

# CDBG Builder Assisted Set-Aside Program

## Louisiana Housing Corporation

Homeownership: Encouraging New Construction

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### **CDBG Builder Assisted Set-Aside Program**

The CDBG Builder Assisted Set-Aside Program is designed to bridge the gap between homeownership and single-family housing. The program aims to assist first-time homebuyers with income at or below the area median income (AMI) to purchase single-family homes. With partnerships and incentives, the Louisiana Housing Corporation (LHC) alleviates the lack of affordable housing in specific parishes and provides pathways to homeownership for the state's most vulnerable residents and families.

#### **Loan Forgiveness: An Innovative Incentive to Homebuying**

The CDBG Builders Set-Aside Program, administered by LHC, exemplifies innovation in addressing the pressing challenges of the housing market in Louisiana. Amidst escalating construction costs and rents, this program stands out for its creative and forward-thinking approach to alleviating financial burdens and facilitating sustainable homeownership opportunities for low- to moderate-income (LMI) households across the state, particularly in the 38 Louisiana parishes that were affected by disasters from previous storms and weather events over the past five years.

An innovative feature of the CDBG Builders Set-Aside program is the 10-year loan forgiveness incentive. This support offers first-time homebuyers a Soft Second Loan covering up to 20 percent of the purchase price and up to \$5,000 for closing costs. Homeowners who maintain residency for a decade see their Soft Second Loan entirely forgiven, moving away from traditional assistance programs and fostering long-term financial stability through gradual loan forgiveness in a landscape where over half of Louisiana's households allocate a significant portion of their income to rent and utilities. By offering low-income renters a pathway to homeownership, the program addresses immediate housing needs and fosters opportunities for generational wealth and economic empowerment.

#### **Replicable to Provide Homeownership Opportunities for All**

The CDBG Builder Assisted Set-Aside Program is a model for states and cities seeking to narrow the affordability gap through homeownership programs. While initially focused on South Louisiana, the program's eligibility could expand based on future disasters and parishes or counties' overall LMI.

In a recent development, LHC's communications team engaged with The Urban Restoration Enhancement Corporation (UREC), a non-profit community builder constructing three homes aligning with the program's criteria. UREC has expressed significant optimism about the CDBG Builder Assisted Set-Aside Program, emphasizing its potential to enhance affordability. They noted that the average quality rental in East Baton Rouge Parish exceeds \$1,500 per month.

With this new program, UREC aims to target lower-income households through educational initiatives, transitioning them from renters to homeowners and providing monthly savings.

### **Homeownership in the Wake of Disasters: Responding to the State's Housing Need**

Louisiana faces frequent natural disasters, with FEMA recording 33 events since 2000. In response, the CDBG Builder Assisted Set-Aside Program has prioritized increasing homeownership and revitalizing neighborhoods in parishes affected by Hurricanes Laura, Delta, Zeta, and Ida. Between 2020 and 2021, these storms inflicted damage on over 220,000 homes in Louisiana, prompting the U.S. Department of Housing and Urban Development (HUD) to allocate \$3.1 billion in federal Community Development Block Grant-Disaster Recovery (CDBG-DR) funds to the state.

The CDBG Builder Assisted Set-Aside Program plays a critical role in rejuvenating vulnerable communities statewide by aiding storm-affected individuals and assisting first-time homebuyers. These communities, integral to Louisiana's culture, infrastructure, and livelihood, are afforded the chance to rebuild and remain rooted in their home state. Given Louisiana's ongoing exposure to natural disasters, this program is a lifeline for vulnerable communities throughout the state.

### **Demonstrating Measurable Benefits, Proven Success, and Cost-Effective Benefits**

The CDBG Builder Assisted Set-Aside Program has proven its ability to deliver measurable benefits to Louisianians while strengthening market stability through reduced interest rates. Through partnerships with government agencies, developers, and lenders, this program accelerated homebuying goals for participants. By offering housing opportunities and comprehensive educational courses, LHC enables homeownership for Louisianians and provides invaluable guidance throughout the process.

The benefits of the CDBG Builder Assisted Set-Aside Program far outweigh the costs. It offers a significant financial boost to vulnerable populations, encouraging retention in Louisiana. Each builder receives \$2.5 million, approximately 10 homes' worth, at reduced interest rates (roughly 50 basis points below the program rate). Additionally, homeowners in hurricane-affected areas receive 20 percent down payment assistance (DPA) of up to \$55,000, plus \$5,000 in closing costs. This initiative supports about 60 employees per home involved in construction, potentially creating 600 jobs with a single builder's participation. With four homebuilders engaged, the program could stimulate the creation of 2,400 jobs. Without this program, residents could potentially relocate to different parts of the country, but this program allows them to stay near friends and family, which benefits not only them but the entire state of Louisiana.

