Housing in the New Orleans Metro Series

Housing Production Needs

Three Scenarios for New Orleans

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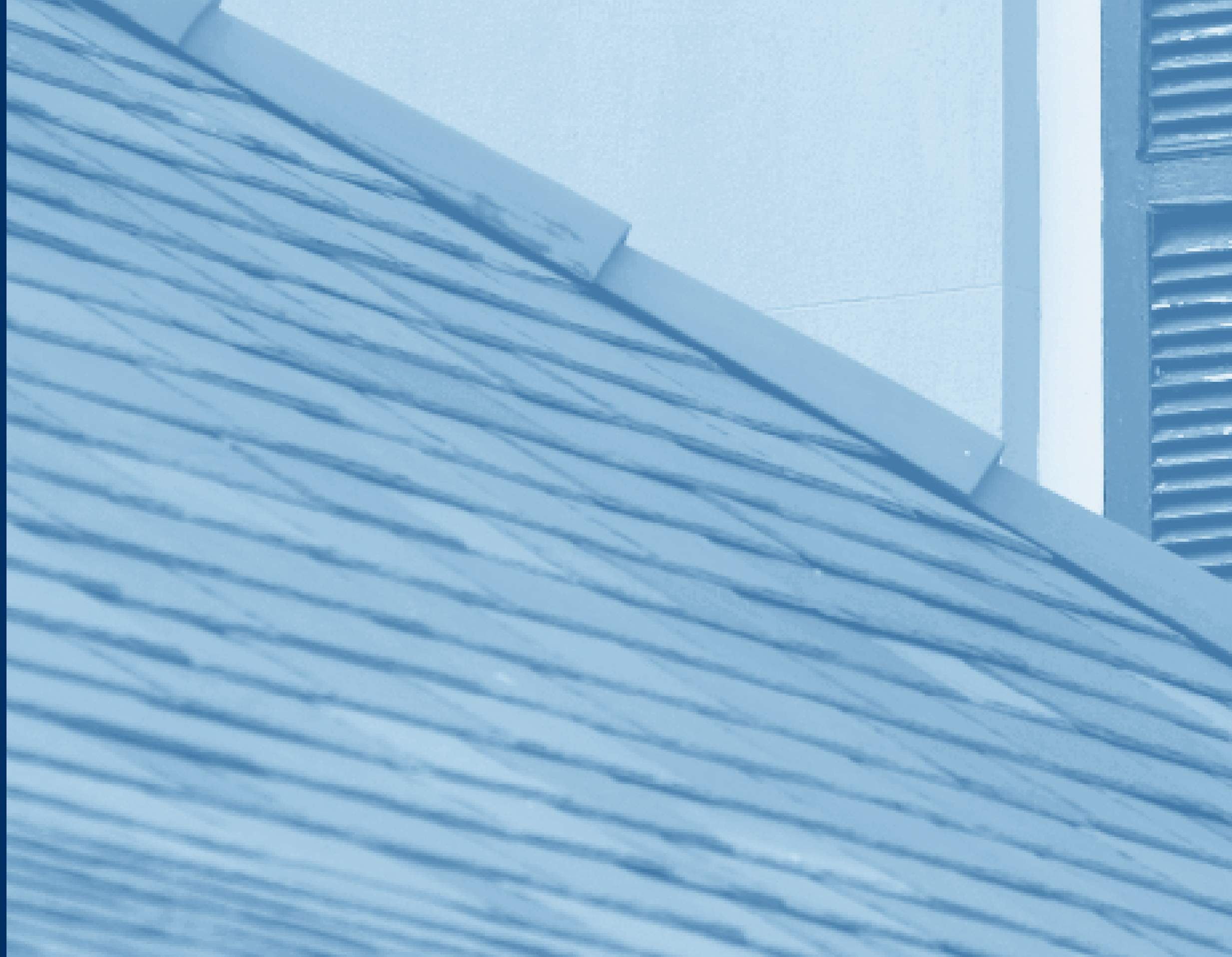

Annual Report November 2009

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About the Greater New Orleans Community Data Center

The Greater New Orleans Community Data Center (GNOCDC) gathers, analyzes and disseminates data to help nonprofit and civic leaders work smarter and more strategically. Operating since 1997, we are New Orleans' sustainable data source – before the storm, throughout recovery and for years to come.

A product of Nonprofit Knowledge Works, we are longtime members of National Neighborhood Indicators Partnership – a select group of local data experts dedicated to community change. GNOCDC is recognized across the country for expertise in New Orleans demographics, disaster recovery indicators and actionable data visualization.

