

Housing Production Needs: Three Scenarios for New Orleans

Presented by:

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GNOCDC

Housing in the New Orleans Metro Series
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How much more housing is needed and of what type?



Economic and Housing Trends

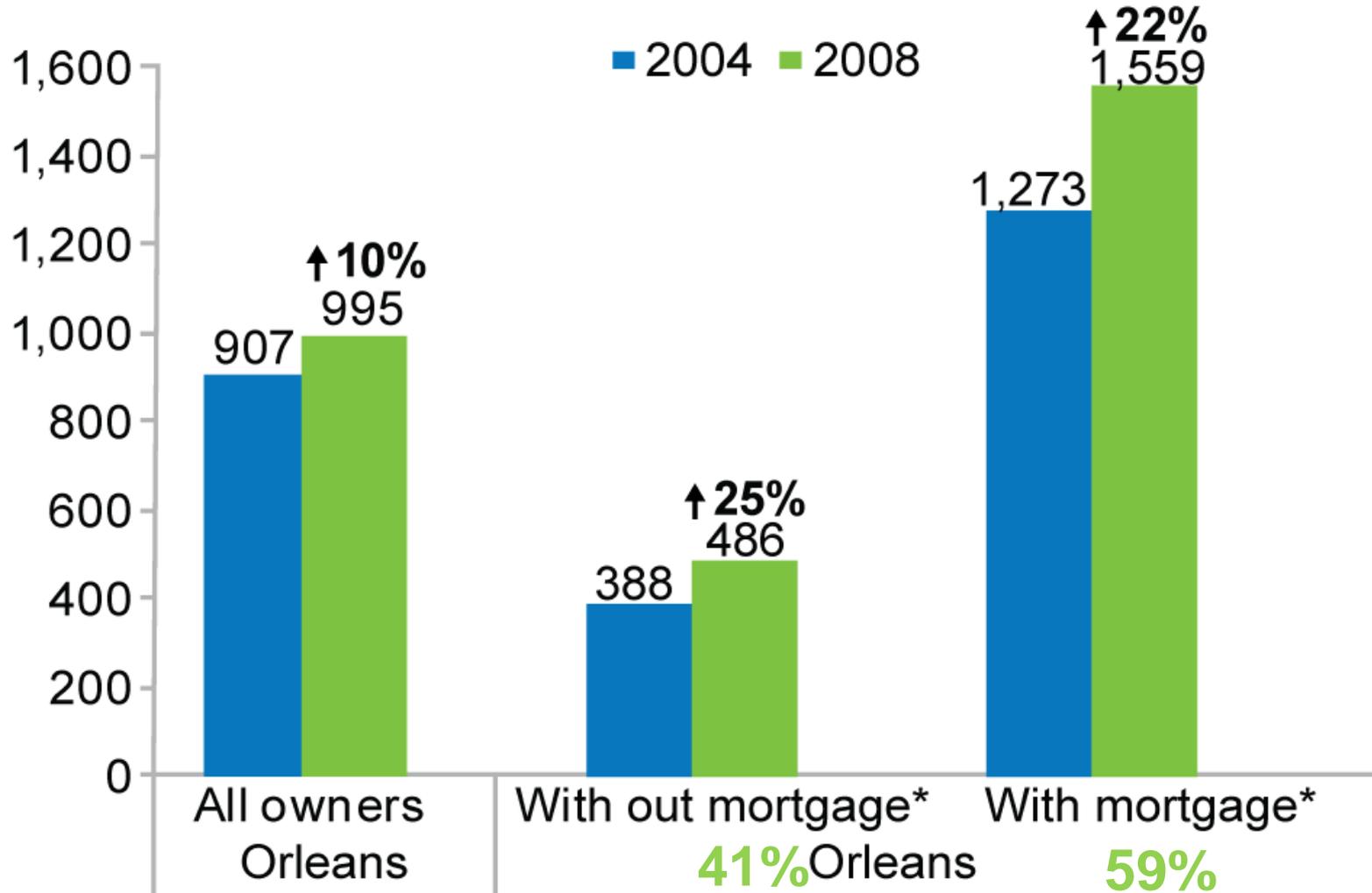
- Post-Katrina housing costs have risen dramatically.
- Housing affordability problems persist in 2008.
- In 2008, the national recession dampened demand for market-rate housing in Orleans.
- Large scale housing production is softening the New Orleans rental market.

What are housing costs?

- **Housing costs for homeowners include:**
 - **Mortgage**
 - **Taxes**
 - **Insurance**
 - **Utilities**
- **Housing costs for renters (gross rent) include:**
 - **Rent**
 - **Utilities**

Even homeowners without mortgages have experienced steep increases in housing costs.

