VWB RESEARCH

REVIEW AND ANALYSIS
OF THE STUDY ENTITLED:

"THE HOUSE THAT UNCLE SAM BUILT"
NEW ORLEANS, LOUISIANA

FOR

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LOUISIANA HOUSING FINANCE AGENCY
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EFFECTIVE DATE

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RE: Market Study Review – (Orleans Parish)

Introduction:

VWB Research, a national real estate research firm with experience in New Orleans and Lousiana, analyzed the Bureau of Government Research's (BGR) report entitled *The House that Uncle Sam Built, The Continued Expansion of Subsidized Housing in New Orleans* (dated: May 2009). The intent of our analysis is to determine the BGR report's purpose, and evaluate its approach, methodologies and conclusions. As part of our report, we include an analysis of the potential rental housing need in Orleans Parish and provide our own conclusions and recommendations.

In addition to our review and analysis of BGR's report, our report includes an independent analysis of the following as they relate to Orleans Parish:

- Demographic Characteristics and Trends
- Economic Conditions and Trends
- Rental Housing Supply
- Rental Housing Demand Estimates
- Rental Housing Supply/Demand Reconciliation
- Conclusions
- Recommendations

Sources:

VWB Research relied on a variety of secondary data sources in addition to primary research conducted by our firm. The secondary sources are listed in Addendum A of this report.

BGR's Key Findings:

Overview

In May of 2009, the Bureau of Governmental Research (BGR) issued a report entitled: *The House that Uncle Sam Built, The Continued Expansion of Subsidized Housing in New Orleans*. Based on our review of the report, it appears its intent was to demonstrate the change in the number of government subsidized rental units between 2005 (pre-Katrina) and 2009, as well as to attempt to project the number of such units for 2012. As acknowledged in the BGR Report, "…this report provides numbers on one part of the supply equation: the existing and projected subsidized rental housing supply in the city and in the metropolitan context."

The following table summarizes BGR's inventory of housing for Orleans Parish (Note: subsidized units used by BGR includes not only actual subsidized units, but non-subsidized Tax Credit units):

	ORLEANS PARISH - SUBSIDIZED RENTAL UNITS		
HOUSING PROGRAM	2005 (PRE- KATRINA)	2009* (ESTIMATED)	2012 (PROJECTED)
TENANT-BASED VOUCHERS	9,122	16,617	16,660
PUBLIC HOUSING	5,182	2,743	5,568
LOW-INCOME HOUSING TAX CREDITS	2,493	2,419	4,291
HUD PROJECT-BASED RENTAL ASSISTANCE	3,068	1,399	2,628
SMALL RENTAL PROPERTY PROGRAM	0	821	6,557
TOTAL	**19,865**	**23,999**	**35,704**

*April

Source: BGR's *The House that Uncle Sam Built (Table 1)*

Based on the preceding table, BGR concluded that by the year 2012:

- *"New Orleans will have approximately 35,700 units of subsidized rental housing – an increase of approximately 15,800 units over the pre-Katrina level."*
- *"Subsidized rental units as a percentage of all housing will more than double, rising from 10% pre-Katrina to 25%."*
- *"The number of Housing units for very low-income households will increase by 3,600 (22%) over pre-Katrina levels."*
- *"Although it will have only 27% of the region's population, New Orleans will have 70% of the subsidized housing in the region."*

In short, the report appears to indicate that 1.) There will be an increased amount of government subsidized rental housing in the Orleans Parish, despite a "much reduced overall population base;" and 2.) there has been a disproportionately high share of government-subsidized housing recently added or planned for development in New Orleans, relative to the region; and .3.) these facts warrant additional analysis of the market.

Housing Stock

Using the data provided by BGR and excluding the tenant-based vouchers and units that have been renovated or repaired through the Small Rental Property Program, the actual number of subsidized and Tax Credit units in Orleans Parish decreased from 10,743 in 2005 (pre-Katrina) to 6,561 in 2009. This represents a net decline of 4,182 affordable rental units, or a reduction of 38.9%.

BGR projects that 5,926 subsidized units will be added to the existing subsidized supply by the year 2012. Nonetheless, BGR acknowledges that, while they assume for the purposes of their report that all units in the "pipeline" that are being considered for development will actually be built, they correctly state that due to less demand from purchasers of Tax Credits, the value of Tax Credits has diminished, leaving many projects lacking the necessary funding for developing previously allocated Tax Credit properties. BGR noted that they included 962 Tax Credit units in their supply of subsidized housing, although the projects have yet to receive financing. BGR also acknowledges that they included approximately 1,200 units of public housing units being considered for development by the Housing Authority of New Orleans (HANO), despite the fact that HANO had yet to secure financing for these units. Combined, there are an estimated 2,162 subsidized or Tax Credit units that were included in BGR's projected total of units for 2012, even though these units have not received funding for development. Regardless, if all potential units were developed, BGR projects that the total subsidized supply in Orleans Parish will increase to 12,487 units by 2012. This is a net gain of only 1,744 units from the pre-Katrina supply of subsidized units, or an increase of 16.2%. Even if all of the 5,926 potential subsidized units are added to the market by 2012, these units will likely not be enough to meet the anticipated need form both new renter household growth and replacement of functionally obsolete housing.

While BGR made an effort to identify the existing affordable housing supply and used the most recent data available to project potential housing supply, their report does not provide any demographic statistics (pre-Katrina, current or projected) of the market. More specifically, the report does not provide data relative to the number of low-income or very low-income households in the market today or projections for the future. In short, the report does not provide an assessment of affordable housing demand or attempt to reconcile supply with demand. We provide a demand analysis that considers the supply (both current and projected) later in this report.

Vouchers

According to BGR's report, there are currently 16,617 vouchers in use in Orleans Parish. Their report indicated that this is an increase of 7,495 from the 9,122 vouchers that were in use in 2005 (pre-Katrina). These increased vouchers are primarily attributed to the Disaster Housing Assistance Program (DHAP) that was initiated by FEMA following Hurricane Katrina and later taken over by HUD. This increase in vouchers alone represents the largest increase in current and projected subsidized "units" estimated and projected by BGR.

We provide the following observations and opinions regarding vouchers as a potential supply component:

1. Vouchers are counted as units in the BGR report, yet vouchers are only pledges of payment for a portion of a rental unit up to a certain amount from HUD. It is up to the voucher holder to secure a unit. Due to various reasons, in many cases, not all vouchers are used. Therefore, not all vouchers constitute an affordable rental housing unit.
2. Some vouchers are used in Tax Credit units, yet vouchers and Tax Credit units are counted as separate units in the BGR report, thereby double-counting some of the subsidized units.
3. As many as 30% of the DHAP vouchers that expired on 8/31/09 will not be eligible for Section 8 vouchers, though funding for them will go toward lower-income Section 8 voucher recipients.
4. Voucher holders cannot easily use their vouchers in the marketplace, as many rental property owners will not accept them. Based on a study entitled: *Housing Choice in Crisis, An Audit Report on Discrimination Against Housing Choice Voucher Holders in the Greater New Orleans Rental Housing Market* prepared in August 2009 by the Greater New Orleans Fair Housing Action Center, "*Landlords denied voucher holders the opportunity to rent units eighty-two percent (82%) of the time, either by outright refusal to accept vouchers or by the addition of insurmountable requirements for voucher holders making it impossible for voucher holders to rent units*." (page 6)
5. Of those rental property owners who wish to accept voucher holders, many are having difficulty passing HUD Section 8 housing inspections. This may be a significant problem for householders who are transitioning from DHAP vouchers to HCVP vouchers, as the scrutiny level of meeting minimum quality standards is greater for the HCVP than for the DHAP.
6. Vouchers are permitted to be used in the open marketplace, but elderly, disabled or other special needs voucher holders may have a difficult time finding rental housing that can meet their special needs (i.e. handicapped accessible units).