About The Urban Institute's Center on Metropolitan Housing and Communities

The Urban Institute's Center on Metropolitan Housing and Communities believes that place matters in public policy. We bring local perspectives on economic development, neighborhood revitalization, and housing, to our study of policies and programs. Our research pioneers diverse and innovative methods for assessing community change and program performance and builds the capacity of policymakers and practitioners to make more informed decisions at local, state, and federal levels. *The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders.*

Acknowledgments

The authors thank Baptist Community Ministries, the Community Revitalization Fund at the Greater New Orleans Foundation, and United Way for the Greater New Orleans Area for providing us with the ongoing opportunity to examine housing conditions and trends in our city. Additionally, this report would not have been possible without the foundational data and analysis of *The New Orleans Index* published in August of 2009 as part of a collaboration between GNOCDC and the Brookings Institution with funding from the Bill & Melinda Gates Foundation, Rockefeller Foundation and the Blue Moon Fund.

The authors would also like to thank colleagues at The Urban Institute, GNOCDC and Greater New Orleans Foundation who contributed to this report. At the Data Center, Denice Ross provided management and editorial assistance and Melissa Schigoda supplied vital research assistance and information design. Liza Getsinger of the Urban Institute provided vital research assistance. At GNOF, Liza Cowan assisted with community relations and the launch event.

Finally, we are grateful for the insightful comments and suggestions offered by the government policy makers, advocates, non-profits, developers, researchers, and bankers that make up our advisory committee.

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Introduction

This is the first in a series of annual reports about housing in the New Orleans metropolitan area. It assembles and analyzes the most current data on housing conditions and trends in New Orleans and the surrounding parishes. Each year this report will assess regional economic and demographic trends that influence housing needs, assess regional housing affordability challenges for homeowners and renters, and finally address a pressing question relevant to housing policy decisions.

Four years after Hurricane Katrina, there is great uncertainty about the amount and type of housing needed in the New Orleans area and in the city of New Orleans in particular. Hurricane Katrina and the subsequent levee failures in 2005 dramatically disrupted demographic and housing trends locally. In the intervening years, thousands of housing units have been rebuilt. Recently, vacancy rates (among habitable housing) have begun to rise and many wonder if the market is becoming overbuilt.

With a significant number of units still in the pipeline, a clear accounting of projected supply compared with likely demand is needed. These concerns are greatest for New Orleans itself. What happens in the city makes a big difference to the future of the region. For these reasons, this year's report focuses on three housing production scenarios for the city of New Orleans.

It is impossible to perfectly forecast demand for housing units in any market, and post-Katrina New Orleans is marked by even more unpredictability than most. But it is possible to examine a range of futures based on current demographic estimates and reliable employment forecasts to estimate different levels of demand and identify policy implications of each.

Part I starts with an examination of regional demographic and housing market conditions for the metro area as a whole[1] and New Orleans in particular to shed light on the types of housing that are likely to be in demand now and in the future.[2] In Part II we suggest three alternative future scenarios for New Orleans and project the specific number and size mix of additional housing units needed for each scenario. Because data on all planned housing units is not available, we compare our projections with the available data on subsidized rental housing in the pipeline to assess the fit between likely supply and demand. In Part III we examine the policy implications of our findings.

In addition to the information presented in this report, demographic and housing briefs that provide detailed analyses of available data for *all* parishes in the metro area are available at www.gnocdc.org. An analysis of economic trends and a downloadable spreadsheet of longitudinal housing and economic data stretching back to pre-Katrina are also available at www.gnocdc.org/NewOrleansIndex/

1 For this analysis we have adopted the federal government's definition of the New Orleans Metropolitan Statistical Area (MSA) which spans seven parishes (or counties). They are Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. John the Baptist, and St. Tammany.

2 Much of the demographic data in this report comes from the Census Bureau's American Community Survey (ACS). The ACS is based on a sample, and is therefore subject to sampling and non-sampling error. Readers should assume there is no difference between two estimates unless we have indicated in the text or graphics that the difference is statistically significant. The Census Bureau recommends that margins of error be published alongside estimates. We have provided margins of error in cases where we did not calculate statistical significance. Of the seven parishes in the New Orleans metro area, 2004 ACS data is available for Orleans and Jefferson only, and 2007 and 2008 ACS data is available for Orleans, Jefferson and St. Tammany only.

Executive Summary

Over the last year, job growth has stalled in the New Orleans region—dampening demand for market rate housing. Because much new housing has been produced, vacancies among habitable units are now rising. Nonetheless, post-Katrina housing costs remain very high. Property owners won't be able to reduce rents below their operating costs and continue to maintain their properties. Housing remains unaffordable for a large number of New Orleans area workers.