Median monthly housing costs in 2008\$, Orleans

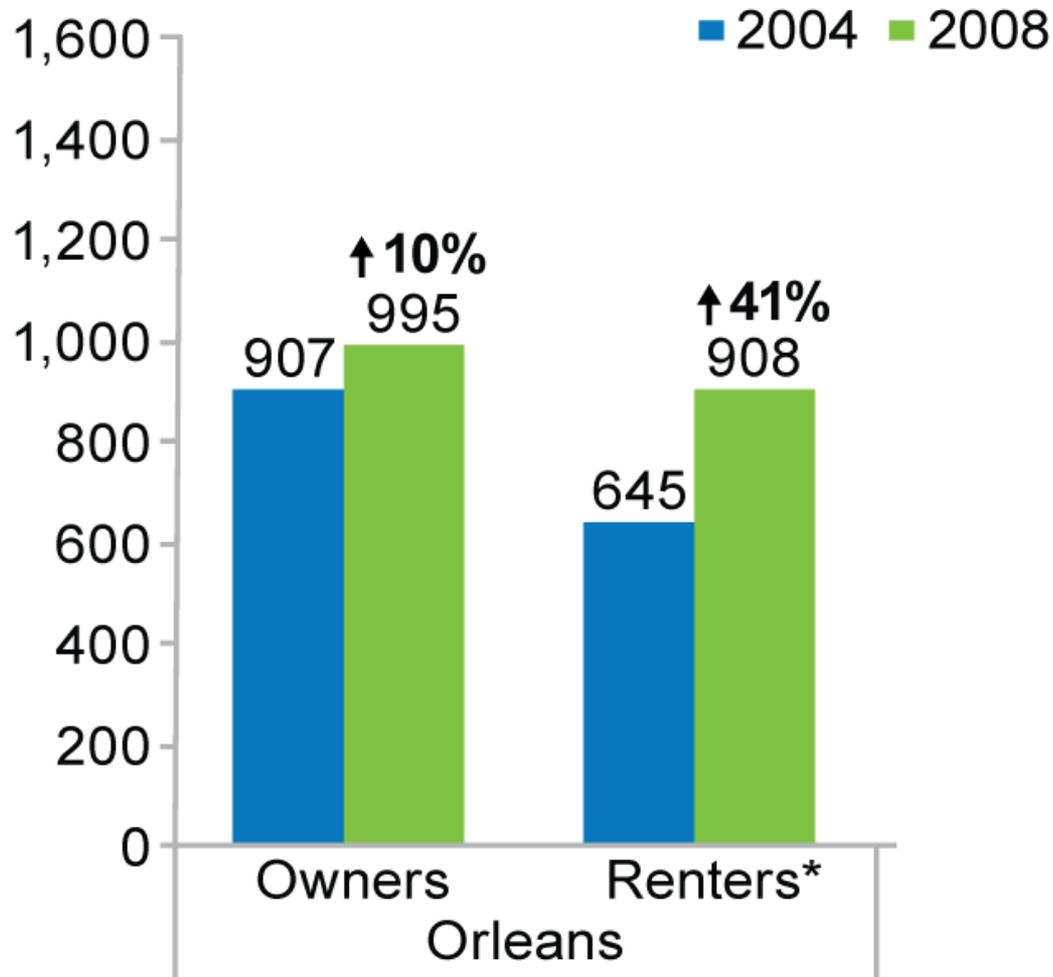


*Statistically different from 2004 value at 95% confidence level

Source: GNOCDC analysis of U.S. Census Bureau data from American Community Survey 2008.

Renter costs spiked 41% (after thousands of non-subsidized, but cheap rentals were destroyed).

Median monthly housing costs in 2008\$

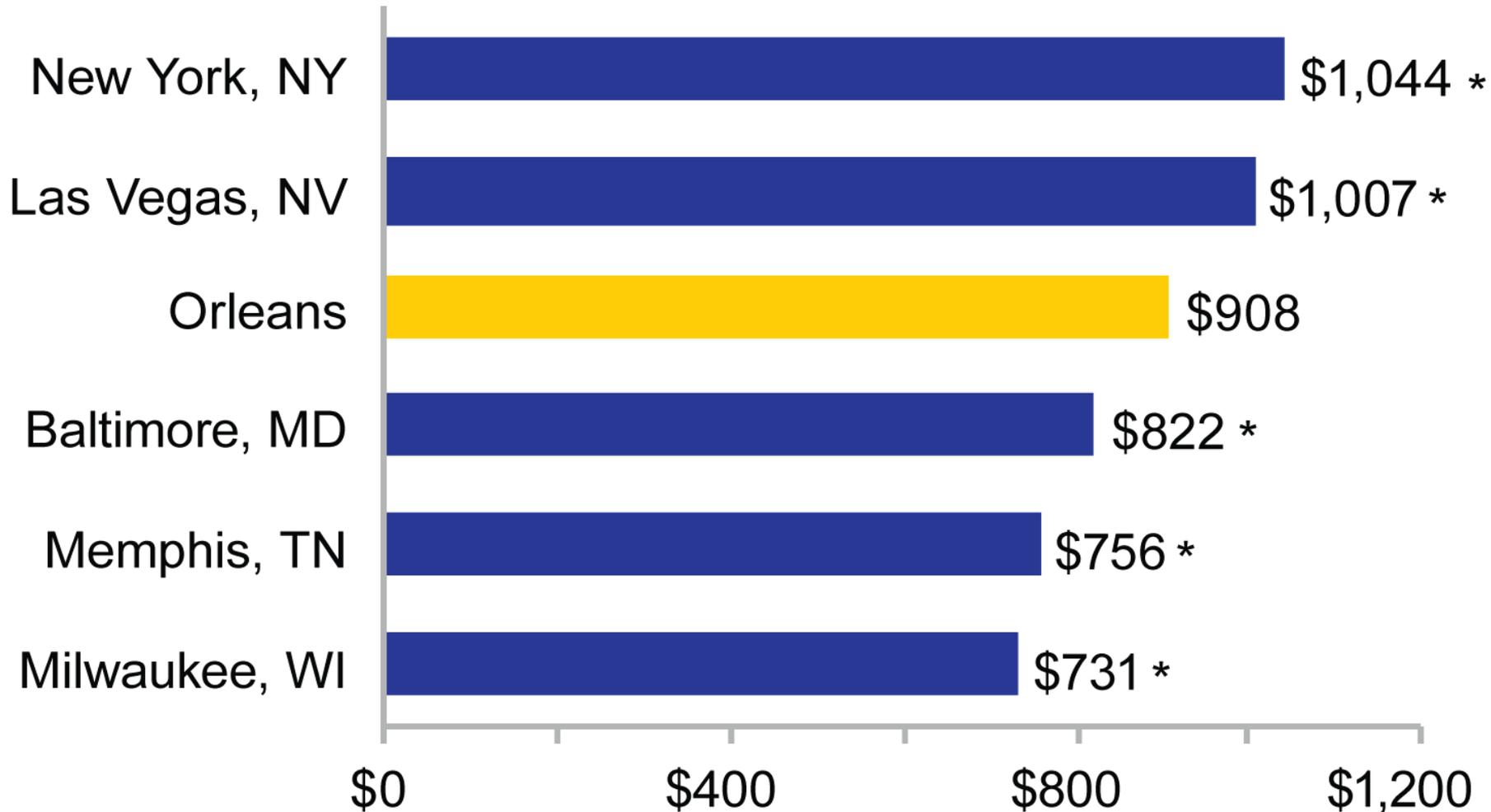


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Source: GNOCDC analysis of U.S. Census Bureau data from American Community Survey 2008.

Renter costs in New Orleans are now well above similar cities.