Based on the preceding analysis, it is our opinion that some subsidized units cited in BGR's report are double counted due to vouchers being used in Tax Credit projects. We also believe that vouchers should not, in their entirety, be considered as "units," as the issuance of a voucher is not a guarantee of a unit. As cited above, voucher holders have difficulty finding housing, either because a large majority of landlords will not accept them or those landlords who are willing to accept vouchers are having difficulty passing HUD Section 8 housing inspections.

Road Home Program - Small Rental Property Program

The BGR Report indicates that affordable rental housing units have been made available to the low-income households in the market through the Small Rental Property Program, which provides funding to property owners to repair their storm-damaged, small-scale rental properties and make their units available to low- and moderate-income tenants at affordable rates for a period of 10 years (20 years for non-profit applicants). The program receives its funding from the U.S. Department of Housing and Urban Development (HUD) and is offered through a series of competitive rounds.

BGR concluded that 821 affordable units have been added to the market through the program and an additional 5,736 affordable units will be added through the program by the year 2012. While it is possible such units could be added to the market, the likelihood that all of these units will materialize is highly questionable. According to an audit dated August 2008 and conducted by the Office of Legislative Auditor, "*The Small Rental program is making progress in meeting its objectives of offering financial incentives to landlords and ensuring affordable rents to low-to-moderate-income families. However, there have been few closings so far. The reasons why so few applicants have closed include applicants being de-obligated from the program or withdrawing for various reasons, applicants not receiving a commitment letter, applicants not returning their commitment letter, and the timeline applicants have for completing their repairs*."

While the program has been modified since this audit was completed, the actual number of units that have closed through the program and have been added to the housing stock is still low. According to a Small Rental Property Program Operations Status Report dated 7/27/09, commitment letters have been sent to applicants of the program for a total of 6,739 units in Orleans Parish. While the current number of closings that have occurred under the program was not available for Orleans Parish at the time we prepared this report, the BGR report indicated only 13% had scheduled closings, and our review of statewide closings show only 16.1% of all affordable units that have received awards or commitments have actually closed.

Given the uncertainty that all (or even many) of the Small Rental Property Program units that received commitment letters will actually be built, it is important not to overestimate the ability of these units to meet the housing needs of low-income households in the market. It is our opinion, given the small number of units that have successfully navigated that program after its first couple of years of existence, that not all of the units that received commitment letters will actually be built. Further, since these units generally are older, damaged duplex and fourplex units that were originally built for the open market, many of the needs of low-income and special needs households will not be met (i.e. accessibility and supportive service needs).

The balance of this report will evaluate demographic, economic and housing data as it relates to Orleans Parish, and will compare our findings with those of BGR, when applicable. We will conclude this report by summarizing our assessment of the Orleans Parish rental housing market and make recommendations concerning steps LHFA should consider to better assist them in their short- and long-term rental housing strategy planning.

VWB Research Analysis

Demographic Characteristics and Trends

The following table reflects the Orleans Parish population and household trends from 1990, 2000, 2009 (estimated) and projected to 2014.

	SITE PMA	
	POPULATION	HOUSEHOLDS
1990 CENSUS	496,938	188,235
2000 CENSUS	484,674	188,251
2009 ESTIMATED	326,968	124,294
CHANGE 2000-2009	-157,706	-63,957
PERCENT CHANGE 2000-2009	-32.5%	-34.0%
2014 PROJECTED	410,690	157,190
CHANGE 2009-2014	83,722	32,896
PERCENT CHANGE 2009-2014	25.6%	26.5%

Source: VWB Research; ESRI; 1990, 2000 Census

As illustrated in the preceding tables, Orleans Parish experienced a decline in population, but an increase in households between 1990 and 2000. Between 2000 and 2009, and following the impact of Hurricane Katrina in 2005, the population decreased by 157,706, or 32.5%. During the same period, households declined by 63,957, or 34.0%. This demographic trend is projected to turn around, increasing through 2014, when there will be 410,690 people in 157,190 households within Orleans Parish. This growth represents a population increase of 83,722 (25.6%) and a household increase of 32,896 (26.5%), from 2009. While the Parish has not fully recovered to pre-Katrina population and households levels, the area is experiencing a notable recovery. With over 32,000 additional households expected to be added to the market over the next five years, the demand for additional housing will increase.

The distribution of households by income for Orleans Parish in 2009 (estimated) and 2014 (projected) are as follows:

HOUSEHOLD INCOME	2009 (ESTIMATED)		2014 (PROJECTED)	
	HOUSEHOLDS	PERCENT	HOUSEHOLDS	PERCENT
$0 - $10,000	19,085	15.4%	22,786	14.5%
$10,000 - $19,999	20,766	16.7%	23,632	15.0%
$20,000 - $29,999	16,707	13.4%	22,747	14.5%
$30,000 - $39,999	15,555	12.5%	23,101	14.7%
$40,000 - $49,999	11,920	9.6%	16,402	10.4%
$50,000 - $59,999	9,849	7.9%	10,216	6.5%
$60,000 - $74,999	11,239	9.0%	13,516	8.6%
$75,000 - $99,999	8,992	7.2%	11,453	7.3%
$100,000 +	10,181	8.2%	13,337	8.5%
TOTAL	124,294	100.0%	157,190	100.0%
MEDIAN INCOME	$33,043		$35,082	

In 2000, the median household income was $27,304. This increased 21.0% to $33,043 in 2009. By 2014, it is projected that the median household income will be $35,082, an increase of 6.2% over 2009.

The following tables illustrate renter household income by household size for 2000, 2009, 2012 and 2014 for the Site PMA:

RENTER HOUSEHOLDS	2000 (CENSUS)					
	1-PERSON	2-PERSON	3-PERSON	4-PERSON	5-PERSON+	TOTAL
$0 - $10,000	15,904	5,476	4,254	3,037	2,829	31,499
$10,000 - $20,000	9,241	5,451	3,620	2,146	2,358	22,815
$20,000 - $30,000	5,975	4,014	2,804	1,761	1,790	16,345
$30,000 - $40,000	4,012	2,750	1,747	1,301	1,424	11,235
$40,000 - $50,000	1,821	2,144	1,152	757	654	6,528
$50,000 - $60,000	1,188	1,518	675	403	572	4,356
$60,000+	1,753	2,840	1,241	1,094	957	7,884
TOTAL	39,894	24,194	15,492	10,498	10,584	100,662

Source: Ribbon Demographics ESRI

RENTER HOUSEHOLDS	2009 (ESTIMATED)					
	1-PERSON	2-PERSON	3-PERSON	4-PERSON	5-PERSON+	TOTAL
$0 - $10,000	9,621	2,327	1,807	1,199	1,187	16,140
$10,000 - $20,000	6,363	2,816	1,913	1,061	1,209	13,362
$20,000 - $30,000	4,160	2,007	1,451	877	946	9,441
$30,000 - $40,000	3,171	1,558	1,084	790	868	7,472
$40,000 - $50,000	1,825	1,741	976	584	521	5,647
$50,000 - $60,000	1,364	1,424	550	334	459	4,130
$60,000+	2,921	3,543	1,480	1,266	1,186	10,395
TOTAL	29,424	15,416	9,261	6,110	6,377	66,587