In New Orleans itself the market is unable to deliver affordable rentals (by federal standards) for nearly all households earning less than $20,000 and 86 percent of households earning between $25,000 and $35,000. Full-time year-round workers in these salary ranges represent more than one quarter of all workers in the New Orleans area. Left unaddressed, high housing cost burden rates contribute to high job turnover rates and reduced worker productivity. Cost burdened renters spend less on healthcare and rely more on emergency rooms, thus, inflating public health costs. Cost burdened renters also move more frequently, which contributes to poorer educational performance among children.

Looking forward, projections for the New Orleans area economy forecast very slow job growth which suggests slow population growth for the next decade. If these trends continue, New Orleans would only need 3,598 additional housing units by 2012, a total of 9,153 additional housing units by 2015, and a total of 25,911 additional housing units by 2020. Currently there are approximately 7,754 federally assisted rental units in the pipeline, plus an unknown number of market rate rental and for-sale units. Over the medium term New Orleans will continue to have high vacancy rates. But by 2015 additional housing may be needed. If conditions change, the economy grows more robust, and more families with children choose to live in the city, the city would need many more new housing units by 2020. But this would require the enactment of policies that definitively reduce flood risk and crime, continue to improve schools, and robustly grow the economy.

Despite low demand for market rate units in the short term, demand for lower-cost housing remains high. There is demand for subsidized housing from an estimated 20,019 current renter households earning less than 80 percent of area median income, 9,994 homeless individuals and families, and some portion of the new households moving to the city in the coming years. The number of subsidized housing units in the pipeline will fall far short of meeting this demand. Policy makers should ensure the completion of the subsidized housing in the pipeline, but then they should implement policies that help low-income households gain access to existing housing and secondarily prevent and reverse blight. Potential strategies include strengthening the performance of housing voucher programs, providing rehab assistance to owners of existing rental housing in return for more affordable rents, controlling the cost of property insurance and utilities, involving businesses in helping employees obtain affordable housing, and expanding affordable housing options throughout the metropolitan region.

Housing policies alone cannot provide the whole solution. Even before Katrina, the pervasiveness of low-wage tourism jobs meant that many New Orleans residents had low incomes, and property owners couldn't command the resources that would have been needed to maintain New Orleans' vast expanses of historic housing, much of which was run down. If housing costs remain high, this problem could be exacerbated and billions of federal dollars spent to repair flood and wind damaged homes could be wasted if homeowners don't earn enough to maintain their rehabbed homes, and landlords cannot charge rents high enough to cover maintenance costs. Looking ahead, policies that encourage economic development and increase wages will be needed to maintain New Orleans' historic housing stock. The challenge of historic preservation and the vitality of New Orleans neighborhoods are inextricably linked to the growth and health of the region's economy.

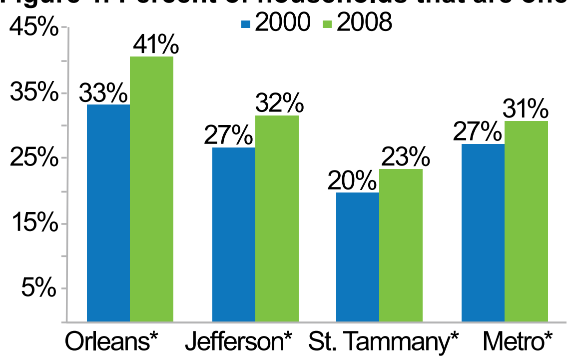
Part I: Demographic and Housing Trends

The section briefly addresses the following questions: How have the demographics and economy of New Orleans changed since Katrina? How has the global recession affected the New Orleans economy? What do these changes indicate about demand for housing in the region and in New Orleans specifically?

Katrina dramatically disrupted demographic and housing trends

Post-Katrina the New Orleans metro has a larger share of single-person households, rising from 27 percent in 2000 to 31 percent in 2008, with a significant increase in persons living alone in all three of the largest parishes.

Figure 1: Percent of households that are one-person

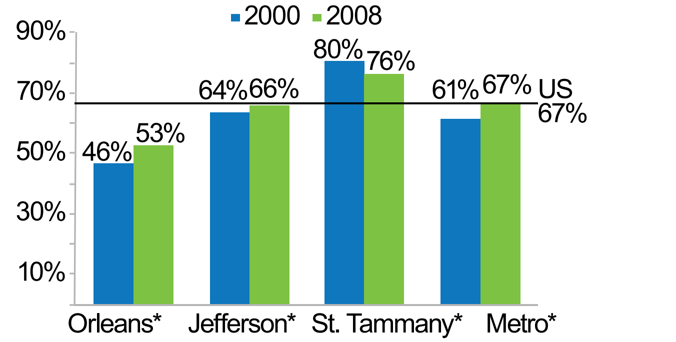


*Statistically different from 2000 value at 95% confidence level
Source: GNOCDC analysis of U.S. Census Bureau data from Census 2000 and American Community Survey 2008.