Median gross monthly rent, 2008, across all bedroom sizes



*Statistically different from Orleans value at 95% confidence level

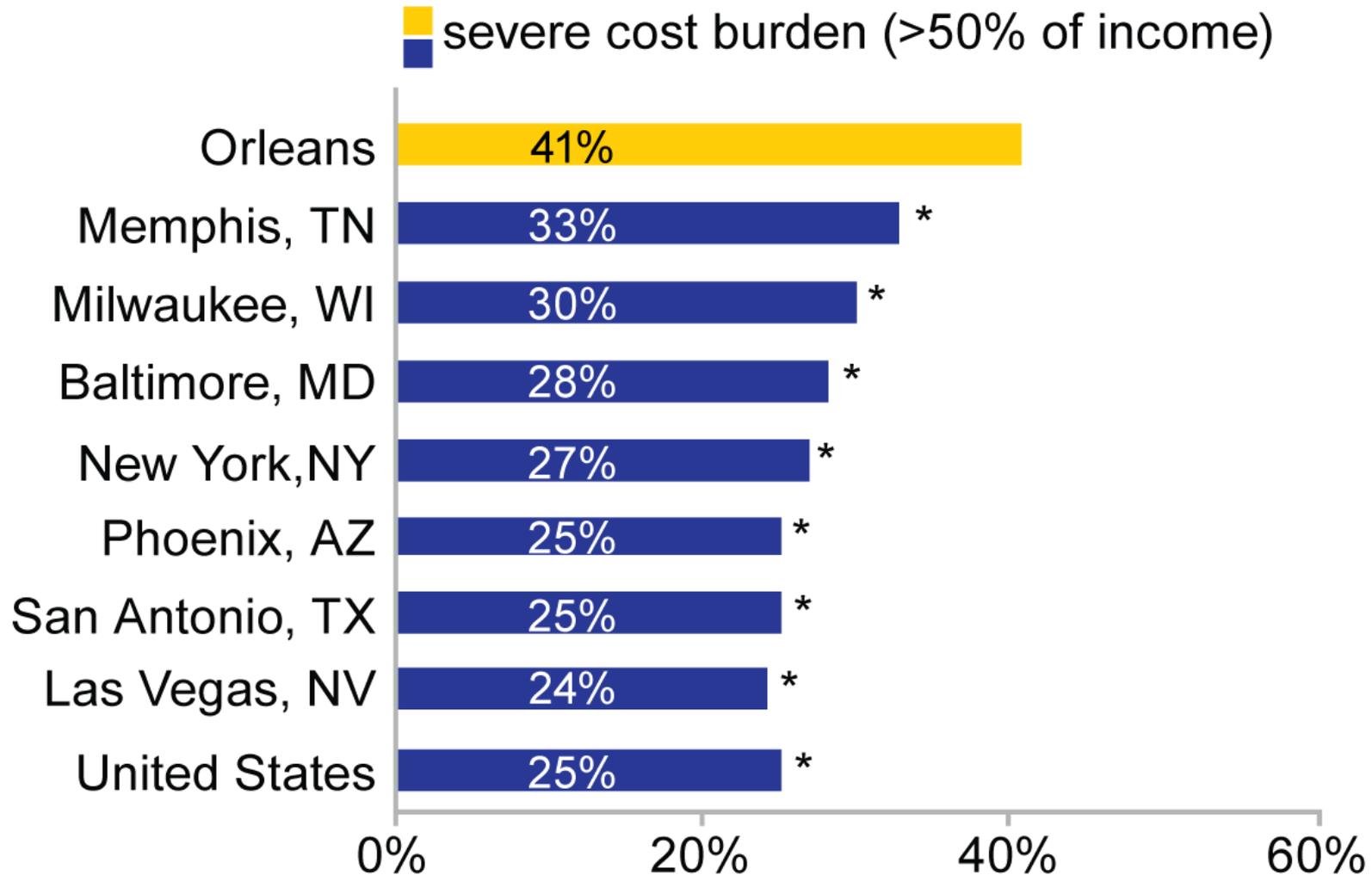
Source: GNOCDC analysis of U.S. Census Bureau data from American Community Survey 2008.

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Orleans renters are more likely to pay at least half their income on housing than NY renters.

