



Assessment of Market Factors for Affordable Housing

Robin Keegan

February 26, 2009



Overview

- **Overview of State's Recovery Housing Programs**
- **Preliminary assessment of market demand indicators**
- **Analysis of current market demand studies**
- **Recommendations**



Damage to Rental Housing Stock

- More than **82,000 units** of rental housing statewide sustained major or severe damage or were outright destroyed. (*HUD, 2006*)
- In the New Orleans metro area, **44,130 affordable rental units were lost.** (*Louisiana Housing Finance Authority's Housing Needs Assessment Website*)

Parish	Affordable Rental Units Lost
Jefferson	8,092
Orleans	29,250
Plaquemines	703
St. Bernard	3,579
St. Tammany	2,506
Total	44,130



Overview of Selected State Housing Programs

Program Name		Target Population	No. of Units Coming Online
Small Rental Program Total goal of ~12,000 units with \$866M CDBG funds (with New Orleans match, will have additional \$27M and additional 450 units)	Rental	Households earning < 80% AMI < 65% AMI < 50% AMI Market Rate renters	~9,500
	First-Time Homebuyer Pilot	Former low- to moderate-income renters/first-time homebuyers earning up to 80% AMI (State Funds) New Orleans match will target former renters/first-time buyers earning 80% to 120% AMI	~650 Small Rental CDBG <u>~450 additional units for NOLA with match</u> ~1,100 units total
	Soft Second	Former low- and moderate-income renters/first-time buyers	~1,500 units



Overview of Selected State Housing Programs

Program Name		Target Population	No. of Units Coming Online
GO Zone Low-Income Housing Tax Credits (LIHTC) Total goal of 15,000 units with \$1.711B in tax credit equity and ~\$581.1M in CDBG funds	Not associated with CDBG-LIHTC Piggyback Program	Low- and moderate-income, permanent supportive housing and market rate households	7,479 units
	CDBG-LIHTC Piggyback Program (Round 1)	Low- and moderate-income, permanent supportive housing and market rate households	5,691 units
	CDBG-LIHTC Piggyback Round 2 (Rental), combined with LIHTC "Lightning Round"	Low- and moderate-income, permanent supportive housing and market rate households	1,000 units
Louisiana Cottages		Households displaced by the storms and still without permanent, sustainable housing	500 units

Source: LRA Comprehensive Housing Strategy for Hurricane Recovery



Overview of Selected State Housing Programs

The state has been creative in investing its resources to fill gaps and keep projects under construction.

The Piggyback Program has added CDBG funding to additional rounds of financing in order to prevent funding gaps and keep projects moving forward.

For example, the Small Rental Program was originally designed for the applicants to secure their own loans. Due to the recent financial crisis, the program has been redesigned to accommodate the new realities in the lending sector. A new contractor will be selected to launch the revised program within the next 10 days. The revised program will be up and running within about 60 days.