In parallel, the metro has fewer families with children, declining from 33 percent of all households in 2000 to 27 percent in 2008. The decline in families with children is significant even in the bedroom community of St. Tammany where the share fell from 40 percent to 33 percent.[1] Although a declining number of families is an unusual phenomenon for most exurbs, it's consistent with research that indicates that families with children disproportionately leave a disaster-damaged area.[2] The pervasiveness of these trends suggests that the New Orleans region in general and the city in particular may have fewer families for many years to come and this will have important implications for the mix of housing types and sizes that are needed.

At the same time, homeownership rates have increased significantly across the metro area and in New Orleans in particular since Katrina. The metro area homeownership rate increased from 61 percent in 2000 to 67 percent in 2008. This increase was greatest in Orleans Parish where the homeownership rate jumped from 46 percent to 53 percent (see Figure 2).

Figure 2: Homeownership rate

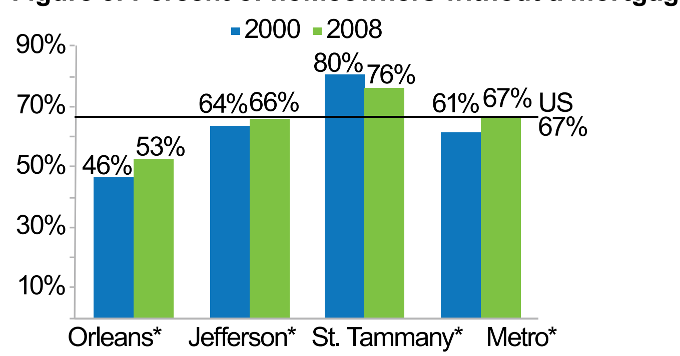


*Statistically different from 2000 value at 95% confidence level
Source: GNOCDC analysis of U.S. Census Bureau data from Census 2000 and American Community Survey 2008.

Given the overall decrease in the number of households in New Orleans, this change reflects disproportionate return of homeowners to the city rather than the achievement of homeownership by large numbers of renters. This is likely due in large part to the preponderance of federal dollars allocated to rebuilding owner-occupied housing rather than rental housing.

The proportion of metro area homeowners without a mortgage has increased from 33 to 38 percent. This significant change may be the effect of homeowners using insurance and Road Home dollars to pay off mortgages. This trend is most pronounced in Orleans where 41 percent of all homeowners have no mortgage, while St. Tammany matches the national average with 32 percent (see Figure 3). Despite many households having no mortgage payment, housing costs increased seven percent for metro area homeowners from 2004 to 2008.

Figure 3: Percent of homeowners without a mortgage



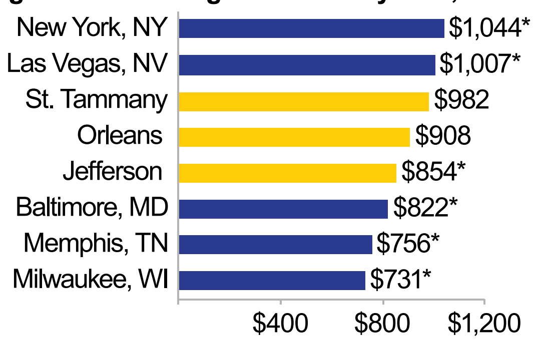
*Statistically different from 2000 value at 95% confidence level
Source: GNOCDC analysis of U.S. Census Bureau data from Census 2000 and American Community Survey 2008.

1 GNOCDC analysis of U.S. Census Bureau data from Census 2000 and American Community Survey 2008.

2 Kirschenbaum, A. (1996). "Residential Ambiguity and Relocation Decisions: Population and Areas at Risk." *International Journal of Mass Evacuation and Disasters* 14(1):79-95.

Housing costs for renters spiked even higher than for homeowners - 27 percent from 2004 to 2008. From 2004 to 2008, the metro area median gross monthly rent[3] (which includes utilities) rose from $702 (stated in 2008 dollars) to $892. The increase was greatest in Orleans Parish where rents rose 41 percent after controlling for inflation.[4] By 2008, rental costs in Jefferson, Orleans and St. Tammany were well above similar cities such as Baltimore, Memphis and Milwaukee[5].