Percent of renters that are severely cost burdened and cost burdened, 2008

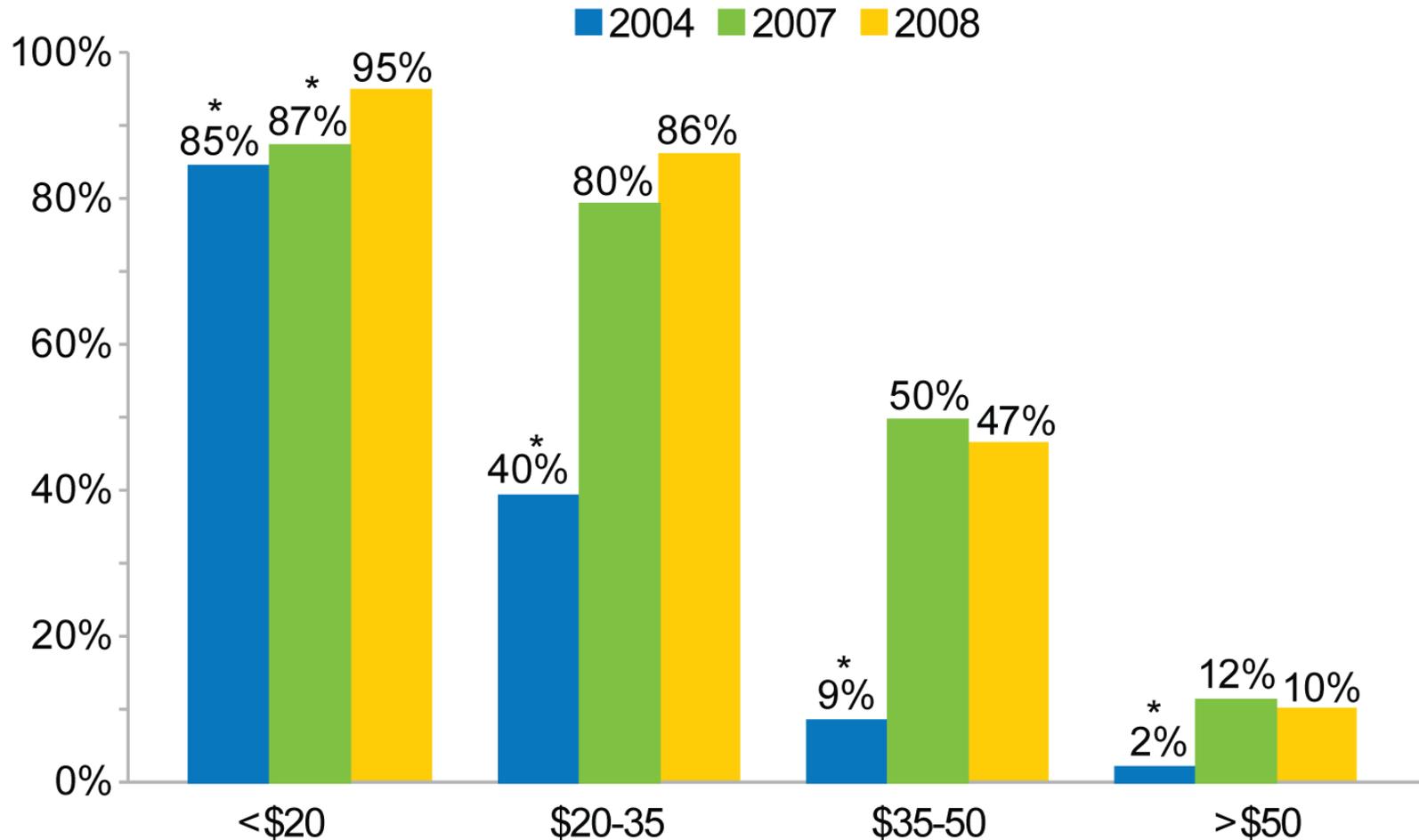


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Source: GNOCDC analysis of U.S. Census Bureau data from American Community Survey 2008.

Affordability worsened post-Katrina, and worsened even more 07-08 for lowest income HHs

Percent of renters spending 30% or more of income on housing by income range, in thousands of dollars, Orleans

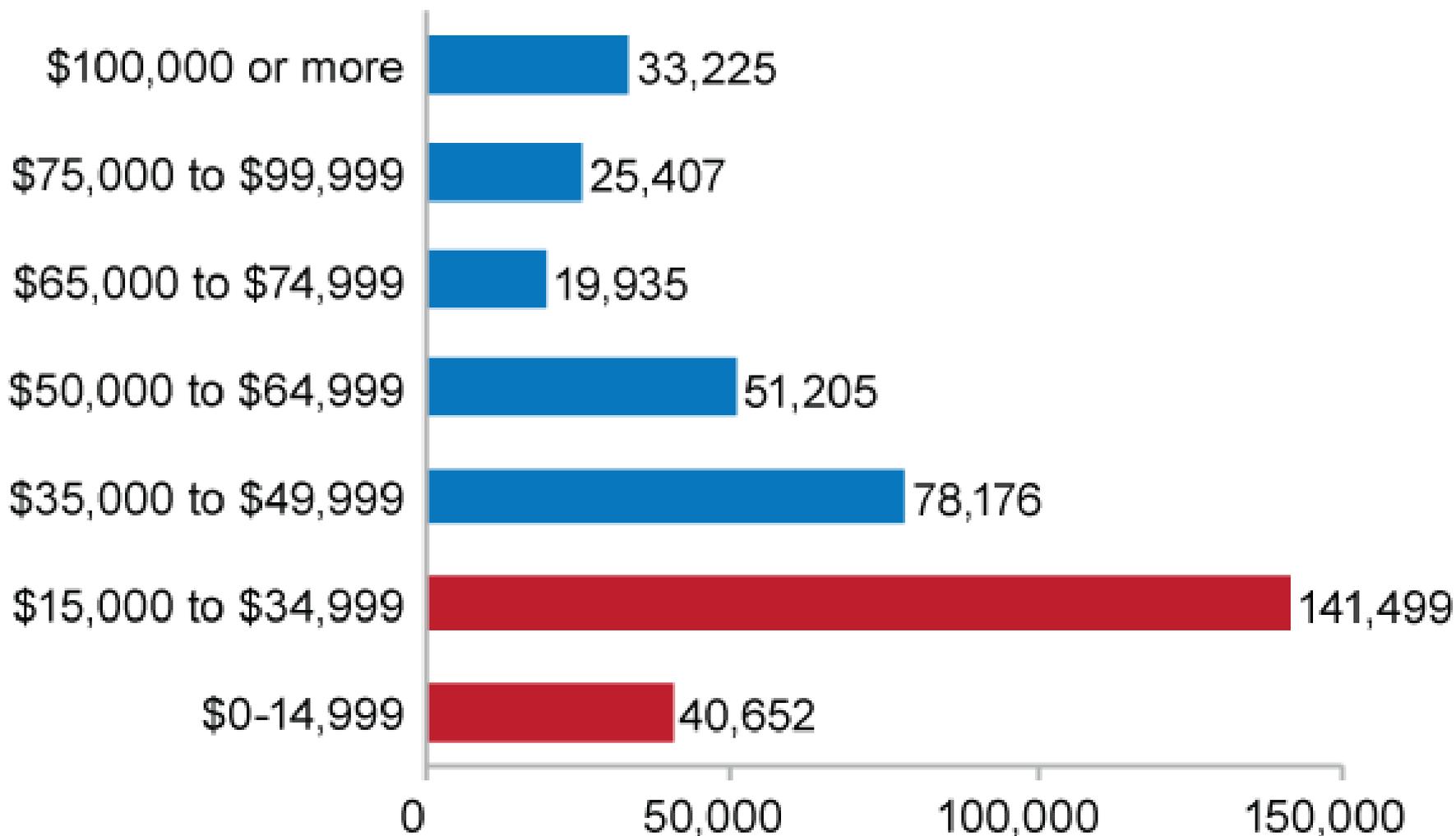


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Source: GNOCDC analysis of U.S. Census Bureau data from American Community Survey 2004, 2007, 2008.

In the metro area, 47% of full-time year-round workers earn less than \$35,000.

Full-time year-round workers by income range, New Orleans metro area



Much of our tourism workforce can afford only \$440-\$490 per month for rent + utilities.

