Piggyback Program Overview

Louisiana Recovery Authority Board Meeting

Baton Rouge, Louisiana
Thursday, August 10, 2006
Priorities, Timeline, Funding

The Road Home and the Piggyback Program
Major and Severe Damage by Parish

- 68%: Orleans*
- 13%: Jefferson*
- 8%: Calcasieu
- 4%: Cameron
- 4%: Plaquemines*
- 4%: St. Bernard*
- 4%: St. Tammany*
- 4%: Other GO Zone
- 97.5% of major / severe damage occurred in the New Orleans MSA
The Road Home: Primary Programs

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

- 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*

* 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
Program Objectives

The Road Home
Piggyback Program
Piggyback Program Objectives

- **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
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.
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

- 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
• 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

- **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

- “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

- Targeted to special-needs populations, for example:
  - Hurricane displacees 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)
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
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

- LIHTC Only
- + Deeper Affordability
- + PSH Set-Aside

$ Millions Public and Private Investment

- GO Zone Credits
- Private Debt
- Piggyback Gap Financing
- Piggyback Operating Subsidy
- Piggyback Services Grant to LLA
Piggyback Mixed Income Project

$ Millions Public and Private Investment

- GO Zone Credits
- Private Debt
- Private Equity
- Piggyback Gap Financing
- Piggyback Operating Subsidy
- Piggyback Services Grant to LLA

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Conclusion

The Road Home
Piggyback Program
In Summary

- 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:

- The Road Home Action Plan (04-26-06):

- Draft Piggyback Program Description:
  - [http://www.doa.la.gov/cdbg/dractionplans.htm](http://www.doa.la.gov/cdbg/dractionplans.htm)

- Draft 2007 QAP:
  - [http://www.lhfa.state.la.us/programs/rental/htc-dwnlds.php](http://www.lhfa.state.la.us/programs/rental/htc-dwnlds.php)