Figure 4: Median gross monthly rent, 2008



*Statistically different from Orleans value at 95% confidence level
Source: GNOCDC analysis of U.S. Census Bureau data from American Community Survey 2008.

Regional affordability problems persist in 2008

Despite significant housing construction and rehabs resulting in an increase in the supply of subsidized and market rate habitable housing in recent years, affordability problems for many homeowners and renters persist. New Orleans area renters overall were more likely to pay at least half of their income on housing in 2008 than renters across the nation, despite the onset of a very deep recession and severe job losses in other parts of the country. Federal standards classify households that pay more than half their income for housing as "severely cost burdened." Last year, 31 percent of metro area renters spent more than half of their before-tax pay on rent and utilities, compared with only 25 percent of renters nationwide. This problem was most serious in Orleans Parish where 41 percent of all renters spent the majority of their pre-tax income on housing costs. In fact, New Orleans renters were more likely to pay at least half of their household income on rent and utilities than renters in higher priced cities like New York (see Figure 5).

Federal standards classify households that pay more than 30 percent of their income on housing as "housing cost burdened." In New Orleans, the likelihood of paying unaffordable housing cost burdens was highest among renters earning less than $20,000. These households are considered very low income[6] and typically are eligible for deeply subsidized housing. For example, a three-person household earning $20,000 would be eligible for a deeply subsidized housing unit[7] and a household of any size earning $20,000 would be eligible for a voucher.[8]

The biggest *increase* in post-Katrina housing cost burdens was among renters earning $20,000 to $35,000. These households are considered low income and often are eligible for subsidized low-income housing tax credit (LIHTC) units. For example, a four-person household earning $35,000 would be eligible for some tax credit subsidized housing units.[9] Given the cost burden rates among low- and very low-income households, it is not surprising that subsidized housing units have been snapped up nearly as fast as they become available.[10]

The affordability crises for very low-income New Orleans renters (earning less than $20,000) actually worsened from 2007 to 2008. That is, the percent of very low-income renters in Orleans Parish who were cost burdened *increased* significantly from 2007 to 2008. New Orleans very low-income households as well as low-income tax credit eligible households (earning from $20,000 to $35,000) were significantly more likely to face unaffordable housing cost burdens than their peers nationally. Because local cost burden rates were significantly higher than nationwide, it is likely that many low-income and very low-income households simply didn't return to the New Orleans area after Katrina. Those that have returned face high housing costs, leaving little to spend on health care, childcare, or food. At their worst, these high cost burdens likely have contributed to the increases in homelessness observed after Katrina.[11]

For homeowners, costs have risen post-Katrina, but homeownership remains more affordable locally than nationwide. The exception to this is Orleans Parish

3 For all bedroom sizes.

4 GNOCDC analysis of U.S. Census Bureau data from American Community Survey 2004 and 2008.

5 In 2008, median rents in Jefferson, Orleans and St. Tammany were significantly higher than median rents in Baltimore, Memphis and Milwaukee at the 95% confidence level with the exception of Jefferson and Baltimore where the difference was not statistically significant.

6 The income breaks available in the American Community Survey do not neatly fit into the standard federal categories for households with very low income (0 to 50 percent of area median income or AMI) or low income (50 to 80 percent of AMI). For this analysis, we refer to households earning less than $20,000 (which equals about 40 percent of AMI) as very low income. Households with $20,000-$35,000 (which equals about 40 to 60 percent of AMI) are referred to as low income.

7 <40% AMI FY2009 New Orleans-Metairie-Kenner, LA, MSA.

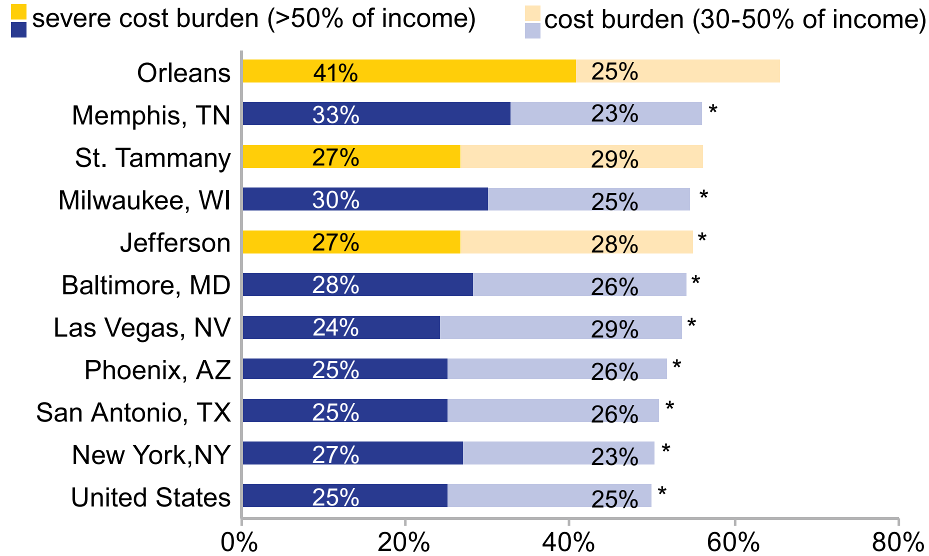
8 <50% AMI FY2009 New Orleans-Metairie-Kenner, LA, MSA.

