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## Report Highlights

# Results of the Alternative Housing Pilot Program

### *Katrina Cottages*

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### Why We Conducted This Audit

The purpose of this audit is to provide the results of the Alternative Housing Pilot Program (AHPP) in Louisiana, commonly referred to as the Katrina Cottages program, which ended on March 16, 2012. This program is administered by the Division of Administration's Office of Community Development Disaster Recovery Unit (OCD/DRU).

The AHPP's purpose was to develop non-traditional intermediate-term housing alternatives for potential future use during disaster situations.

### What We Found

Louisiana received \$74,542,370 in grant funds to implement the Katrina Cottages program and built 461 cottages located at 12 sites in the Baton Rouge, Lake Charles, and New Orleans areas. The program experienced delays, construction deficiencies, and occupancy issues. We determined that:

- **In its December 2011 report, the Department of Homeland Security Office of the Inspector General (DHS-OIG) cited FEMA's design and initiation of the AHPP as main causes of the problems encountered by the Katrina Cottages program.** According to the DHS-OIG, the AHPP's primary goals of developing "alternative sources of emergency housing" and serving as an "intermediate term housing solution for the Gulf Coast" conflicted one another. As a result, it was difficult for Louisiana to build large numbers of innovative housing units in a short period of time in a cost-effective manner.
- **Of the 461 cottages constructed, 361 (78%) were occupied, 81 (18%) had not yet been occupied, and 19 (4%) were unoccupied because of move-outs when the grant ended on March 16, 2012; all cottages were occupied by June 20, 2012, almost seven years after Hurricane Katrina made landfall.** Obstacles to obtaining 100% occupancy of the cottages, as required by FEMA, included difficulties finding qualified disaster-impacted victims and selling the cottages to qualified occupants.
- **Construction of the cottages extended 2.5 years past the original grant deadline of September 17, 2009; the state's real estate developer incurred penalties for delays encountered at one of the 12 cottage sites.** Because of delays in starting construction and further delays during construction, OCD/DRU requested and received from FEMA an extension of the grant deadline to March 16, 2012. All cottages were constructed by this date. As of November 21, 2012, OCD/DRU is in the process of imposing penalties on Cypress Realty Partners for delays for one site, but has yet to determine the amount.
- **Two state agencies have administered the Katrina Cottages program since its inception, contributing to delays in program administration and contracting.** The Louisiana Housing Finance Agency originally administered the program. In March 2008, program administration was transferred to the Louisiana Recovery Authority (LRA). The LRA then informally merged with OCD/DRU and the two entities administered the program. With the sunset of the LRA in July 2010, administration of the program was formally transferred to OCD/DRU.
- **The average cost per site ranged from \$121 to \$176 per square foot, at least \$53 per square foot more than housing of similar size and construction built by other nonprofit organizations.** The average construction cost was \$145,216 per cottage, not including land and infrastructure costs. However, the state had to follow other grant requirements, including steel framing and disability access, which may have contributed to the increased costs.
- **Construction deficiencies at 34 (7.4%) of the 461 cottages at two sites led to occupants having to temporarily move out.** Deficiencies at eight (23.5%) of these 34 cottages had not been corrected when the grant ended on March 16, 2012.



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