State Programs

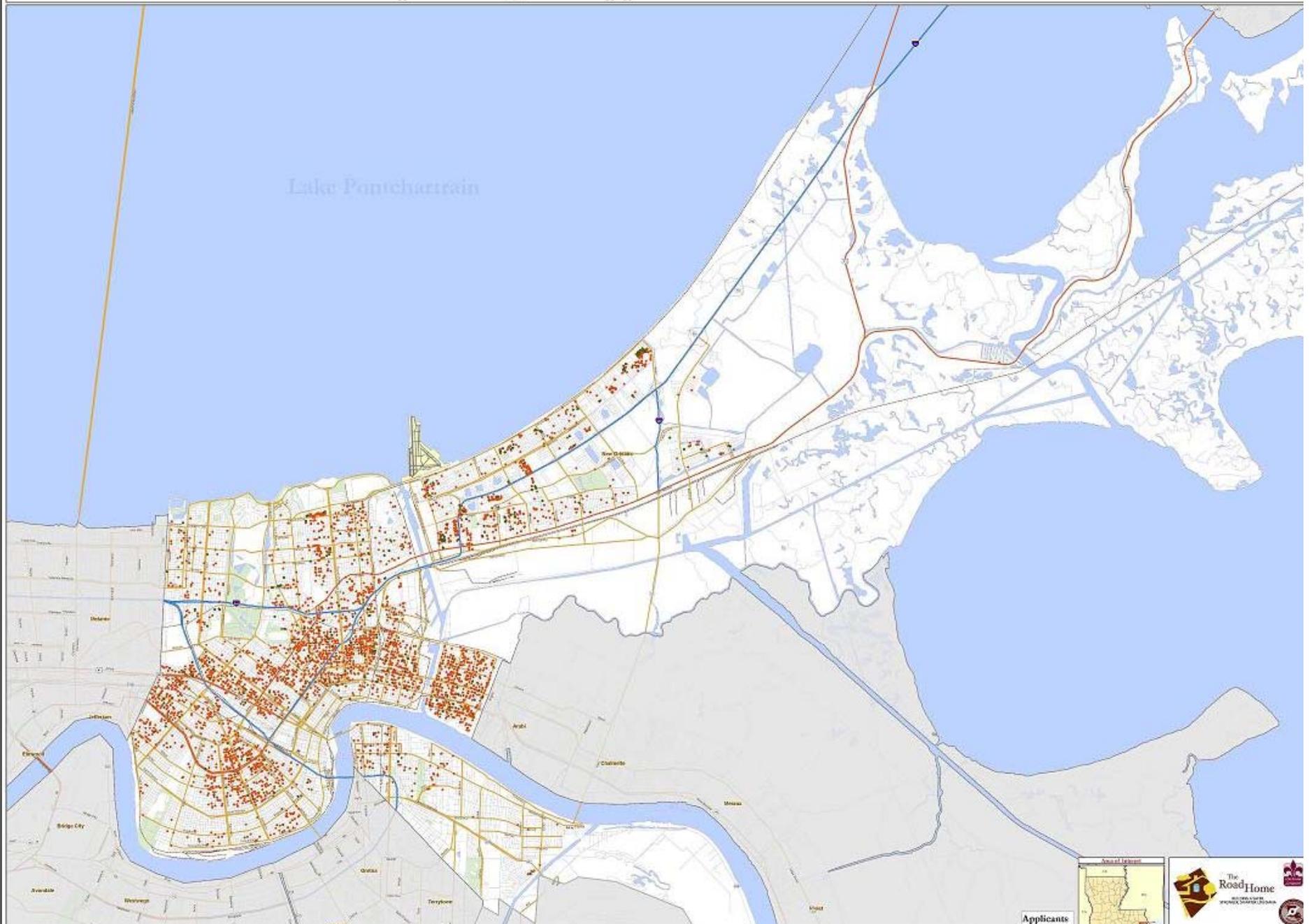
Units Projected to Come Online from Selected Programs

Program	Market Units	Affordable Units	Total Units
Small Rental*	1,130	8,448	9,578
Louisiana Cottages (AHPP)	93**	409	502
LIHTC/CDBG (Piggyback)	2,680	3,988	6,668

** Currently the small rental program has 936 units online; 631 of these are affordable units*

***Military-restricted rentals at Jackson Barracks*

Road Home Small Rental Property Program Applicants: Orleans Parish



Applicants





LIHTC - CDBG Piggyback Awards Metropolitan New Orleans

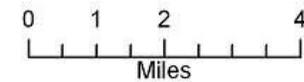


Explanation of Symbols

- Project

Explanation of Project Labels

Project Name





The Current Picture: Population Growth

According to GNOCDC, Between July and December 2008, the population of New Orleans grew by 1.9 percentage points, reaching 73.7 percent of pre-Katrina levels.

- New Orleans gained 3,686 residences actively receiving mail in the second half of the year compared with 2,062 in the first half of 2008.
- The metro area gained 4,725 residences receiving mail from July through December compared with 2,937 from January to June.
- St Bernard, St. Charles and St. Tammany parishes all experienced increases in growth during the latter part of 2008. Jefferson and Plaquemines parishes closed the year with fewer residences actively receiving mail than they started with in 2008.



The Current Picture: Economic Trends

According to GNOCDC, Between May and November 2008, the New Orleans metro area gained 5,900 jobs compared with only 2,100 net new jobs in the prior six month period.

- While the nation lost 1,704,000 jobs—or 1.2 percent of all jobs—the New Orleans metro area experienced a 1.1 percent increase in jobs—more than double the area’s 0.4 percent job gain from November 2007 to May 2008.
- The bulk of job growth in the last six months occurred in education and health services, and trade, transportation and utilities. In the same period, the metro area lost a small number of jobs in financial services, natural resources and mining, and leisure and hospitality.
- The metro area labor force grew 3 percent from May to November 2008, coinciding with
• a rise in the unemployment rate from 3.3 to 4.9 percent.
- While unemployment claims rose dramatically nationwide from June to December, claims fell in New Orleans and in the region.
- The job vacancy rate in the New Orleans region continues to drop, from a high of 9.8 percent in Q2 2006 to 7.3 percent in Q2 2007 to 4.4 percent in Q2 2008, but remains above the pre-Katrina level of 3.7 percent. The highest vacancies can be found in jobs related to home construction and repairs, hospitality, healthcare support, and other services.