Affordable rents for full-time, year-round workers (16 years+) making less than \$35,000, New Orleans metro area, 2008

	Number of workers	Median annual earnings	Affordable rent + utilities
Food preparation and serving related occupations	20,829	\$17,608	\$440
Building and grounds cleaning and maintenance occupations	11,217	\$19,471	\$487
Personal care and service occupations	11,524	\$19,585	\$490
Healthcare support occupations	7,795	\$22,864	\$572
Fire fighting and prevention, and other protective service workers including supervisors	5,131	\$27,654	\$691
Material moving workers	5,578	\$27,808	\$695
Office and administrative support occupations	54,474	\$28,859	\$721
Motor vehicle operators	8,793	\$31,150	\$779
Community and social services occupations	6,873	\$34,837	\$871

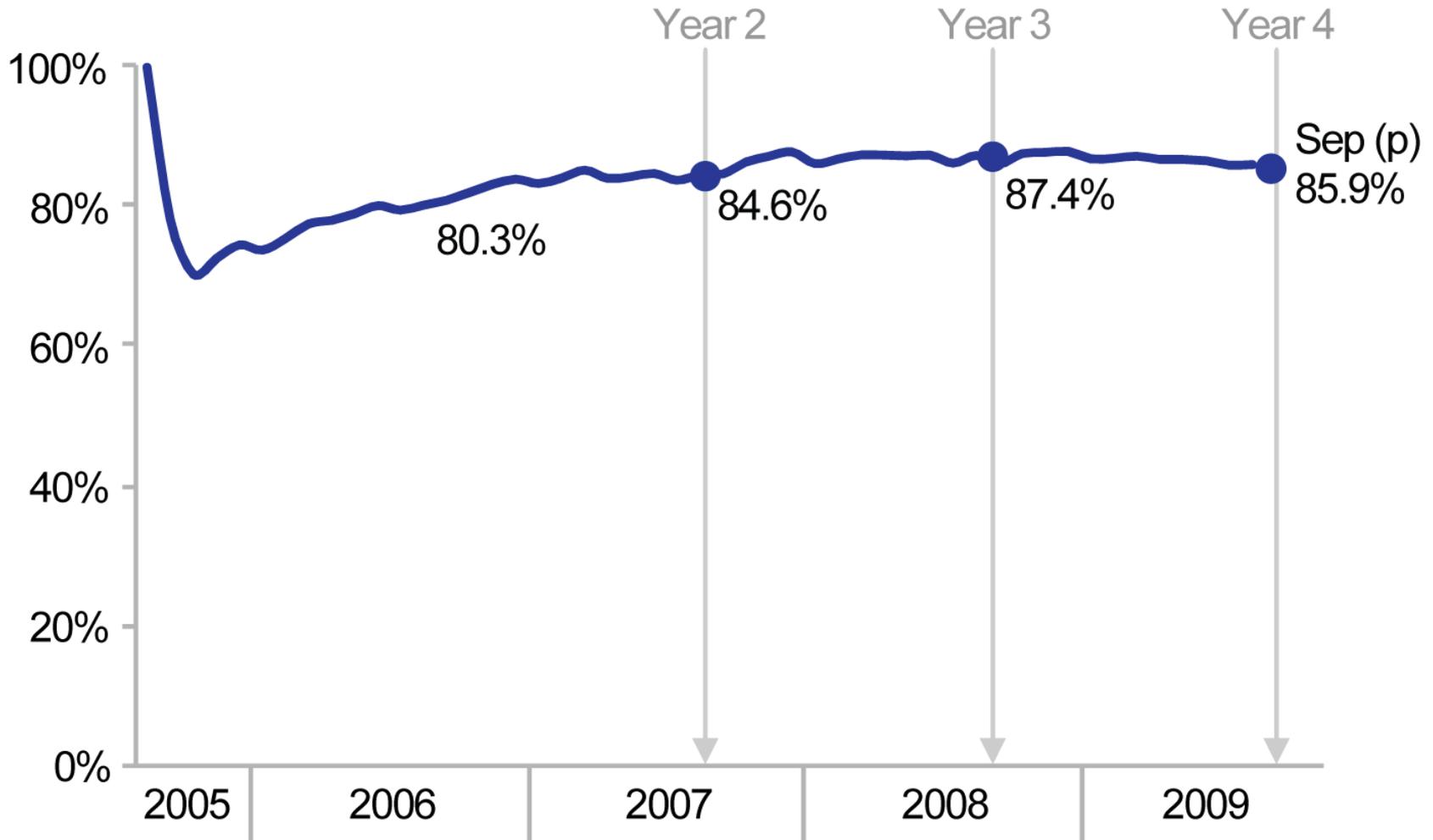
Source: GNOCDC analysis of U.S. Census Bureau data from American Community Survey 2008.

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But the recession flattened the local jobs recovery rate.

Non-farm jobs as a percent of pre-Katrina jobs, New Orleans Metro



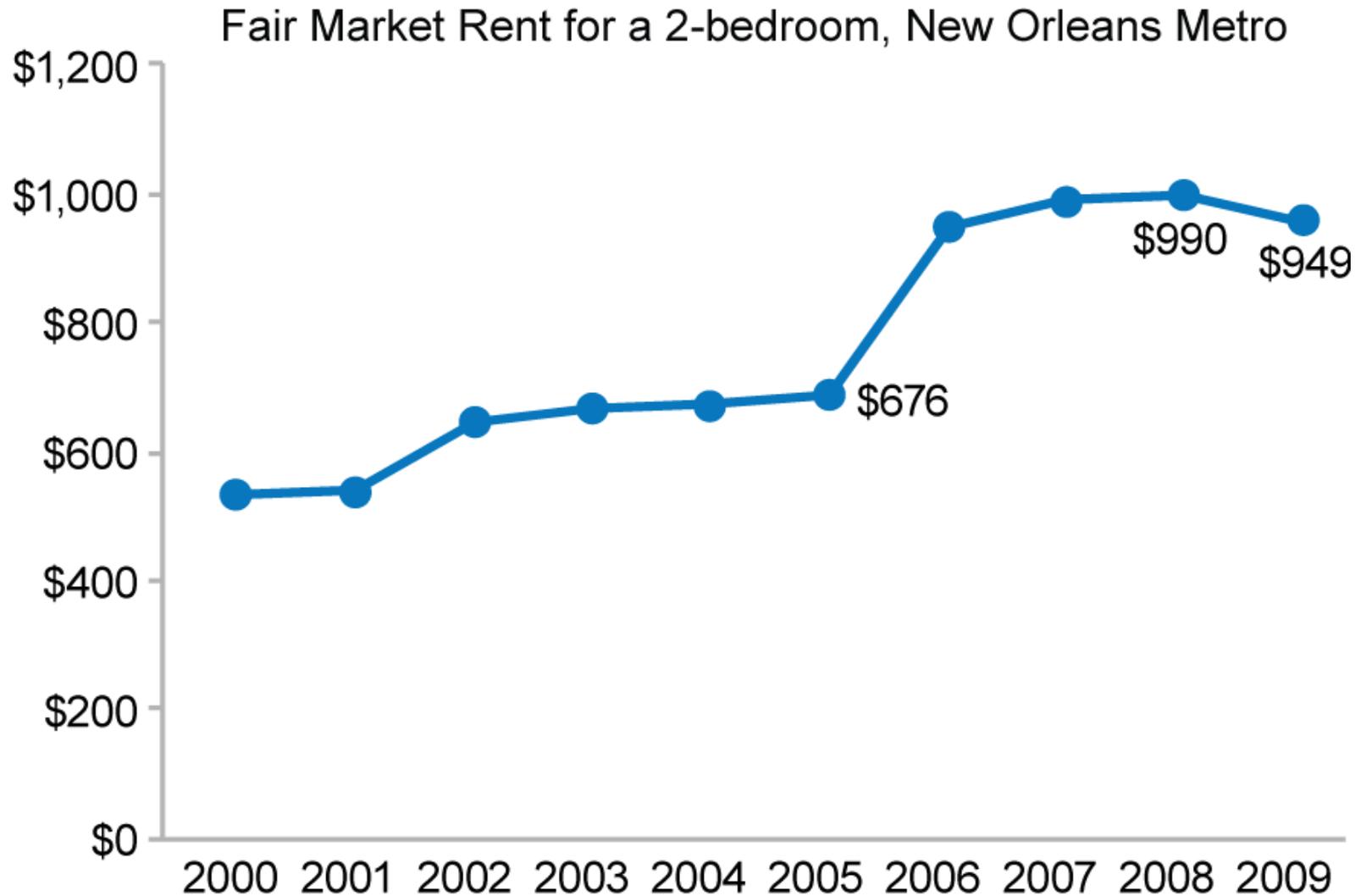
Source: U.S. Bureau of Labor Statistics.