Currently, Louisiana has fewer than 1,000 new construction freestanding homes with a minimum of three bedrooms and two bathrooms, starting at \$155,000. In urban areas, the least expensive new construction three-bedroom, two-bathroom homes start at \$229,000 and sell quickly. Rising rents and cost of living inflation have caused financial strain for many Louisiana families, with 50 percent paying over 30 percent of their income on housing. This burden is often felt by households earning \$30,000 to \$74,999 annually, with a third of full-time renters facing significant cost challenges. Lower-income renters bear the brunt of the impact, with 83 percent experiencing affordability issues. Despite the decline in the housing market, construction costs

are at a record high, leading to a focus on high-end apartments and widening the affordability gap, with rents outpacing income growth since 2001.

The state also has 1,748,688 households, of which 33 percent or approximately 582,830 are renters. The average AMI per household considered low-income is \$60,456. The average rent on a three-bedroom apartment in Louisiana is \$1,292. Utilizing the CDBG Builders' Set-Aside Program, LHC can convert renters and first-time homebuyers to first-time homeowners.

### **Demonstrating Effective Use of Resources through Strategic Partnerships for Affordable Housing**

LHC implemented the incentives of the CDBG Builder Assisted Set-Aside Program to align with its mission of providing all Louisianans – especially those most vulnerable – safe, affordable, energy-efficient housing. The core focus of the CDBG Builder Assisted Set-Aside Program is to cover the affordability gap between the maximum amount that a homebuyer can afford and the purchase of the home, and by providing incentives, more residents can achieve homeownership.

The program provides resources through strategic partnerships with developers, lenders, and other housing experts in the state to offer eligible individuals funding to purchase their dream home. With these resources, LHC can reserve \$100,000 increments for qualifying builders licensed in Louisiana, totaling no more than \$2,500,000 for participation in the CDBG Builders Set-Aside Program. By paying a two percent reservation fee on the reserved CDBG-Assisted Loan amount, builders can join the program, enabling those who traditionally struggled to secure financing to access mainstream funding for borrowers. This support facilitates more home construction, directly contributing to LHC's efforts to revitalize vulnerable parishes and increase housing availability. LHC's effective partnerships with non-profit groups, developers, government agencies, lenders, and other housing experts streamline the process, ensuring efficient resource allocation and creating sustainable, affordable housing solutions for Louisiana residents.

At its core, the program addresses the shortage of affordable housing units, especially in parishes affected by hurricanes and floods. Offering down payment assistance enables builders to access 20 percent assistance from the State of Louisiana for qualifying new construction projects, prioritizing households earning at or below 80 percent of the AMI. This strategic allocation of resources demonstrates a fresh perspective on maximizing impact where it's most needed, revitalizing communities, and fostering resilience.

### **Achieving Strategic Objectives**

LHC established the CDBG Builder Assisted Set-Aside Program with several key strategic objectives. These include assisting first-time homeowners at or below 80 percent AMI to purchase single-family units, increasing homeownership, and fostering neighborhood revitalization in parishes affected by Hurricanes Laura, Delta, Zeta, and Ida. The primary program objective is to address the shortage of affordable housing inventory in specific parishes across Louisiana by incentivizing home builders to construct new homes in designated areas. LHC is proud to announce that, to date, the corporation has achieved these objectives and reached multiple program milestones.

### Visual Aids

**CDBG  
BUILDER PROGRAM**

BRIDGING THE GAP BETWEEN  
HOMEOWNERSHIP AND SINGLE-FAMILY HOUSING

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- Provides assistance for 1st time homebuyers below the area median income to purchase single family homes
- 10 year loan forgiveness incentive
- Potential homeowners can receive a soft second loan for 20% of the purchase price up to \$55,000 and up to \$5,000 in closing costs.

LEARN MORE: [LHC.LA.GOV](http://LHC.LA.GOV) 

This graphic features a teal background with a faint image of a house. At the top, the title 'CDBG BUILDER PROGRAM' is in large white letters. Below it, the subtitle 'BRIDGING THE GAP BETWEEN HOMEOWNERSHIP AND SINGLE-FAMILY HOUSING' is in smaller white letters. Two circular icons, one of a person and one of a house, are connected by a horizontal line. Below the icons is a bulleted list of program benefits. At the bottom, there is a call to action and the Louisiana Housing Corporation logo.

**DO YOU LIVE IN AN AREA  
AFFECTED BY HURRICANES  
LAURA, DELTA, OR IDA AND ARE  
INTERESTED IN PURCHASING  
YOUR DREAM HOME?**

First-time homebuyers at or below 80% of your community's median income may be eligible to receive up to \$55,000 (or 20%) toward your down payment and an additional \$5,000 to cover closing costs.

LEARN MORE: [LHC.LA.GOV](http://LHC.LA.GOV) 

This graphic has a teal background with a faint image of a house. The main text is in large white letters. Below it is a paragraph of text in white. At the bottom, there is a call to action and the Louisiana Housing Corporation logo.