9 <60% AMI FY2009 New Orleans-Metairie-Kenner, LA, MSA.

10 Times Picayune, October 11, 2009. "Does N.O. have too much subsidized housing?" www.nola.com/news/t-p/frontpage/index.ssf?/base/news-13/125523904289410.xml&coll=1 [Accessed Oct 2009].

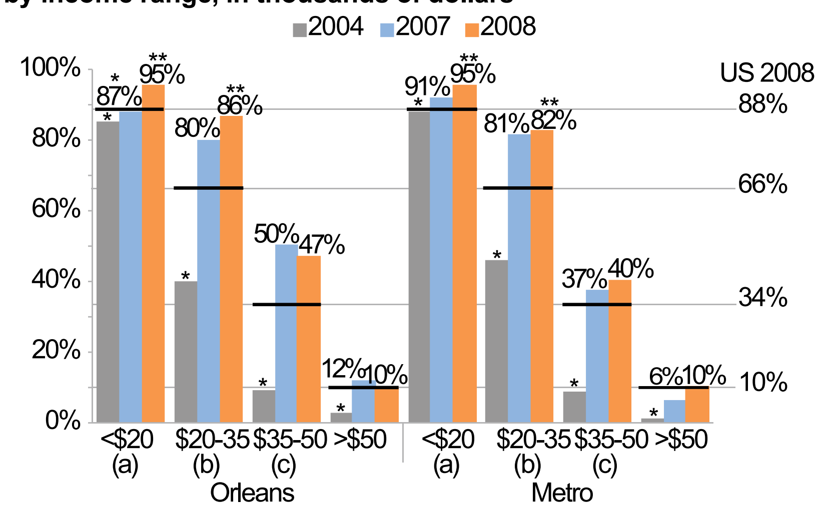
11 Unity for Greater New Orleans January 2009 point-in-time survey.

Figure 5: Percent of renters that are severely cost burdened and cost burdened, 2008



* Severe cost burden rate statistically different from Orleans value at 95% confidence level.
Source: GNOCDC analysis of U.S. Census Bureau data from American Community Survey 2008.

Figure 6: Percent of renters spending 30% or more of income on housing by income range, in thousands of dollars



(a) ~<40% AMI "very low-income"; (b) ~40-60% AMI "low-income"; (c) ~60-80% AMI
* Statistically different from 2008 value at 95% confidence level
** Statistically different from US value at 95% confidence level.
Source: GNOCDC analysis of U.S. Census Bureau data from American Community Survey 2004, 2007, 2008.

where more than one out of every three homeowners spends more than 30 percent of the pre-tax household income on housing (including taxes, utilities and insurance) and this includes homeowners with and without mortgages. New Orleans homeowners earning less than $20,000 per year were significantly more likely to be housing cost burdened than the national average for such very low-income homeowners (81 percent compared to 72 percent nationwide; see Figure 7). An estimated 10,271 homeowners in New Orleans earn less than $20,000 and are housing cost burdened.[12]

If homeownership-related costs, such as taxes, insurance, and utilities, remain high and incomes fail to rise, homeowners may be forced into foreclosure, and many will surely struggle to maintain their homes, leading to more run-down homes throughout the city.

