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# Piggyback Program Overview

## Louisiana Recovery Authority Board Meeting

Baton Rouge, Louisiana  
Thursday, August 10, 2006



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# Priorities, Timeline, Funding

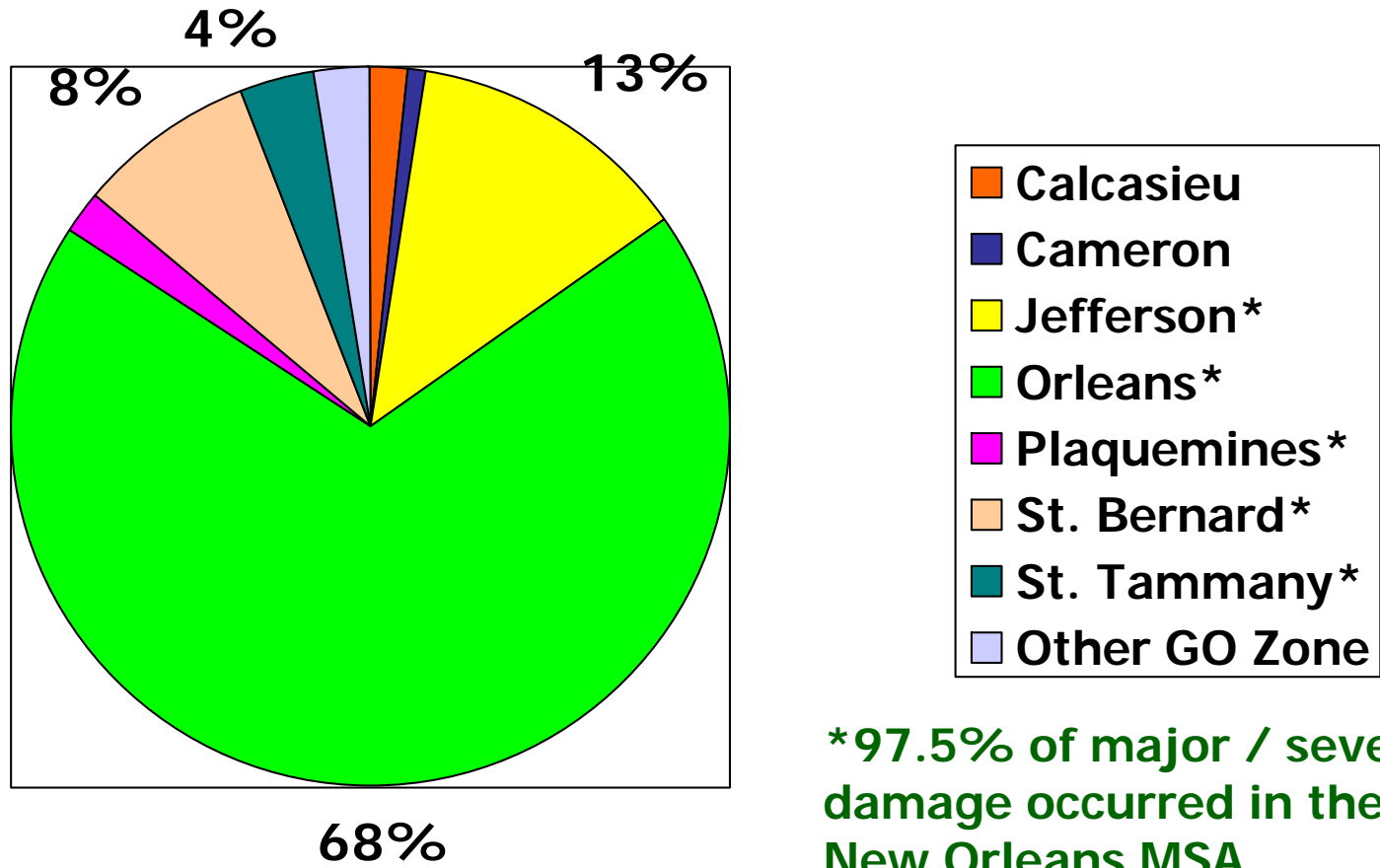
The Road Home and the  
Piggyback Program



# The Road Home: Replace Lost Housing Where It Was Lost\*

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## Major and Severe Damage by Parish





# The Road Home: Primary Programs

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## □ Homeowner Assistance

- Primarily, compensation for uninsured damages

## □ Small Rental Repair

- Recognizes that 70% of New Orleans rental stock was in 2-4 unit buildings

## □ Piggyback

- Combine CDBG funds with GO Zone Credits
- Priorities: Deep Affordability, Workforce Housing in Mixed Income Communities, Permanent Supportive Housing