The Current Picture: Housing Market

- According to GNOCDC, the market for single family homes across the metro area cooled from June to November 2008, with sales volumes and average prices down markedly from the same months in 2007.
- The pace of new home building, reconstruction and demolitions in New Orleans continued to wane, with all of these activities down in the last half of 2008 from the previous six months and from the same period last year.



The Current Picture: Substantial Rent Increases

Fair Market Rents in the metropolitan area are **52% higher** than pre-Katrina

Fiscal Year	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
2000	\$365	\$418	\$521	\$709	\$858
2001	\$369	\$423	\$527	\$717	\$868
2002	\$446	\$512	\$637	\$867	\$1,050
2003	\$461	\$529	\$659	\$896	\$1,085
2004	\$463	\$531	\$661	\$899	\$1,089
2005	\$522	\$578	\$676	\$868	\$897
2006	\$725	\$836	\$978	\$1,206	\$1,298
2007	\$755	\$836	\$978	\$1,256	\$1,298
2008	\$764	\$846	\$990	\$1,271	\$1,314
2009	\$795	\$881	\$1,030	\$1,323	\$1,367

HUD, Fair Market Rent History 2000 to 2005 and County Level Data File for 2006 to 2009. Corroborated by the American Community Survey, conducted by the U.S. Census Bureau, which reports a 51% increase in median rents in Orleans Parish from 2005 to 2007.

The Need for Affordable Housing in Metropolitan New Orleans

Affordable Housing Needs by Household by Area Median Income, 2007

Parish/Area	Need	0-30% AMI	31-50% AMI	51-80% AMI	81-95% AMI
Jefferson	Homeowners	4,770	4,555	6,165	2,385
	Renters	9,295	7,675	6,085	1,165
	Total Need	14,065	12,230	12,250	3,550
Orleans	Homeowners	6,140	5,705	5,635	2,005
	Renters	24,095	12,680	8,030	1,710
	Total Need	30,235	18,385	13,665	3,715
Plaquemines	Homeowners	575	310	264	140
	Renters	285	75	54	35
	Total Need	860	385	318	175
St. Bernard	Homeowners	945	755	915	320
	Renters	925	695	435	18
	Total Need	1,870	1,450	1,350	338
St. Tammany	Homeowners	2,625	1,855	2,825	1,115
	Renters	1,910	1,235	1,240	205
	Total Need	4,535	3,090	4,065	1,320
New Orleans Metro Area	Total Homeowners	15,055	13,180	15,804	5,965
	Total Renters	36,510	22,360	15,844	3,133
	Total Need	51,565	35,540	31,648	9,098

Source: LHFA Housing Needs Assessment Website, 2007



The Need for Affordable Housing in New Orleans

- The **homeless population** in Orleans and Jefferson parishes is **estimated to be 12,000**
- Preliminary estimates released by the LHFA show **a gap of 9,930 affordable units** for the period of 2008 to 2013
- HUD estimates **75,000 renters in the New Orleans metropolitan area are in need of affordable housing** now, and that there are an estimated **33,184 units of federally assisted affordable rental housing currently available**
- **14,422 people** in the New Orleans metropolitan area will receive **Disaster Housing Assistance Program Transitional Assistance for 6 months**. A portion of these residents will receive permanent vouchers.



Existing & Upcoming Market Demand Studies

- QAP for Piggyback Credit Deals: Each Piggyback deal requires a market analysis within 90 days of application that includes factors such as Targeted Households, Large Families, Tenants with children, Special Needs Households. Challenge – many of these studies are 2 to 3 years old.
- LHFA Housing Needs Assessment is required and should be available in the next couple of months.
- New Orleans Master Plan process is developing a housing assessment including a market analysis.
- The Greater New Orleans Community Data Center was recently awarded a grant to study housing needs in the New Orleans metropolitan area.
- Also, HUD's 2008 report calls for additional study of affordable housing in the New Orleans area. However, HUD did not propose a specific plan to conduct such research.



Challenges

There are a number of factors that may constrain the development of affordable housing units:

- The **declining value of Low-Income Housing Tax Credits** by 38% since 2005, which means fewer units can be built with the current LIHTC allocation.
- The **current state of the economy and the credit crunch**, which is making it difficult to secure private financing. Therefore, some deals will not happen unless they receive more funding.
- The **increase in insurance premiums and deductibles by 20 to 49% post-Katrina**, which raises operating costs for affordable rental housing, thus requiring larger up-front investments to keep rents low.



Recommendations

- Continued aggressive implementation of the LRA/OCD's HUD- approved housing programs.
- Work with other state and local partners to continue to assess population and economic trends that could indicate the need for a course correction to ensure the state's funding of affordable housing projects is aligned with the current and projected need for these types of units.