Note: (p):preliminary

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Vacancies among market rate apts. increased from 8% in Aug 2007 to 13% in Sept 2009. Rents have come down.

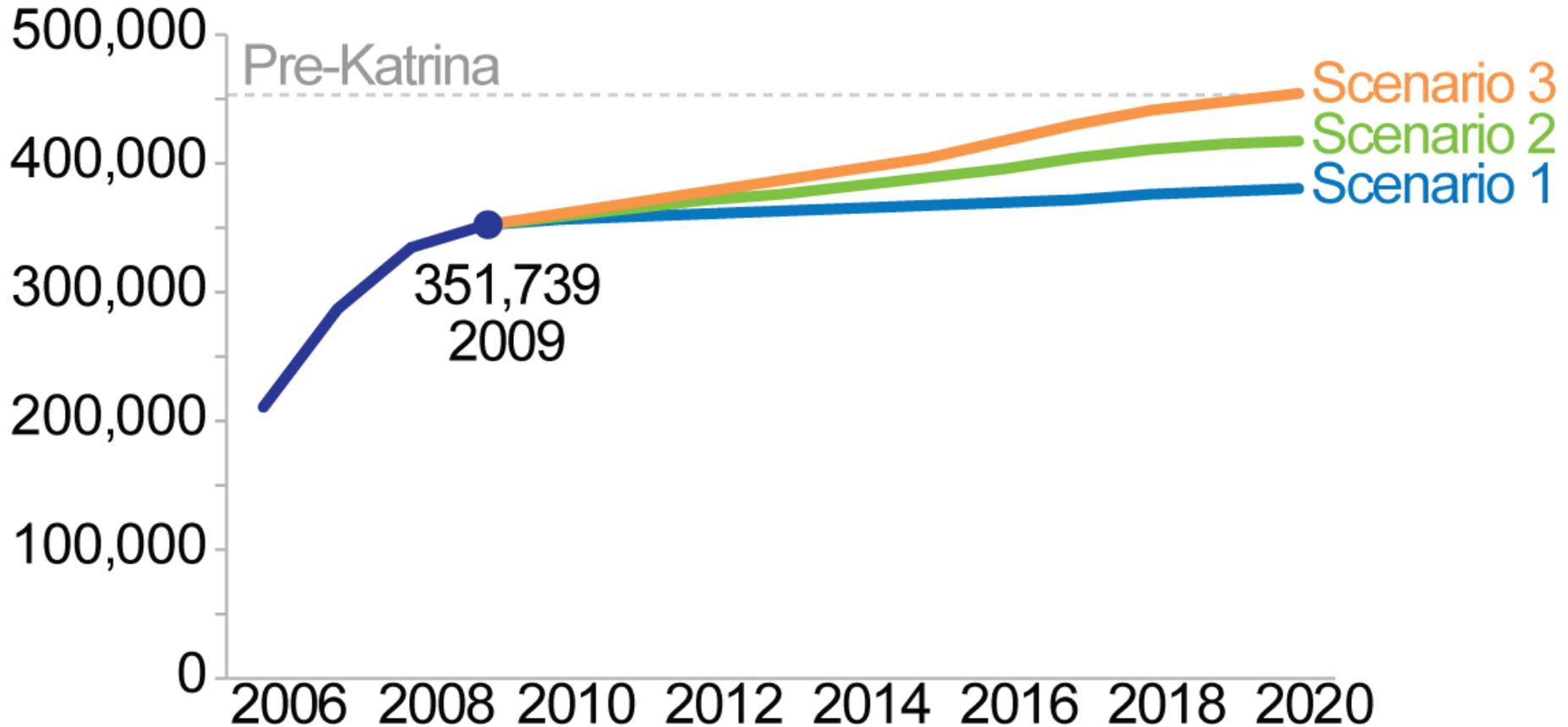


What do you do when market rate vacancies are rising but you still have an affordability crisis?



Alternative futures for New Orleans

New Orleans population estimates and projection



Alternative scenarios

Alternative scenarios for estimating housing production needs for New Orleans

	Scenario 1: Status Quo	Scenario 2: Jobs Shift to New Orleans	Scenario 3: More Robust Growth
Assumptions:			
Metropolitan job growth	Using LWC estimates	Using LWC estimates	Using LWC estimates + 25,000 by 2016
Orleans share of job growth	33.8%	37.0%	37.0%
Household mix	Same as 2008	Same as 2008	Same as 2000
Results:			
Total population in 2020	382,000	418,000	455,000
Total households in 2020	185,756	205,143	221,676
Additional housing needed by 2020	25,911	46,062	63,245

Our study looks at overall demand.