Source: Ribbon Demographics ESRI

RENTER HOUSEHOLDS	2012 (ESTIMATED)					
	1-PERSON	2-PERSON	3-PERSON	4-PERSON	5-PERSON+	TOTAL
$0 - $10,000	10,807	2,402	1,885	1,260	1,263	17,618
$10,000 - $20,000	7,151	3,058	2,085	1,149	1,335	14,779
$20,000 - $30,000	4,709	2,253	1,630	1,011	1,094	10,697
$30,000 - $40,000	3,597	1,703	1,195	915	994	8,404
$40,000 - $50,000	2,150	1,923	1,141	710	636	6,560
$50,000 - $60,000	1,701	1,691	690	409	564	5,055
$60,000+	4,185	4,693	2,055	1,811	1,669	14,413
TOTAL	34,300	17,723	10,681	7,265	7,556	77,524

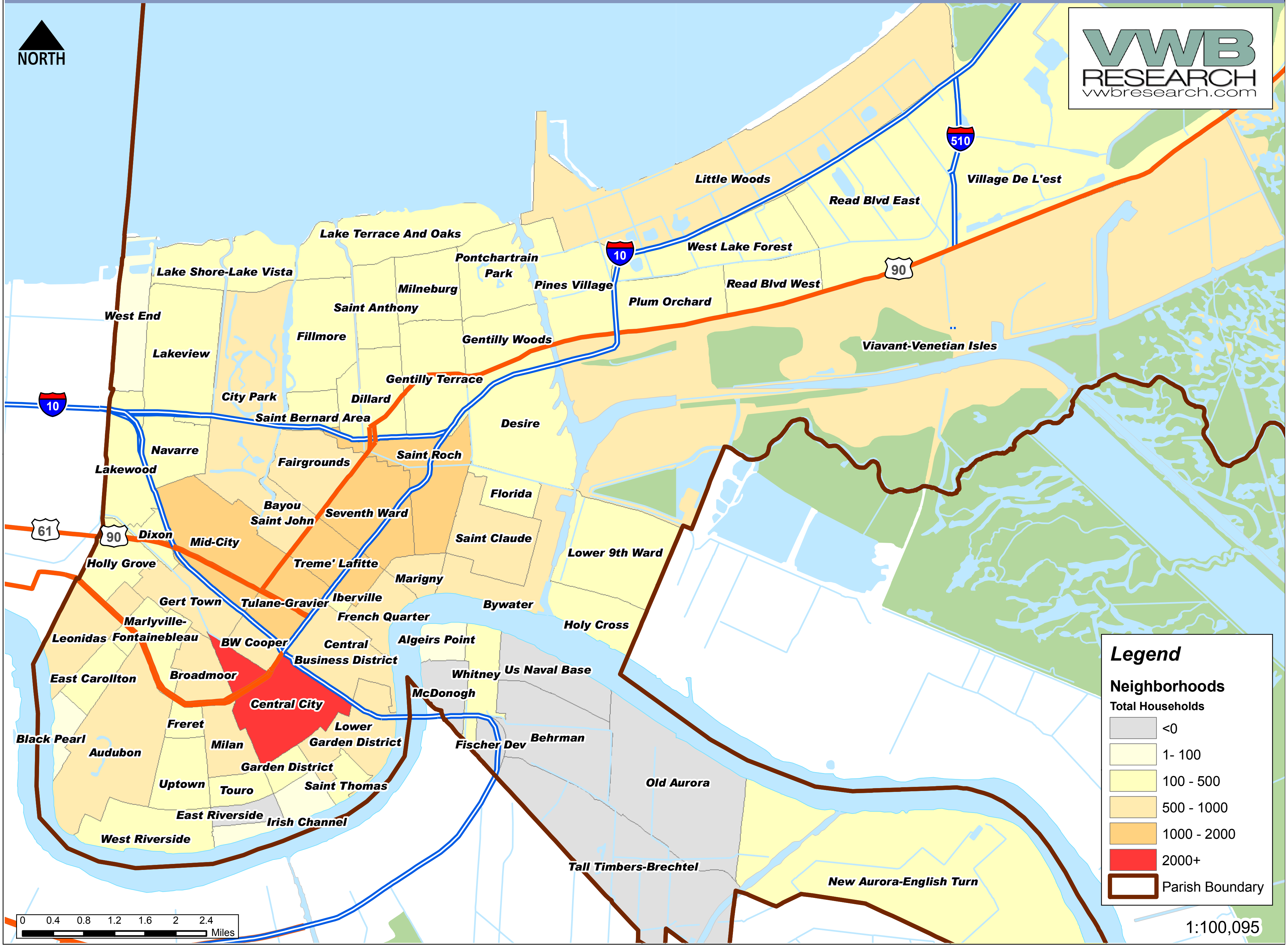
Source: Ribbon Demographics ESRI

RENTER HOUSEHOLDS	2014 (PROJECTED)					
	1-PERSON	2-PERSON	3-PERSON	4-PERSON	5-PERSON+	TOTAL
$0 - $10,000	11,578	2,437	1,926	1,294	1,307	18,542
$10,000 - $20,000	7,663	3,208	2,193	1,203	1,416	15,683
$20,000 - $30,000	5,068	2,413	1,746	1,099	1,193	11,520
$30,000 - $40,000	3,875	1,793	1,264	999	1,077	9,009
$40,000 - $50,000	2,368	2,038	1,251	796	715	7,168
$50,000 - $60,000	1,932	1,871	786	460	635	5,684
$60,000+	5,068	5,489	2,456	2,192	2,006	17,211
TOTAL	37,553	19,249	11,623	8,043	8,349	84,816

Source: Ribbon Demographics ESRI

Data from the preceding table is used in our demand analysis.

Orleans Parish, LA: Renter Household Growth 2008-2013 for HHs with Income <$40,000



Economic Conditions and Trends

The following tables were generated from the U.S. Department of Labor, Bureau of Labor Statistics and reflect employment trends of the subject Orleans Parish, New Orleans MSA, Louisiana and the United States.

The following illustrates the total employment base for the various study areas.

	TOTAL EMPLOYMENT			
YEAR	ORLEANS PARISH	NEW ORLEANS MSA	LOUISIANA	U.S.
2000	199,940	596,489	1,930,662	138,117,867
2001	195,280	588,440	1,922,110	138,241,767
2002	188,784	575,841	1,892,636	137,936,674
2003	186,325	575,463	1,898,829	138,386,944
2004	185,607	582,912	1,928,464	139,988,842
2005	N/A	543,297	1,937,009	142,424,337
2006	N/A	469,011	1,907,465	145,182,628
2007	102,479	494,352	1,949,401	146,610,379
2008	105,559	509,213	1,983,220	146,301,631
2009*	103,139	497,536	1,940,873	141,432,676

Source: Department of Labor, Bureau of Labor Statistics
*Through July

There were approximately 103,139 employed persons in Orleans Parish as of July 2009. This is a decline of 2,420 from the total 105,559 employed persons from 2008. This represents a decline in the employment base of 2.3%, which is identical to the rate of decline for the New Orleans MSA. Both of these declines compare favorably with the national decline of 3.3%. According to various sources, it appears that the Orleans Parish and the greater New Orleans area have been able to withstand the downturn in the national economy better than most other urban areas due, in part, to the large amount of government funding put into the market for infrastructure and rebuilding projects.

