties will be subject to the NCDC process. Currently, the NCDC can process approximately 50 properties per month.

3. All demolitions must be completed by March 31, 2011.

This assumption does not appear to be reasonable. First, this assumption is dependent on NORA's approval of no more than 300 properties for demolition by December 31, 2010. However, LLT does not know when it will receive NORA's approval for demolition or how many properties NORA will approve.

Second, LLT demolished an average of 87 structures and 283 slabs per month during fiscal year 2010. Based on these numbers, LLT can demolish approximately 522 structures and 1,698 slabs during the period October 2010 through March 2011. However, according to LLT's revised budget, an average of 367 structures and 296 slabs need to be demolished each month to meet the March 31, 2011, completion date.

4. Close-out must be completed by May 31, 2011.

This assumption does not appear to be reasonable. According to LLT, this date is based on the earliest possible date that close-out could be completed and is a tight deadline even if all the other assumptions and associated deadlines are met.

5. All properties except those in Orleans and St. Bernard parishes must be transferred out of LLT's inventory by February 28, 2011.

This assumption does not appear to be reasonable. This assumption is dependent on the applicable parishes accepting the transfer of properties from LLT. LLT must transfer 1,008 properties to the parishes by February 28, 2011, to

⁴ The structures were demolished under the FEMA Public Assistance Program.

meet the March 31, 2011, completion date. Considering the parishes have accepted a total of 263 properties during the period July through September 2010, it is unlikely that LLT will transfer all properties on time.

- Grass maintenance must cease along with the property disposition timeframe in assumption 5.

This assumption does not appear to be reasonable. This assumption is dependent on all previous assumptions being met. Until LLT transfers a property to the parish or end user, it is responsible for the cost of maintaining the property (e.g., security and grass-cutting).

Should LLT have rebid CDM's project management contract instead of increasing the contract amount?

LLT elected to use its existing contractor to avoid delays in program operations. CDM's contract is a professional services contract and did not need to be bid. Therefore, LLT was under no obligation to rebid the contract instead of increasing the contract amount.

Contract Amount Increases

02/10/09	<p>Original Contract Contract amount - \$7.5 million (the estimated cost for the first year of the two-year contract term <i>only</i>) Term - 01/07/09 through 12/31/10 Properties - Approximately 5,880</p>
08/06/09	<p>Contract Amendment Contract amount - Increased to \$20 million Term - Up to three years Rationale - This is the amount needed to cover the first three years of the contract.</p>
04/12/10	<p>Contract Amendment Contract amount - \$26.2 million Rationale - Addition of 280 properties and unexpected environmental restrictions imposed by regulatory agencies</p>
10/11/10	<p>Contract Amendment Contract amount - \$28.7 million Term - Through 03/31/11 Rationale - Addition of 380 properties and increased unit costs</p>

Why did LLT not appeal EPA's and LDEQ's enforcement of the storm water regulations?

LLT chose to not appeal the enforcement of the regulations for the following reasons:

- The Louisiana Recovery Authority directed LLT to comply with the storm water regulations.
- The EPA must first begin enforcement proceedings in federal court before LLT could formally appeal. This process could have further delayed LLT's demolitions and increased costs.

History of EPA's and LDEQ's Enforcement Actions

08/20/09	LDEQ inspection noted non-compliance with the storm water regulations.
09/03/09	LDEQ issued LLT a Notice of Deficiency.
09/18/09	LLT provided a preliminary response to LDEQ followed by a more detailed response on 12/03/09.
10/07/09	LRA Executive Director directed LLT to comply with the storm water regulations.
02/03/10	LLT and CDM met with LDEQ to outline an action plan.
02/08/10	EPA and LDEQ inspection noted pollution in the street and/or storm inlets during and after rain events.
02/16/10	EPA issued LLT and CDM a Cease and Desist Order.
03/03/10	LLT provided EPA with a detailed description of activities completed to comply with EPA's order.
03/25/10	LLT provided LDEQ with Notices of Intent for Orleans and St. Bernard parishes.
04/05/10	LDEQ approved LLT's Notices of Intent.

This document is available on the Legislative Auditor's Web site at www.la.gov.

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