Demand

Homeowners	Rental	
X	X	Not Subsidized
X	X	Subsidized

So we took a look at demand just in this quadrant as well.

Demand

Homeowners

Rental

	X

Not
Subsidized

Subsidized

Supply

Homeowners

Rental

	X

Not
Subsidized

Subsidized

Three sources of demand for subsidized rental units

- I. Current low income, cost-burdened renters (earning less than 80% area median income)
- II. Homeless individuals and families
- III. Future low income households

UNITY estimates 11,500 homeless, Jan '09

- 80% Individuals
- 7% in 2-person “households”
- 5% in 3-person “households”
- 8% in 4+ person “households”

~9,994 households

Cost burdened Orleans renters ~ 45,000 households < 80% AMI

Number of cost burdened renter households by income, Orleans Parish

	Percent of renter households by income range ^d	Renter households by income range	Percent in income range that are cost burdened	Number cost burdened in income range
Less than \$20,000 ^a	39%	28,479	95.3%	27,151
\$20,000 to \$34,999 ^b	22%	16,272	86.2%	14,022
\$35,000 to \$49,999 ^c	13%	9,418	46.9%	4,414
\$50,000 plus	25%	18,347	10.3%	1,885
Total		72,516		47,472

Source: GNOCDC analysis of US Census Bureau's American Community Survey 2008 and USPS Delivery Statistics Product

a. ~<40% AMI "very low-income"

b. ~40-60% AMI "low-income"

c. ~60-80% AMI

d. Universe = All renter households where housing costs as a percentage of income was computed.

Current Demand vs Supply

10,000 homeless households

45,000 cost burdened renters

**25,568 subsidies currently
available**

Source: Unity for the Homeless, GNOCDC analysis of US Census Bureau's American Community Survey 2008 and USPS Delivery Statistics Product, and GNOCDC analysis of data from the LHFA, HANO, LRA and HUD

Future Supply and Demand

**Timeline of housing demand and supply for Scenario 1
(status quo and 3.8% target vacancy rate with housing for homeless)**

		Cumulative		
	2010	2012	2015	2020
Housing Demand				
Total additional units needed	885	3,598	9,153	25,911
Total additional subsidies needed	20,896	23,034	26,837	36,151
Housing Supply				
Total additional units	??	??	??	??
New federally-subsidized units	7,467	7,754	7,754	7,754
Surplus/shortfall				
Surplus in market rate units	At least 6,582	At least 4,156	At most -1,399	At most - 18,157
Shortfall in subsidies	-13,429	-15,280	-19,083	-28,397

Note: all numbers are cumulative. This analysis assumes that all small rental properties will be available and occupied by the end of 2010, and that LIHTC units are leasing by the current expected completion date.

What's the bottom line?

The data indicates that there is demand for the subsidized rental units in the pipeline for New Orleans.

Many New Orleans neighborhoods will find it difficult to attract any additional private investments.

- New Orleans neighborhoods should maximize the potential of subsidized rental and subsidized homeowner investments.
- All “New Orleanians” (in city and suburbs) should advocate for regional economic development activities.