Unemployment rates for the study areas are illustrated as follows:

	UNEMPLOYMENT RATE			
YEAR	ORLEANS PARISH	NEW ORLEANS MSA	LOUISIANA	U.S.
2000	5.1%	4.7%	5.0%	4.0%
2001	5.4%	4.9%	5.4%	4.6%
2002	6.0%	5.4%	5.9%	5.5%
2003	6.1%	5.4%	6.2%	5.7%
2004	5.5%	4.9%	5.5%	5.3%
2005	N/A	7.5%	6.7%	5.0%
2006	N/A	4.3%	3.9%	4.5%
2007	4.5%	3.5%	3.8%	4.5%
2008	6.1%	4.4%	4.6%	5.4%
2009*	8.5%	6.0%	6.3%	8.2%

Source: Department of Labor, Bureau of Labor Statistics
*Through July

The most current (July 2009) unemployment rate for Orleans Parish is 250 basis points above the New Orleans MSA unemployment rate. Historically, Orleans Parish has had a higher unemployment rate than both the New Orleans MSA and the US average. The 8.5% unemployment rate for Orleans Parish is the highest in over a decade and is likely influenced by the national economic slowdown. The increase in unemployment will likely lead to a growing need for additional affordable housing.

Rental Housing Supply

a. Overview of Housing

Based on the 2000 Census, rental housing comprised 66,587 units, or 53.6% of the occupied housing units within the Orleans Parish. In 2009, renter housing accounts for 46.4% of the occupied housing units. The distribution of the area housing stock in 2000 and 2009 is summarized in the following table:

	2000 (CENSUS)		2009 (ESTIMATES)	
HOUSING TYPE	NUMBER	PERCENT	NUMBER	PERCENT
TOTAL OCCUPIED	188,251	87.5%	124,294	58.3%
OWNER-OCCUPIED	87,589	46.5%	57,707	46.4%
RENTER-OCCUPIED	100,662	53.5%	66,587	53.6%
VACANT	26,840	12.5%	88,970	41.7%
TOTAL	215,091	100.0%	213,264	100.0%

Source: U.S. Census Bureau; Census 2000

In 2009, of the 213,264 total housing units in the market, 41.7% were vacant. Note that a majority of these vacant units are likely in dilapidated, uninhabitable or poor quality structures, or in housing that is planned for redevelopment.

The following table is a distribution of owner-occupied and renter-occupied households considered to be living in substandard units (lacking complete plumbing facilities) in Orleans Parish as of 2000 (the most recent data available for this category).

SUBSTANDARD UNITS 2000 CENSUS					
TENURE	TOTAL HOUSING UNITS	PERCENT	COMPLETE PLUMBING FACILITIES	LACKING COMPLETE PLUMBING FACILITIES	PERCENT SUBSTANDARD
OWNER-OCCUPIED	87,589	46.5%	87,049	540	0.6%
RENTER-OCCUPIED	100,662	53.5%	99,347	1,315	1.3%
TOTAL	188,251	100.0%	186,396	1,855	1.0%

Source: 2000 Census

Historically, Orleans Parish had approximately 1.3% of its rental units considered to be substandard (lacking complete plumbing facilities). It is likely that, given the damage that was inflicted upon the area by Hurricane Katrina, some of the current rental housing supply remains "substandard." As such, it is our opinion that at least 1.0% of all rental housing remains substandard today.

The following table illustrates the tenure of occupants per room for the Orleans Parish. The purpose of this table is to illustrate the number of households living in overcrowded situations (those households with 1.01 or more occupants per room according to the 2000 Census, which is the latest data available for this category).

	TENURE BY OCCUPANTS PER ROOM	
	NUMBER	PERCENT
TOTAL	188,251	100.0%
OWNER-OCCUPIED	87,535	46.5%
0.50 OR LESS OCCUPANTS PER ROOM	64,494	34.3%
0.51 TO 1.00 OCCUPANTS PER ROOM	19,916	10.6%
1.01 OCCUPANTS OR MORE PER ROOM	3,125	1.7%
RENTER-OCCUPIED	100,716	53.5%
0.50 OR LESS OCCUPANTS PER ROOM	56,666	30.1%
0.51 TO 1.00 OCCUPANTS PER ROOM	33,085	17.6%
1.01 OCCUPANTS OR MORE PER ROOM	10,965	5.8%

Source: 2000 Census

In 2000, overcrowded housing, defined as 1.01 or more occupants per room, was significant within rental housing in Orleans Parish. As the table above demonstrates, of the 100,716 renter occupied housing units in the Parish, 10,965 (10.9%) were categorized as overcrowded. This is a disproportionately higher share of overcrowded renter households in the Orleans Parish than is typically found in most urban markets. It is likely, following the impact of Katrina and the fact that a nominal amount of new rental housing has been added to the market, that the overcrowded housing problem likely remains significant in the market.

As part of understanding the dynamics of rental housing prior to Hurricane Katrina, it is important to consider the magnitude of rent overburdened households in the market. Rent overburdened households are considered those households paying more than 35% of their gross income toward rent. This share of rent overburdened households for Orleans Parish is illustrated as follows.

RENT OVERBURDENED HOUSEHOLDS*			
JURISDICTION	TOTAL RENTER-OCCUPIED HOUSEHOLDS	RENT OVERBURDENED HOUSEHOLDS	PERCENT
ORLEANS PARISH	100,716	36,268	36.0%

Source: 2000 Census, ESRI

*Households paying more than 35% of their gross income to rent

Based on the 2000 Census, there were 36,268 households that were rent overburdened within the Parish. These households represent 36.0% of all renter-occupied households. It should be noted, this share is derived from all renter-occupied households, including higher-income households who typically are not rent overburdened. As such, this share of rent-overburdened households is considered conservative. Rent-overburdened households are often in need of affordable rental housing that may not be available at this time.

According to representatives from the Housing Authority of New Orleans (HANO), there are currently 9,149 Housing Choice Vouchers issued in the Parish. The waiting list for additional vouchers is currently closed, but will open during the week of September 7. HANO sources estimate that as many as 4,000 households will be added from former DHAP Voucher holders and an additional 3,500 will be added to the wait list from other low-income households in need of affordable housing. This is an indication of very strong demand for low- and very-low income housing.

Building Permits and Planned Projects

Housing building permit data for Orleans Parish from 2004 to July 2009 is summarized in the table below:

HOUSING UNIT BUILDING PERMITS FOR ORLEANS PARISH						
PROJECT TYPE	**2004**	**2005**	**2006**	**2007**	**2008**	**2009***
UNITS IN SINGLE-FAMILY STRUCTURES	552	413	468	1,026	882	612
UNITS IN MULTIFAMILY STRUCTURES	335	204	355	2,220	1,692	406
TOTAL UNITS	**887**	**617**	**823**	**3,246**	**2,574**	**1,018**

Source: SOCDS
*Through July

The number of housing units receiving building permits was steady between 2004 and 2006, and then escalated to 3,246 in 2007 as recovery efforts began to accelerate in the area. The number of units receiving permits declined slightly in 2008 and is currently on pace to be slightly below the 2008 total number of permitted units. Permitted multifamily units represented the bulk of permitted units during 2007 and 2008, but have become more balanced with single-family structures during the first seven months of 2009. Building permit activity remains more than double 2004 activity levels (the final full year before Hurricane Katrina).

a. Inventory of Affordable Rental Housing

Since we have used 2009 as the baseline year for this analysis, VWB Research attempted to identify all government-subsidized and Tax Credit housing within Orleans Parish that has either opened in 2009 or is planned for development. This inventory of affordable housing was compiled using a variety of sources that are listed in Addendum A of this report.

For the purposes of this analysis, we have segmented the existing and pipeline (planned or currently under construction) rental housing supply by the income restrictions for each property. While most government-subsidized housing is restricted to housing with incomes of up to 50% of Area Median Housing Income (AMHI), Tax Credit projects target households with incomes of up to 60% AMHI. Since there is some overlap between these two housing programs, we have assumed that government-subsidized housing generally serves households with incomes of below 40% AMHI and Tax Credit projects generally serve households with incomes between 40% and 60% of AMHI. This analysis does not consider any projects that do not specifically operate under a government-subsidized or Tax Credit programs, though some low-end, market-rate projects have the potential to serve these segments of the market.