# Piggyback Funding Approach

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- ❑ 75% of funding to 7 most heavily damaged Parishes
- ❑ 25% of funding open to entire GO Zone
- ❑ If funds remain after meeting volume goals, use for:
  - Additional Mixed Income developments
  - Additional production via tax-exempt bonds / 4% LIHTCs



# Piggyback: Volume Goals\*

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\* Action Plan 04-26-06

## ❑ Deep Affordability

- 6,000 to 9,000 units, evenly divided between units affordable at 20% AMI, 30% AMI and 40% AMI

## ❑ Permanent Supportive Housing

- 1,800 to 3,000 units, mostly via the PSH Set-Aside Program
- Service Grants to support all PSH units

## ❑ Workforce Housing in Mixed Income Communities

- 7,000 to 9,000 units affordable at 50%-60% AMI
- 5,000 to 15,000 units affordable above 60% AMI



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# Program Objectives

The Road Home  
Piggyback Program



# Piggyback Program Objectives

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## Deep Affordability

- For extremely low-income Louisianans

## Workforce Housing

- For low-income and middle-income workers

## Mixed-Income Communities

- Combining market-rate and below-market units

## Permanent Supportive Housing

- Mainstream housing for special populations, with intensive supportive services





# Deep Affordability

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## ❑ Objectives:

- Standard-quality units
- Affordable to extremely low-income Louisianans
- Without replicating pre-storm concentrations of poverty

## ❑ The Problem:

- Below about \$20K-\$25K income for a family of four (roughly 45%-50% of “Area Median Income”), the affordable rent isn’t enough to pay operating costs, even if there is no mortgage payment.



## Deep Affordability (cont'd)

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- ❑ The Solution: the Piggyback Program provides “Louisiana Operating Subsidy” for:
  - 20% AMI Units (approx. <\$10K income)
  - 30% AMI Units (\$10K to \$15K income)
  - 40% AMI Units (\$15K to \$20K income)
- ❑ Operating Subsidy pays the developer the difference between the affordable rent and a Payment Standard (e.g., the 50% AMI rent)
- ❑ 15-year contract term (10 year primary term, plus an additional 5-year phase-down)



# Workforce Housing

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- ❑ For a range of important workforce participants
- ❑ At the upper end of the range
  - Police, firefighters, nurses, teachers
  - Two-wage-earner households
- ❑ At the lower end of the range
  - Entry-level working families
  - Single-wage-earner households
- ❑ And everything in between



# Workforce Housing Strategies

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- ❑ 100% LIHTC properties providing a mix of incomes below 60% AMI
- ❑ “Mixed Income” properties with 60%-80% market rate units and 20%-40% LIHTC units



# Mixed-Income Communities

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## □ Objectives:

- Workforce housing combining market-rate and below-market units
- Neighborhood improvement
- Reduce concentration of poverty

## □ Typical unit mix:

- 60%-80% of units at market rents
  - Goal -- market rents that are affordable to key workforce participants
- 10% of units affordable at 20% AMI
- 10% of units affordable at 30% AMI
- 0% to 20% of units affordable at 60% AMI



# Mixed Income: Funding Approach

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- ❑ “Louisiana Flexible Subsidy” to partially support development costs for market-rate units
  - Low-interest loan, payable from a share of cash flow
- ❑ GO Zone Credits to support development costs for below-market units
- ❑ “Louisiana Operating Subsidy” to make some below-market units affordable to extremely low-income Louisianans
  - Or alternative approaches, such as project-based Housing Choice Vouchers



# Permanent Supportive Housing

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- ❑ Targeted to special-needs populations, for example:
  - Hurricane displaces living in the homeless shelter system
  - Persons with severe and persistent disabilities
- ❑ Objectives:
  - Stable vs. transient housing
  - Non-institutional, community-based settings
  - Reduced utilization of emergency room services and other high-cost health / social services interventions
- ❑ Intensive supportive services provided through partnerships with DHH (Department of Health and Hospitals) and DSS (Department of Social Services)



## PSH: Production Approach

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- ❑ **Primary Approach: required set-aside of 5% of Piggyback units for PSH clients**
  - Sponsors can accept a 10% set-aside and receive additional QAP points
  - DHH-DSS refer clients
  - Owner accepts or declines
- ❑ **Secondary Approach: small developments for PSH clients**
  - Typically less than 25 units
  - Likely through mission-driven sponsors





# PSH: Funding Approach

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## ❑ Development Costs:

- GO Zone Credits to support development costs

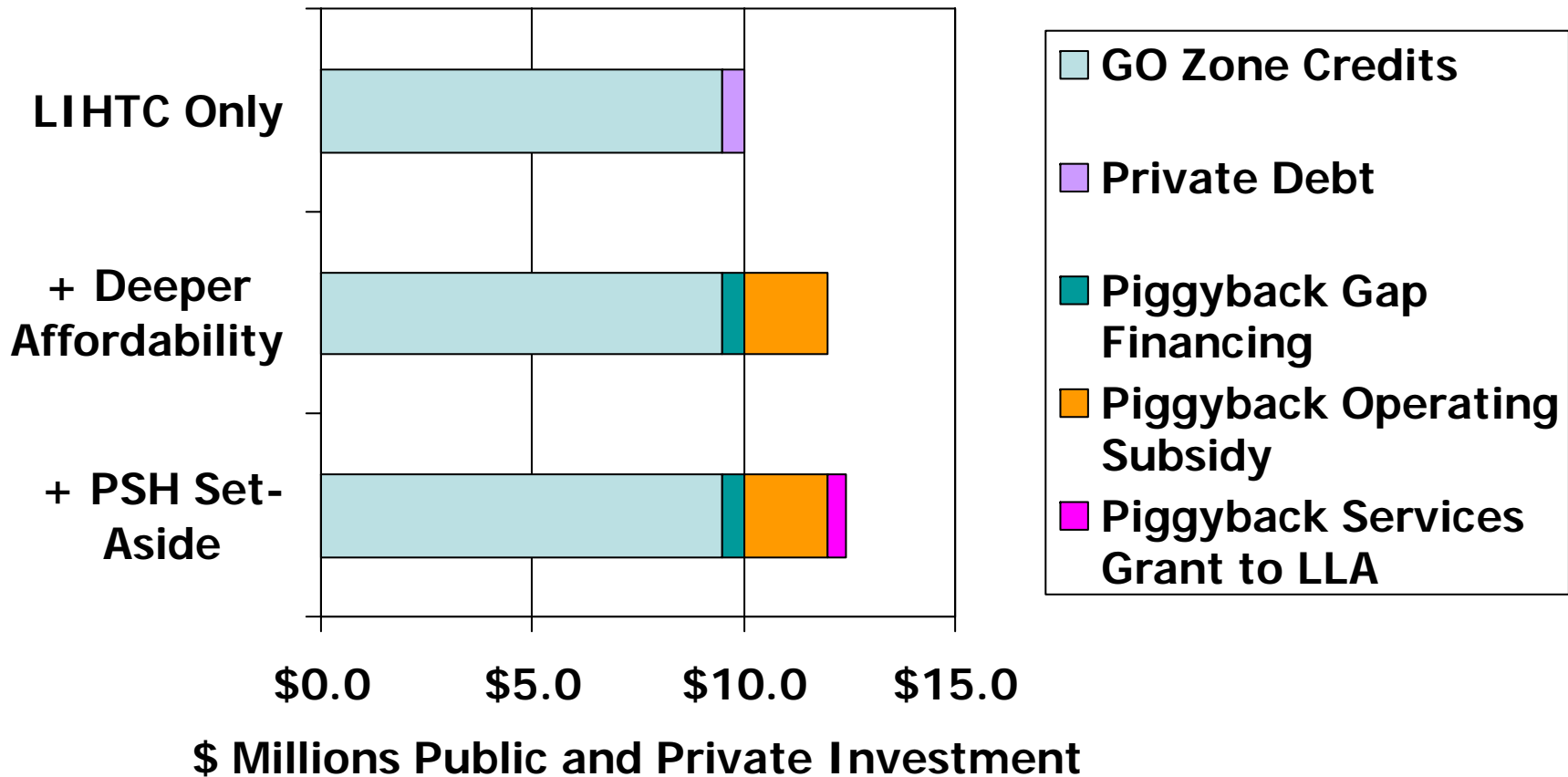
## ❑ Supportive Services:

- First 5 years -- “Louisiana Supportive Service Grants” to support service costs
- Longer term -- experience in other States indicates that savings in emergency room costs, etc. will make it cost-effective for DHH-DSS to continue to fund supportive services long term