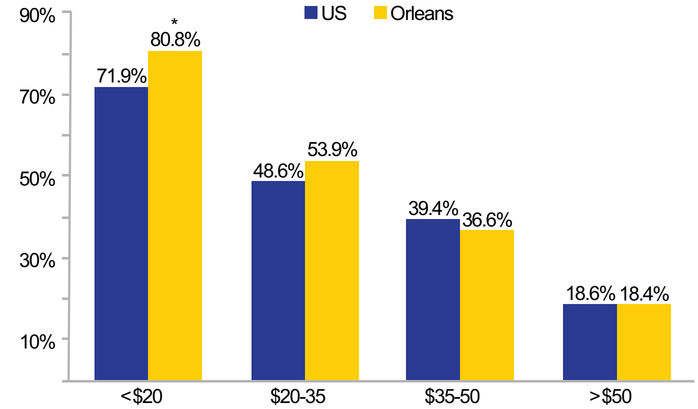
Many households earning less than $20,000 are working families because the New Orleans area economy demands a large number of low-wage workers. For example, food preparation and service workers earned

12 According to our analysis, New Orleans currently has 153,244 occupied housing units. The most recent ACS data indicates that nearly 53 percent are owner occupied suggesting there are 80,728 owner occupied households in New Orleans. Applying ACS 2008 data on the percent of owner occupied households that earn less than $20,000 per year (15.7 percent) yields an estimate of 10,271 homeowners in New Orleans earning less than $20,000.

a median of $17,608 in 2008, building grounds and maintenance workers earned a median of $19,471, and personal care and service workers earned a median of $19,585. The Census Bureau estimated that more than 43,000 workers aged 16+ had full-time, year-round employment in these occupations in the New Orleans metro. In addition, an estimated 88,000 workers in the region have full-time year-round jobs that pay between $20,000 and $35,000 in occupations such as health care support, material moving, office and administrative support, motor vehicle operation including bus drivers, and community and social service.

Workers in these occupations comprise more than one quarter of all full-time year-round workers in the metro area. Left unaddressed, high housing cost burden rates contribute to high job turnover rates and reduced worker productivity. Cost burdened renters spend less on healthcare and rely more on emergency rooms, thus, inflating public health costs.[13] Cost burdened renters also move more frequently contributing to poorer educational achievement among children.[14]

Figure 7: Percent of homeowners spending 30% or more of income on housing by income range, in thousands of dollars, 2008



* Statistically different from U.S. value at 95% confidence level.
Source: GNOCDC analysis of U.S. Census Bureau data from American Community Survey 2008.

Table 1: Median earnings and total employment in select occupations, New Orleans Metro

	Full-time, year-round employed population 16 years+	Median annual earnings for full-time year-round worker 16 years+
Food Preparation & Serving Related	20,829	$17,608
Building & Grounds Cleaning & Maintenance	11,217	$19,471
Personal Care & Service	11,524	$19,585
Healthcare Support	7,795	$22,864
Fire fighting & prevention and other protective services, including supervisors	5,131	$27,654
Material Moving	5,578	$27,808
Office & Administrative Support	54,474	$28,859
Motor vehicle operators including bus and truck drivers	8,793	$31,150
Community & Social Services	6,873	$34,837

Source: GNOCDC analysis of U.S. Census Bureau data from American Community Survey 2008.
Note: the margins of error associated with the number of employees and median annual earnings are available at www.gnocdc.org/HousingAffordability/NewOrleansMetroAreaHousingAffordability2004-2008.pdf

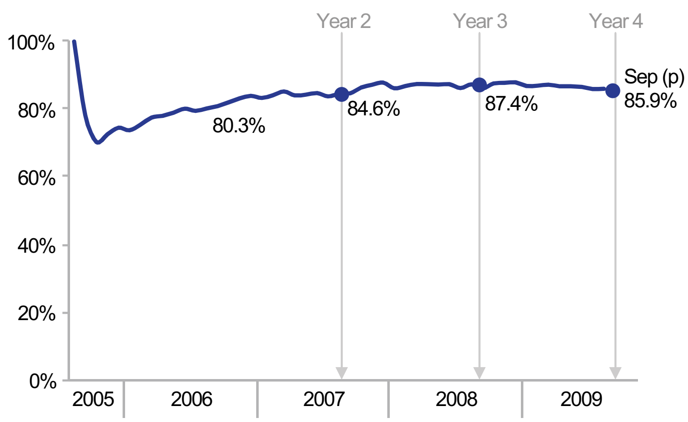
13 Harvard, Mar 2007, "Taking Stock of the Nation's Rental Housing Challenges and a Half Century of Public Policy Responses." www.jchs.harvard.edu/publications/rental/revisiting_rental_symposium/papers/rr07-1_belsky_drew.pdf [Accessed Oct 2009]

14 Coulson, N. and Fisher, L. 2002. "Tenure Choice and Labour Market Outcomes." Housing Studies, 17 (1), 35-49. U.S. General Accounting Office 1994. "Elementary School Children: Many Change Schools Frequently, Harming their Education." Report to the Honorable Marcy Kaptur, House of Representatives.