The distribution of multifamily rental units considered to be in the pipeline (either proposed or under construction) for Orleans Parish is summarized by project in the following table.

			PIPELINE DISTRIBUTION OF UNITS BY AMHI		
MAP CODE	PROJECT NAME	STATUS	SUBSIDIZED <40% AMHI	LIHTC 40%-60% AMHI	MARKET >60% AMHI
1	BW Cooper II	Closed	136	151	123
2	Chateau Carre	Not Closed	31	31	88
3	CJ Peete	Closed	157	173	130
4	Classic Construction of New Orleans Venture II	Under Construction	12	44	0
5	Constance Lofts	Under Construction	9	10	28
6	Crescent Garden Homes	Closed	29	28	86
7	Cypress Manor I Apts.	Under Construction	12	44	0
8	Dorgenois Lofts	Not Closed	4	16	0
9	Eleven 37 Apts	Not Closed	16	30	31
10	Elmwood Homes	Under Construction	0	40	0
11	Filmore Park I	Closed	22	86	0
12	Filmore Park II	Closed	0	56	0
13	Georgetown Manor	Not Closed	23	26	73
14	Gulfway Terrace Apts.	Under Construction	42	164	0
15	Indiana Homes	Under Construction	12	48	0
16	Lafitte Off-site Rehabs	Not Closed	46	0	0
17	Lafitte Redevelopment. Adjudicated Housing	Not Closed	84	0	0
18	Lafitte Redevelopment. Offsite III	Not Closed	93	2	0
19	Lafitte Redevelopment Blocks 1-3	Not Closed	74	60	0
20	Lafitte Redevelopment Blocks 5-7	Not Closed	67	38	0
21	Lafitte Senior Housing	Not Closed	100	0	0
22	Levy Gardens	Closed	20	20	60
23	McCaleb Supportive Housing	Not Closed	43	0	0
24	New Savoy Place II	Not Closed	126	34	0
25	Oak Villa I	Closed	16	64	0
26	Old Morrison Homes	Not Closed	8	30	0
27	Orleans Place	Closed	12	48	0
28	Patterson Homes	Not Closed	0	30	0
29	Rising Sun	Under Construction	7	26	0
30	St. Bernard I	Closed	153	160	152
31	The Muses	Under Construction	55	32	176
32	The Terraces on Tulane	Under Construction	200	0	0
33	Villas at Lake Forest	Not Closed	46	46	138
			1,655	**1,537**	**1,085**

Multifamily projects opened in 2009 within Orleans Parish include the following:

	NEW CONSTRUCTION – DISTRIBUTION OF UNIT BY AMHI		
PROJECT NAME	SUBSIDIZED <40% AMHI	LIHTC 40%-60% AMHI	MARKET >60% AMHI
Georgetown of New Orleans III	16	64	0
The Preserve	37	37	109
Nazareth Inn I	29	120	1
Jefferson Davis Apts. (The Meridian)	0	56	16
St. Joe Lofts	3	47	11
Nine 27	16	0	60
Delille Inn	51	0	0
St. John Berchman Manor	40	108	1
The Crescent Club	50	42	136
Rivergarden CS II	62	62	186
Nazareth Inn II	119	0	1
St. Ann Square Apartments	44	0	0
	467	**536**	**521**

The new supply is distributed relatively evenly between subsidized and Tax Credit units, and is comparable to the number of market-rate units that have been built.

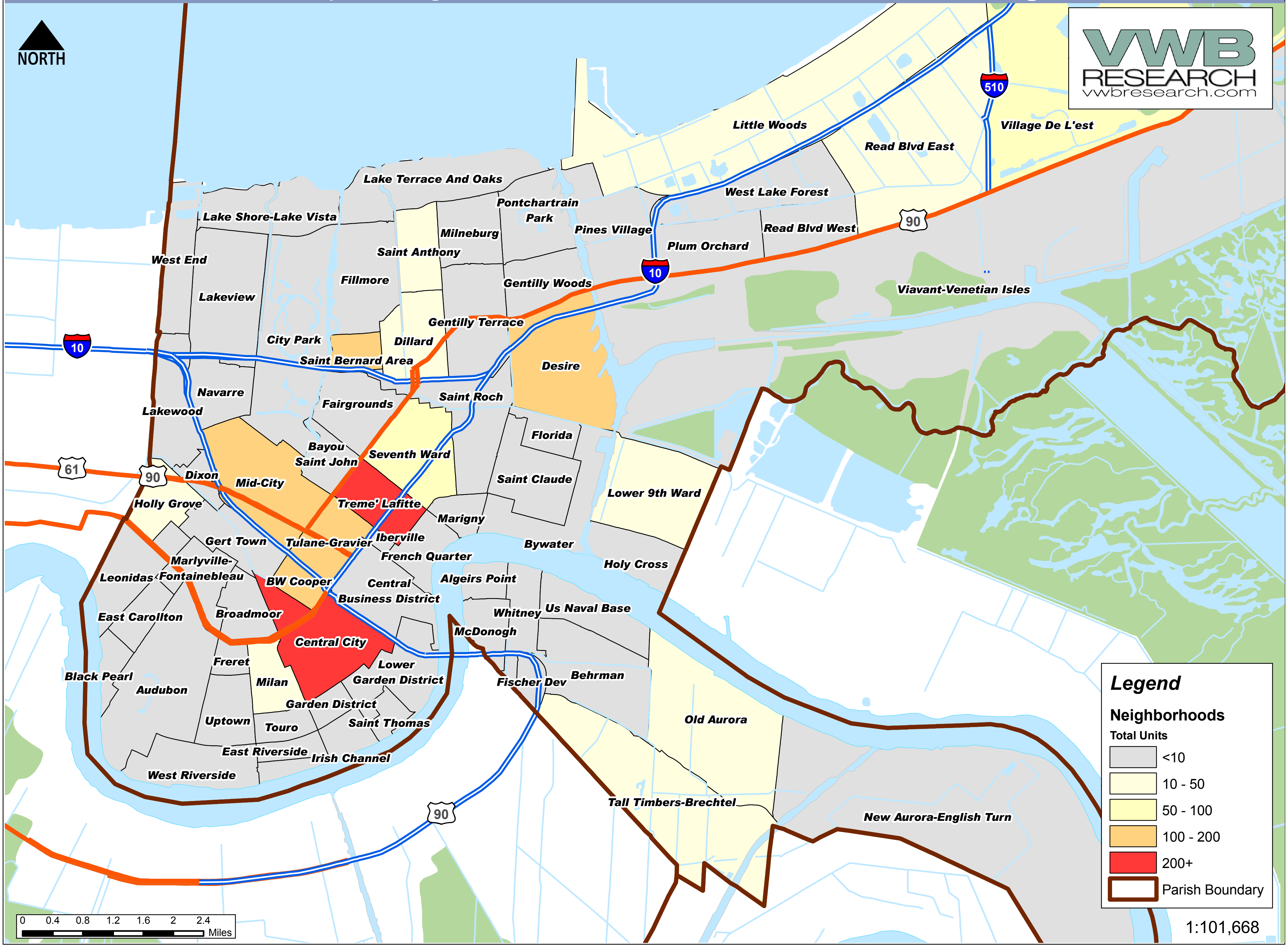
The following table summarizes the newly built and pipeline supply within the subject market by income restriction.