# How the Piggyback Program Supplements LIHTCs

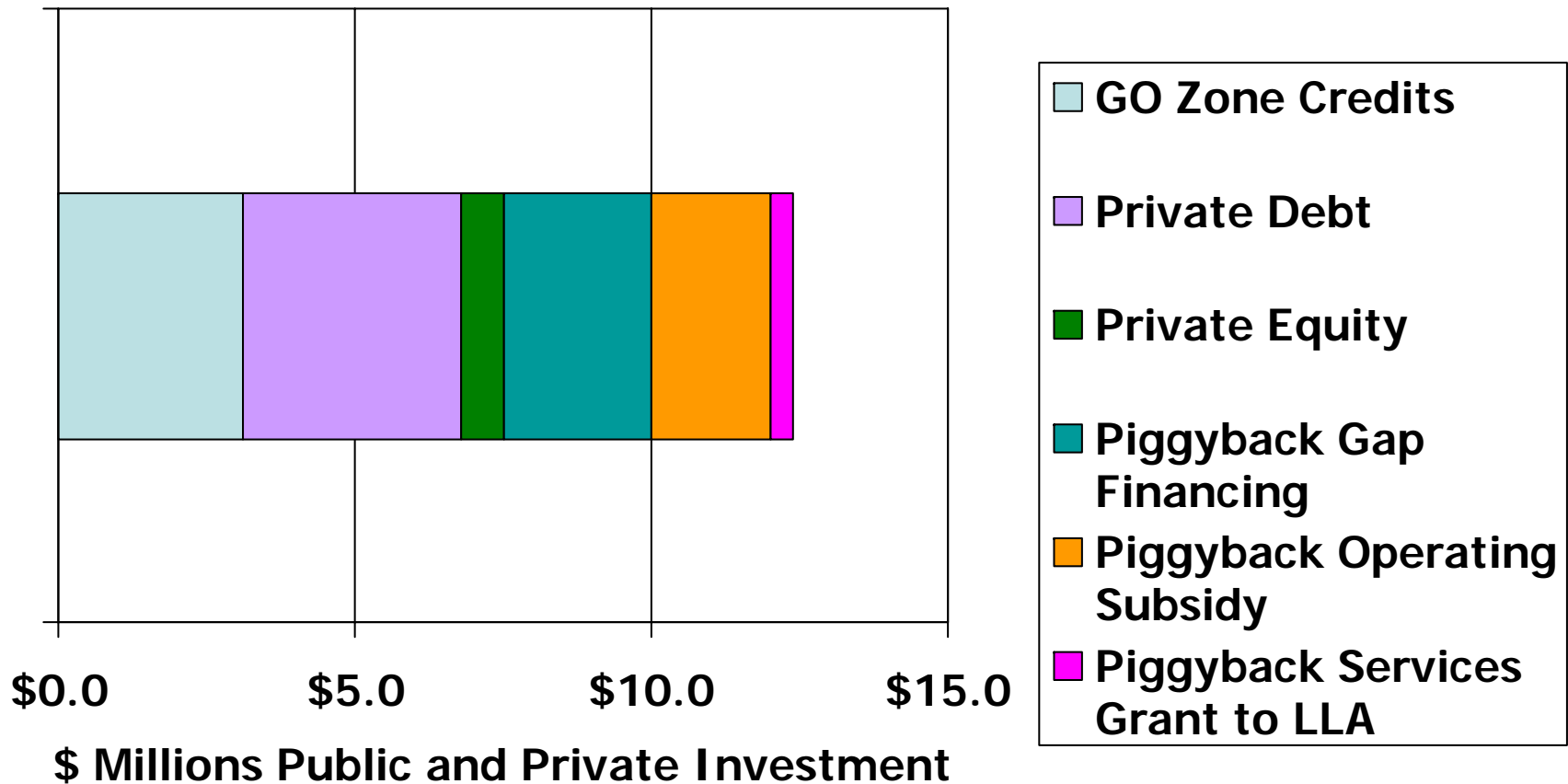
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# Piggyback Mixed Income Project

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# Conclusion

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Piggyback Program



## In Summary

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### □ The Piggyback Program seeks to:

- Reconstruct / rebuild a significant share of rental housing lost in the hurricanes, where it was lost
- Provide deep affordability for Louisianans with the lowest incomes
- Create workforce housing in mixed-income communities
- Avoid replicating the pre-storm excessive concentrations of poverty
- Help special-needs populations achieve stable housing and successful lives

### □ Creation of affordable rental units is a major key to the entire rebuilding effort



## For Additional Information:

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- ❑ The Road Home Action Plan (04-26-06):
  - <http://www.lra.louisiana.gov/assets/april26/HousingActionPlanAmendment042606.pdf>
- ❑ Draft Piggyback Program Description:
  - <http://www.doa.la.gov/cdbg/dractionplans.htm>
- ❑ Draft 2007 QAP:
  - <http://www.lhfa.state.la.us/programs/rental/htc-dwnlds.php>