HOUSING IN THE
NEW ORLEANS
METRO SERIES

HOUSING PRODUCTION NEEDS

THREE SCENARIOS FOR
NEW ORLEANS

ALLISON PLYER & ELAINE ORTIZ
GREATER NEW ORLEANS COMMUNITY DATA CENTER

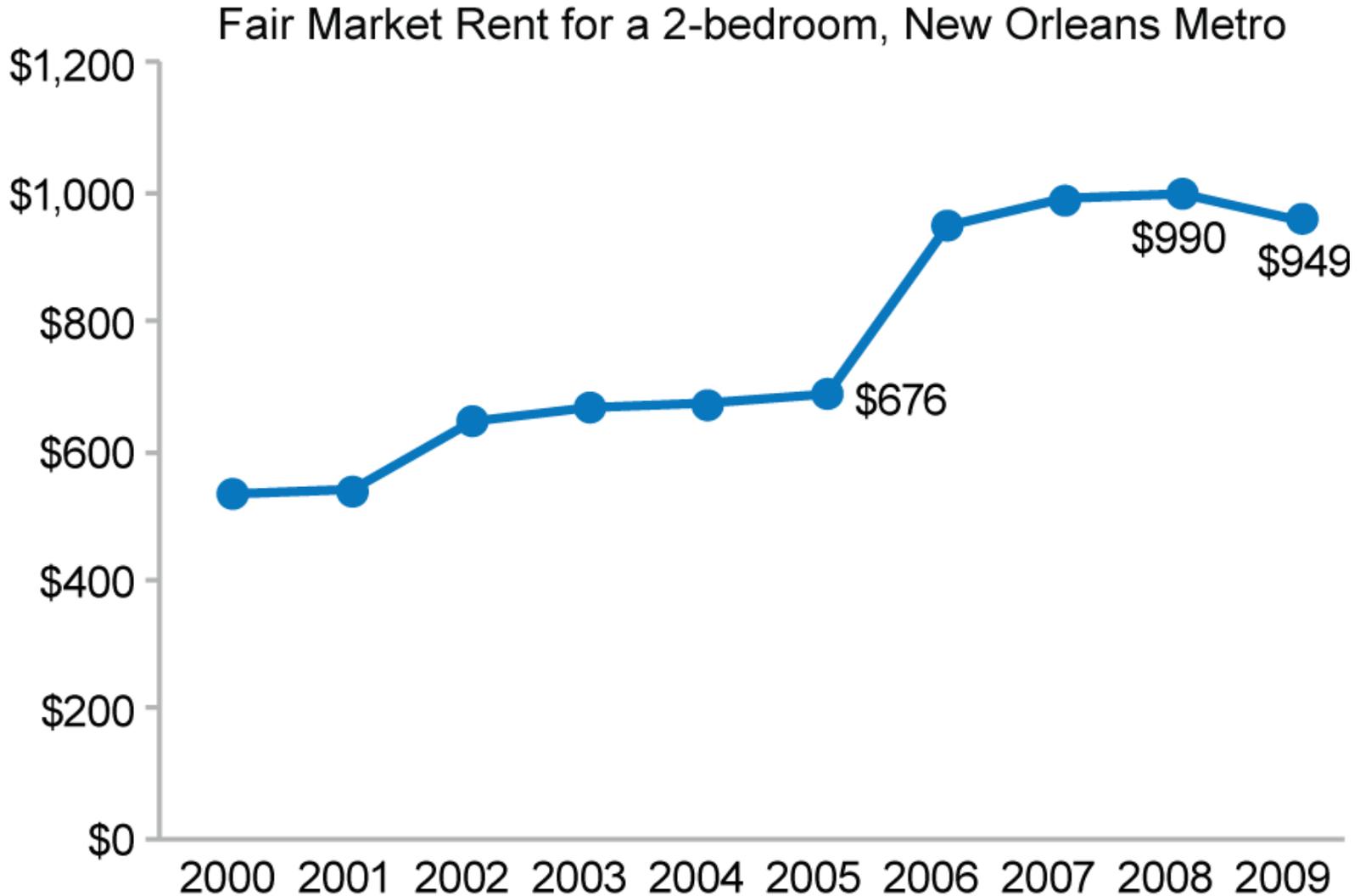
KATHRYN PETTIT & MARGERY AUSTIN TURNER
THE URBAN INSTITUTE

ANNUAL REPORT NOVEMBER 2009

Questions...

Why can't the market fix it?

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Is the increase in the number of subsidized rentals in New Orleans a bad sign?

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Current Homeowners:

80,728

**Road Home Option 1
subsidies:**

41,566

51% of total

Current Renters:

72,516

Current subsidies:

25,568

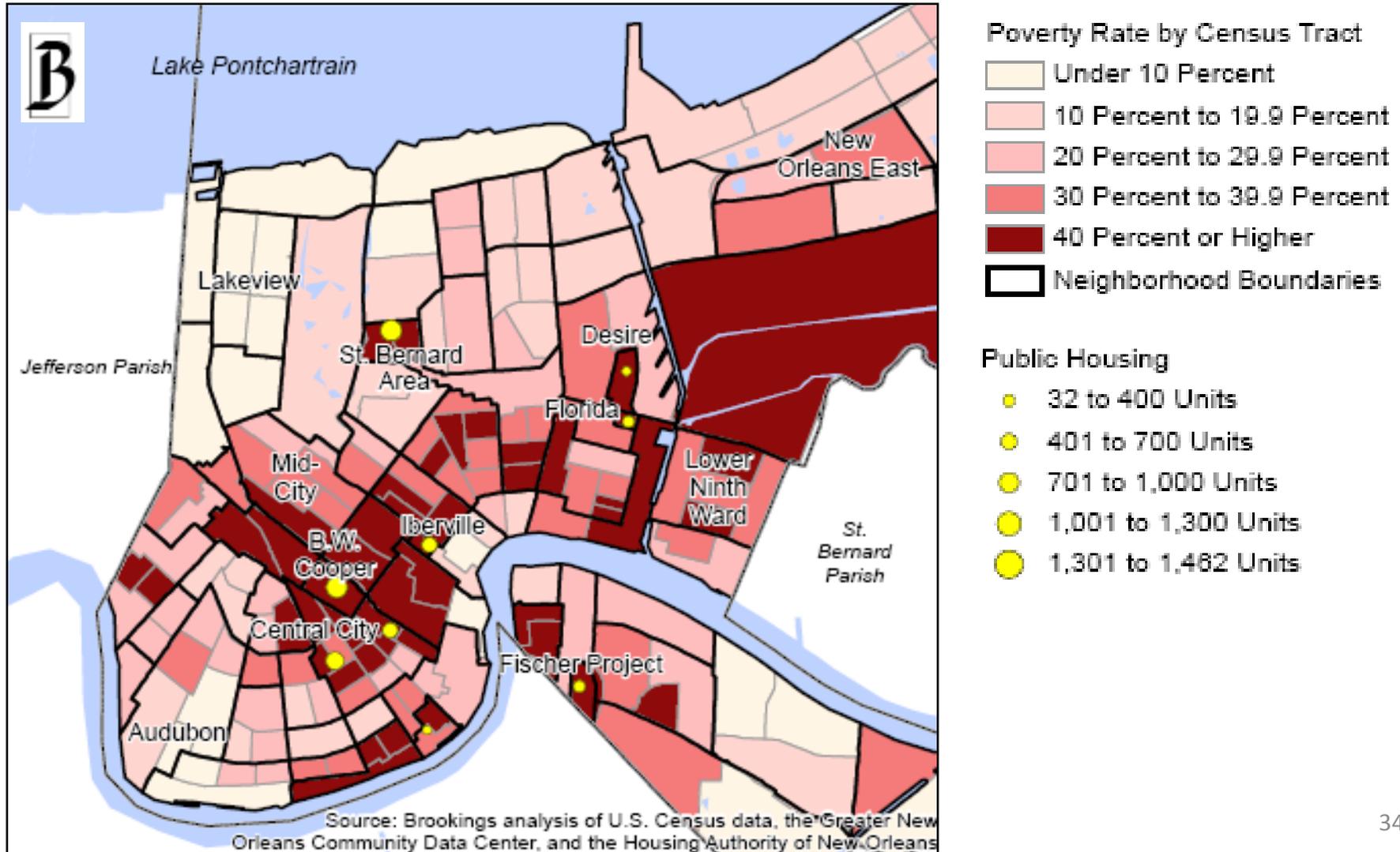
Subsidies in pipeline:

7,754

46% of total

But we don't want to concentrate all the subsidized rentals in New Orleans, do we?

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But is the availability of more subsidized rentals resulting in more poor people live in New Orleans than in the surrounding parishes?



But is the availability of more subsidized rentals resulting in more poor people live in New Orleans than in the other parishes?

Current Demand **Projected Supply**

	Renters <80%AMI	Cost burdened renters	Max projected subsidies
Orleans	54,000	45,000	35,704
Jefferson	45,000	33,000	10,033
St. Tammany	14,000	11,000	2,247

Source: GNOCDC analysis of US Census Bureau's American Community Survey 2008 and USPS Delivery Statistics Product, and BGR analysis of data from the LHFA, HANO, LRA and HUD

What's the bottom line?

The data indicates that there is demand for the subsidized rental units in the pipeline for New Orleans.

New Orleans neighborhoods should maximize the potential of subsidized rental and subsidized homeowner investments.

The city and state should invest in publicly accessible information infrastructure to support decision-making and promote accountability -- like systems available in many other cities around the country.

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