	PROGRAM TYPE (INCOME RESTRICTIONS)		
HOUSING INVENTORY	SUBSIDIZED (< 40% AMHI)	TAX CREDIT (40% - 60% AMHI)	TOTAL
NEW PRODUCT – BUILT IN 2009	467	536	1,003
POTENTIAL PIPELINE	1,655	1,537	3,192
TOTAL	**2,122**	**2,073**	**4,195**

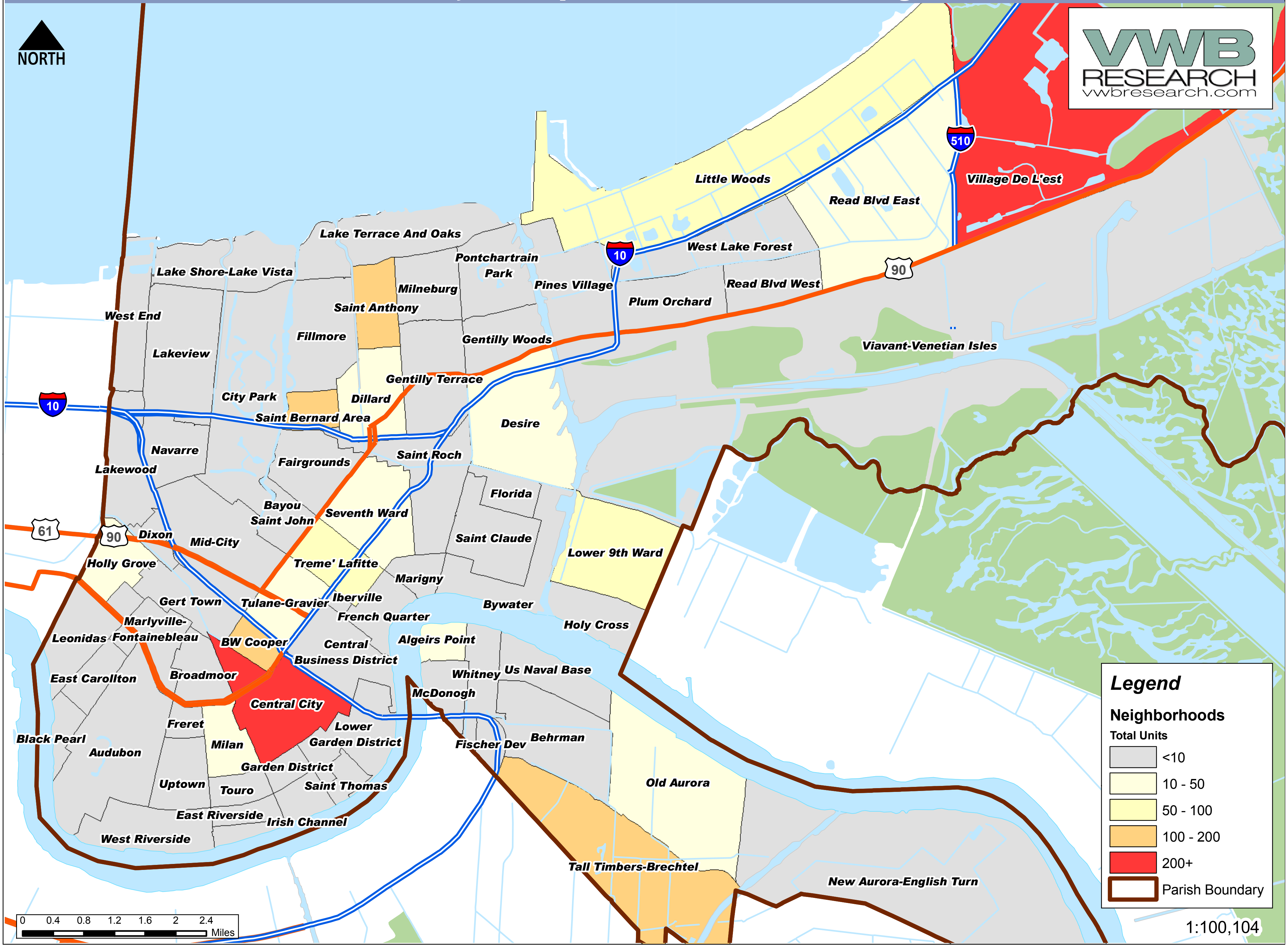
As the preceding table illustrates, 1,003 new units have been added to the market in 2009 and 3,192 units that represent the pipeline of potential units that would serve low- and very low-income households within the Parish. Combined, there are 4,195 potential units that could be added to the market over the next few years. Of these units, 2,122 will be restricted to households with incomes under 40% of AMHI and 2,073 units will serve households with incomes of 40% to 60% AMHI. These units have been considered in our demand estimates.

Orleans Parish, LA: Pipeline Project Locations

Orleans Parish, LA: Pipeline of Government-Subsidized Housing Units



Orleans Parish, LA: Pipeline of LIHTC Housing Units



Rental Housing Demand Estimates

a. Introduction:

We have prepared this analysis using a demand model that considers new renter household growth and rental units that are of a quality or condition that would indicate that they likely need to be replaced. The specific demand components include the following:

- Renter Household Growth
- Substandard Housing
- Overcrowded Housing
- Cost Overburdened Households

This demand model, or modified versions of it, is a commonly used approach and has been adopted by the state finance agencies of Texas, North Carolina, South Carolina, Georgia, Iowa, Virginia, Kentucky and Indiana. This approach allows analysts to evaluate new renter household demand and consider existing housing that should be replaced with new product.

This analysis identifies demand for additional rental housing units by using the baseline data year of 2009 and projecting forward to 2012. We consider only the number of income-eligible renter households that will be added during this three-year period.

Substandard housing is typically considered product that lacks complete indoor plumbing facilities. Such housing is often considered to be of such poor quality and disrepair that it should be replaced. Based on the demographics evaluated earlier in this report, we conservatively estimate that 1.0% of all rental units in the Orleans Parish are substandard.

Overcrowded housing is often considered housing units with 1.01 or more persons per room. These units are often occupied by multi-generational families or large families that are in need of more appropriately sized and affordable housing units. Using US Census data, we estimate that 10.9% of all renter households in Orleans Parish are considered overcrowded.

Cost overburdened households are those renter households that pay more than 35% of their annual household income toward rent. Typically, such households will choose a comparable property (including new affordable housing product) if it is less of a rent burden. Approximately 36.0% of all Orleans Parish renter households are considered rent overburdened. This share was used in our demand estimates for subsidized housing. We used the Census' share of 14.8% of rent-overburdened households of those with incomes between $20,000 and $35,000 in our demand estimates for Tax Credit units.

b. Determination of Income Eligibility

The number of income-eligible households in the market is an important consideration in evaluating the market's potential to support affordable housing units. This section of the report establishes the window of affordability for typical government-subsidized projects and Low-Income Housing Tax Credit projects. While many variables affect the actual income range served by an individual project, for the purposes of this analysis we assume that government-subsidized units will serve households with annual incomes of up 40% of AMHI and Tax Credit projects will serve households with incomes between 40% and 60% of AMHI.

1. Maximum Income Limits

Under affordable housing programs, household eligibility is based on household income not exceeding the targeted percentage of Area Median Household Income (AMHI), depending upon household size.

The following table summarizes the maximum allowable income by household size for the New Orleans-Metairie-Kenner, LA Metropolitan Statistical Area (MSA).

HOUSEHOLD SIZE	MAXIMUM ALLOWABLE INCOME			
	30%	40%	50%	60%
ONE-PERSON	$12,570	$16,760	$20,950	$25,140
TWO-PERSON	$14,340	$19,120	$23,900	$28,680
THREE-PERSON	$16,140	$21,520	$26,900	$32,280
FOUR-PERSON	$17,940	$23,920	$29,900	$35,880
FIVE-PERSON	$19,380	$25,840	$32,300	$38,760

While the largest number of persons occupying a unit will vary from project to project, we assume a majority of the affordable projects will generally house up to five-person households. As a result, most government-subsidized units will serve households with income of up to $25,840 (five-person limit at 40% of AMHI) and Tax Credit projects will serve up to $38,760 (five-person limit at 60% AMHI).

2. Minimum Income Requirements

Government-subsidized units require tenants to pay 30% of their income toward rent, with many tenants having little or no income. For the purposes of this analysis, we assume government-subsidized units serve households with incomes as low as $0. While minimum income requirement for a typical Tax Credit property is ultimately determined by the rent of the unit and the rent-to-income ratio used by management, in an effort to eliminate overestimating or double counting the number of income-eligible renter households that would qualify for either government-subsidized or Tax Credit units, we have used the maximum allowable income limit for the government-subsidized units (see above) as the baseline for the minimum income requirement of Tax Credit units. It is important to keep in mind that it is likely many Tax Credit units serve households with income lower than this limit, but our approach is considered conservative.

3. Income-Appropriate Range

Based on the preceding analyses, the income-appropriate range at each program's assumed targeted AMHI is as follows:

PROGRAM TYPE	TARGETED AMHI	ANNUAL HOUSEHOLD INCOME RANGE
GOVERNMENT-SUBSIDIZED	BELOW 40%	$0 TO $25,840
TAX CREDIT	40% TO 60%	$25,841 TO $38,760

c. Demand Estimates

For the purposes of this analysis, we have evaluated the potential demand for new affordable units within Orleans Parish for both government-subsidized and Tax Credit housing. This estimate considers: A.) The projected number of income-appropriate renter households that will be added to the market between 2009 and 2012; B.) The estimated share (1.0%) of renter households living in "substandard" housing; C.) The estimated share (10.9%) of renter households living in "overcrowded" housing units; and D.) The estimated share (14.8% and 36.0%, depending upon targeted income level) of renter households considered to be "rent overburdened." Because it is likely that there is overlap between existing renter households categorized as living in substandard or overcrowded housing units with those who are rent overburdened, we have used conservative shares for each demand component.

Not all eligible renters living in substandard, overcrowded or rent overburdened households will necessarily consider moving to new rental product developed in the market. Therefore, we have used the Institute of Real Estate Management's (IREM) most conservative 2007 national rental turnover rate of 37.5% and applied it to the total potential support base of existing renters in substandard, overcrowded and rent-overburdened housing units. The result constitutes our estimate of replacement housing need in the market.

The following summarizes the estimated demand potential for additional government-subsidized and Tax Credit units within Orleans Parish:

DEMAND COMPONENT	GOVERNMENT-SUBSIDIZED ($0 TO $25,840)	TAX CREDIT ($25,841 TO $38,760)
A.) NEW RENTER HOUSEHOLD GROWTH (2009 TO 2012)	38,578 - 35,016 = 3,562	11,799 - 10,472 = 1,327
B.) SUBSTANDARD HOUSING	38,578 X 1.0%= 386	11,799 X 1.0% = 118
C.) OVERCROWDED HOUSING	38,578 X 10.9% = 4,205	11,799 X 10.9% = 1,286
D.) RENT OVERBURDENED	38,578 X 36.0% = 13,888	11,799 X 14.8% = 1,746
E.) TURNOVER (37.5%) OF COMPONENTS B., C., & D.	18,479 X 37.5% = 6,930	3,150 X 37.5% = 1,181
TOTAL POTENTIAL DEMAND FOR NEW RENTAL UNITS (SUM OF A. + E.)	**3,562 + 6,930 = 10,492**	**1,327 + 1,181 = 2,508**

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As the preceding table illustrates, demand from new renter household growth alone (demand component A.) represents a potential for an additional 3,562 government-subsidized units and 1,327 Tax Credit units. However, when those living in substandard, overcrowded or in rent overburdened housing situations are considered, there is a potential need for 6,930 replacement housing units for subsidized renters and 1,181 replacement housing units for Tax Credit renters. Combining both new renter household growth and replacement housing needs, the Orleans Parish market has the potential to support up to 10,492 government-subsidized units and 2,508 Tax Credit units. It is important to note, however, that the market's actual ability to support additional units will be contingent, in part, upon the type of projects built, their targeted income levels and rents, designs, features, amenities, marketing and location. These estimates do not consider newly constructed or pipeline units that could be added to the market. We reconcile potential supply and demand in the section that follows.

Rental Housing Supply-Demand Reconciliation

Based on our research, there appears to be a pipeline potential of 3,192 new rental units by the year 2012. This includes units either planned or under construction. As we stated earlier in this report, however, many of these units have not secured financing and may not be built. We have also included in this reconciliation the 1,003 affordable rental housing units constructed this year. Because we are considering these combined 4,195 units in our reconciliation of supply and demand, our conclusions for support for additional rental housing units should be considered conservative.

DEMAND COMPONENT	GOVERNMENT-SUBSIDIZED ($0 TO $25,840)	TAX CREDIT ($25,841 TO $38,760)
TOTAL POTENTIAL DEMAND FOR NEW RENTAL UNITS	10,492	2,508
NEW (2009) & PIPELINE UNITS	-2,122	-2,073
NET UNITS OF POTENTIAL SUPPORT	= 8,370	= 435

Based on the preceding analysis, we estimate that if all rental units in the pipeline are actually developed, there will still be a deficit of 8,370 units of subsidized housing and a deficit of 435 units of Tax Credit housing. Given that it is unlikely that all of the pipeline product will be developed, as previously stated in this report, the deficit for housing will likely be greater than shown in the table above, particularly for the Tax Credit units. It is also important to note that there could be some fluidity of potential support between the two program types. For example, our analysis of potential support for Tax Credit units evaluated households with incomes only as low as $25,841. Since it is likely that many Tax Credit projects will target lower income households than those making $25,841, a new Tax Credit project could draw support from the projected deficit of government-subsidized units and vice-versa.

While many voucher holders are included in the number of income-eligible renters in substandard or overcrowded housing in our demand estimates, it is important to remember that vouchers are not equivalent to units. Further, simply because voucher holders may have found housing in the market, it is clear, based on our estimates, that many are likely residing in the low quality housing stock that is prevalent in the market and in need of replacement.

Finally, while we estimate there is a deficit of affordable housing in Orleans Parish, we anticipate that some householders currently living in low quality housing will not respond to new product for a variety of reasons (i.e. familiarity of the neighborhood, proximity to family and friends, unwillingness to have their children change schools, etc.). Ultimately, the market's ability to attract renters will be contingent upon a project's rents, quality, design, unit types, targeted AMHI, amenities, marketing and location. Any future projects will need to be well designed and planned in order to respond to the market's needs.

Conclusions:

Key findings from our analysis include:

- The BGR report does not provide any demographic data regarding the subject market and does not include a demand analysis or make an assessment of the strength of the rental housing market. Therefore, the report lacks any reconciliation between the existing and pipeline rental housing supply and current and future household estimates and projections. Therefore, the BGR report provides only a limited portion of one side of the housing equation (i.e. supply).

- The BGR report counts Housing Choice Vouchers as existing subsidized units, when such units occupied by voucher holders are not necessarily designated as subsidized and property owners make no guarantees that they will continue to accept vouchers. Further, assuming vouchers are equivalent to units also assumes that the housing needs of low- and very low-income households are being met and ignores quality and safety issues that are prevalent at many of the smaller and older rental properties in the market.

- BGR accounts for existing and planned supply, yet ignores the need for replacement housing of those units that are considered substandard, overcrowded or have rents that cause a rent overburdened housing situations. By not accounting for the need of replacement housing, the assumption is made that all existing housing, including those units used by voucher holders, are adequate (both in cost and quality) and meet the needs of the low-income population.

- By BGR's own acknowledgment, the total "subsidized" units projected for 2012 assumes all units that potentially could be added to the market will be added, while the recent trend of allocated projects returning credits for their inability to secure financing has reduced the number of projects actually being developed and has delayed the development of other allocated projects. The BGR report's assumption of pipeline supply is a "best case" scenario and will likely not fully materialize.

- While the BGR report addresses the number of vouchers issued in the market, it does not discuss the demand for additional vouchers. Although the waiting list for additional vouchers has been closed, it will re-open the week of September 7, 2009. According to Housing Authority sources, they anticipate a total of more than 7,000 households will be added to the list (4,000 from households who previously have DHAP vouchers and 3,500 other householders in need of affordable housing).

- BGR indicated in its report that "*in each of the suburban parishes, subsidized rental housing will represent a significantly smaller percentage of the parish's total housing than in Orleans (for example, 5% in Jefferson and 2% in St. Tammany, compared to 25% in Orleans.)*" While the report compared subsidized housing within each parish with its overall total number of housing units projected for 2012, it did not take into account the concentration of low-income households that will live in each Parish at that time. Assuming most low-income households are those making less than $40,000 a year, the distribution of low-income renter households in 2012 for each of the parishes cited in the BGR report is as follows:

PARISH	SUBSIDIZED UNITS*	TOTAL INCOME-QUALIFIED RENTER HOUSEHOLDS**	SHARE OF REGION'S LOW-INCOME HOUSEHOLDS	RATIO OF SUBSIDIZED UNITS TO QUALIFIED RENTER HOUSEHOLDS
ORLEANS	12,487	51,498	49.7%	27.1%
JEFFERSON	4,595	34,742	33.6%	13.2%
ST. TAMMANY	1,557	9,188	8.8%	16.9%
ST. BERNARD	430	2,708	2.6%	15.8%
ST. JOHN THE BAPTIST	525	2,127	2.1%	24.7%
ST. CHARLES	197	2,293	2.2%	8.6%
PLAQUEMINES	0	971	0.9%	0.0%
TOTAL	**19,791**	**103,527**	**100.0%**	**19.1%**

*As reported by BGR, excludes vouchers and units that may be renovated using the Small Rental Property Program
**Based on HISTA data of renter households in 2012 making less than $40,000 a year

As the preceding table illustrates, the Orleans Parish has nearly one-half of all low-income renter households in the region. It is not unusual for the most urbanized and densely populated sections of a metropolitan area to have the highest concentration of low-income households, as many of these householders are often attracted to the proximity the area has to employment, medical and entertainment option and the convenience that public transportation in the area offers. When we exclude vouchers, which can "float" from one parish to another, and units that may be renovated using the Small Rental Repair Program, the ratio of actual subsidized units to income qualified households for the Orleans Parish is 27.1%, which is slightly above the next highest ratio (24.7% in St. John the Baptist Parish) and marginally above the overall region's average of 19.1%.

- BGR also stated "*Relative to the overall market, subsidized rental units now represent 18% of total housing in New Orleans, compared to 10% pre-Katrina. BGR projects that the percentage will grow to 25% by 2012.*" As stated earlier, BGR's report includes both vouchers and units that may be renovated through the Small Rental Property Program as subsidized units. By doing so, the Orleans Parish's increase in vouchers alone give the impression of a disproportionate increase in subsidized rental housing. It is our opinion that counting vouchers and potential units that may never be built through the Small Rental Property Program overstates the supply of subsidized housing. As we stated on page 3 of this report, when considering only subsidized and Tax Credit units that were just built or are in the pipeline for potential development, the Orleans parish will experience a net gain of only 1,744 subsidized rental units from pre-Katrina levels. This represents a net increase of only 16.2% of subsidized rental housing supply from the pre-Katrina rental inventory. Assuming occupancy levels are good and initial lease-up rates of newly opened projects are reasonable, the potential increase of 16.2% seems reasonable for an area with a large base of low-quality housing that is in need of significant repairs or replacement.

In summation, it does not appear that the BGR report is an attempt to answer the question of the need for additional subsidized or Tax Credit housing in Orleans Parish. Instead, it is our opinion that the report is simply an attempt to provide an accounting of the existing and potential affordable rental housing supply of the Parish. Without demographic data (particularly data that focuses on low-income renter households) or reconciliation between supply and demand, it is our opinion that the BGR report should not be a basis for decisions regarding the need for additional affordable housing. We concur with the BGR conclusion that "*Analysis must begin with the development of a comprehensive picture of current and future housing supply and demand. Once the picture comes into focus, policymakers can work toward ensuring the subsidized housing supply is sized appropriately to the overall market*."

<u>Recommendations:</u>

Based on the findings contained in this report, it is our opinion that the following steps be considered for implementation:

- A comprehensive housing needs assessment of Orleans Parish should be initiated to assist in developing an effective affordable housing strategy. Emphasis of the housing needs assessment should be on the following:

    1.) Determination of vacancies that exists among the various rental housing alternatives, with specific emphasis on affordable housing alternatives
    2.) Identification of the waiting list maintained for individual properties
    3.) The usage and acceptance of Housing Choice Vouchers by individual properties
    4.) The stage of development of new and "pipeline" projects and the determination of the likelihood of "pipeline" product actually being developed
    5.) Quality of existing affordable housing alternatives should be determined to allow for consideration of replacement housing
    6.) Reconciliation between supply and demand potential within individual neighborhoods within Orleans Parish and the City of New Orleans.

- LHFA should monitor housing market conditions (i.e. occupancy levels, rents, concessions, waiting lists, etc.) of the subject rental market on a regular (annual or semi-annual) basis to help develop housing strategies, both short- and long-term. One possible approach to monitoring housing market conditions would involve LHFA and HANO, and possibly other organizations, developing, maintaining and sharing occupancy rates and other pertinent rental housing data.

- While vouchers are being used in non-subsidized rental properties and serve the purpose of housing low-income households, relying heavily on vouchers to meet the needs of certain populations poses challenges to elderly, disabled and other special needs households with vouchers that likely have difficulty finding rental housing to meet their specific housing needs (i.e. handicapped accessible, supportive services, etc.). Therefore, an assessment of special needs housing should be conducted or be included as part of a greater housing needs assessment.

We hope you find this information useful. Please feel free to contact us if you need any additional information.

Respectfully submitted,

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ADDENDUM A

As part of this analysis, VWB Research relied on a variety of secondary sources in addition to primary research conducted by our firm. The secondary sources are listed below.

- U.S. Census
- ESRI
- Claritas
- HISTA
- New Orleans Planning Department
- Economic Development Department
- The City of New Orleans
- Greater New Orleans Foundation
- Urban Institute
- University of New Orleans Institute for Economic Development
- Housing Authority of New Orleans
- Department of Housing and Urban Development (HUD)
- Louisiana Housing Finance Agency (LHFA)
- Greater New Orleans Multifamily Reports (2008-2009)
- Gulf Coast Housing Partnership
- Larry Schedler and Associates: Rebuilding Housing in the Aftermath of Hurricanes Katrina and Rita-January 2006
- MMA Revac Market Study (Lykes Steamship Apartments)-July 2009
- Gill Group Market Study (Tulane-Gravier Scattered Sites)-August 2009
- New Orleans Downtown Department of Development: Developments in Progress List –August 2009
- Multi-Housing New Article: New Orleans/Gult Coast Stalls-February 2009
- Louisiana Recovery Authority Article: State of Louisiana Funds Two Workforce Rental Complexes in New Orleans-March 2009