In 2008, the national recession stalled post-Katrina economic recovery

The local economy is weathering the recession relatively well. For example, the region's unemployment rate of 7.3 percent in September 2009 is still well below the national rate of 9.8 percent. New Orleans has the 21st lowest unemployment rate of the nation's 100 largest metros -- indicating how deeply the recession is affecting most other metropolitan areas. And over the last year, while the nation lost 4.2 percent of all jobs, the New Orleans metro economy lost only 0.3 percent of all jobs. Nonetheless, the recession flattened out post-Katrina jobs recovery. The metro continued to regain jobs through July 2008, but job growth stalled in August of that year. The New Orleans area economy has 14 percent fewer jobs than it did in July 2005, and future projections for job growth have been revised downward.

Figure 8: Non-farm jobs as a percent of pre-Katrina jobs, New Orleans Metro



Source: U.S. Bureau of Labor Statistics.
Note: (p):preliminary

Slow job growth does not bode well for housing demand—particularly market rate housing. Without additional middle and higher wage jobs, demand for additional market rate rental units will weaken. Meanwhile, new housing production and rehabs of existing homes continue to increase the overall supply.

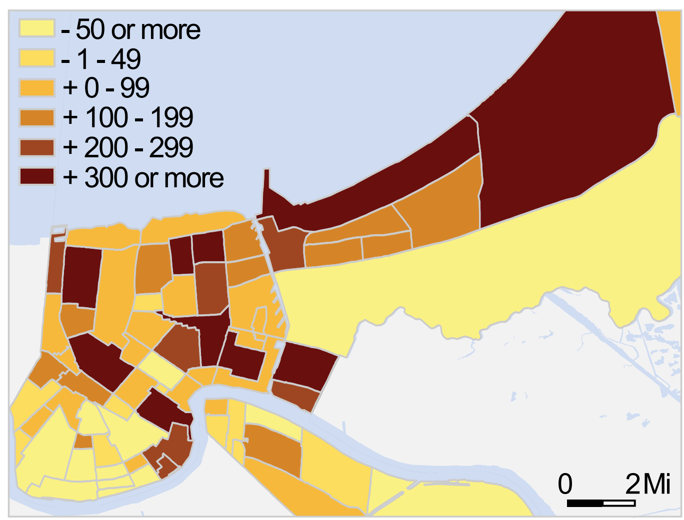
Large scale housing production is softening the New Orleans rental market

Demand for subsidized rental units for low- and very low-income households is likely to remain high as long as the New Orleans economy continues to employ a large number of low-wage workers. Currently rental vacancy rates are rising but almost exclusively among market rate units. According to surveys by Larry G. Schedler & Associates, the rental vacancy rate for market rate apartments increased from 8 percent in August 2007 to 13 percent in September 2009 in New Orleans' "historic center."[15]

Vacancies increase for many reasons. Newly available units filled by recently returned workers or by families who have been "doubled up" locally with relatives will not lead to vacancies elsewhere in the city. But owner homes that are rehabbed and brought back into the habitable stock will result in additional vacant rental units if occupied by homeowners or first-time homebuyers who were renting during the construction. In other cases, new subsidized units may bring about vacancies among market rate rentals if they are filled by low-income families who have been struggling to pay market rate rents locally or are living in substandard units. Finally, new market rate units may cause "flight to quality" when market rate renters move to newer units.

Indeed, new housing options do seem to be sparking moves across neighborhoods.[16] Over the last year, twelve neighborhoods in New Orleans lost more than 50 households (see Figure 9). In order to ensure that new housing doesn't spawn greater blight in the New Orleans area, housing policies should take current vacancy rates into account.

Figure 9: Change in number of active addresses by neighborhood, June 2008-June 2009



Source: GNOCDC analysis of Valassis Residential and Business Database.Note: For a larger version of this map, see www.gnocdc.org/RecoveryByNeighborhood/

15 American Community Survey 2008; U.S. Census Bureau Housing Vacancy Survey; Larry G. Schedler & Associates, Inc, Winter 2009, "Greater New Orleans Multi-Family Report." www.larryschedler.com/GrNOMFR/GrNOMFR_Winter09_102709.pdf [Accessed Oct 2009]; MMA REVAC Market Study for Liberty Place Apartments commissioned by LHFA, July 2009.

16 MMA REVAC Market Study for Liberty Place Apartments commissioned by LHFA, July 2009.

PART II: Housing Production Needs Analysis

This section addresses the following questions about housing demand and supply in Orleans Parish through 2020: How much housing and of what type does New Orleans need now and in the near future? How much subsidized housing is needed for our current low- and very low-income population and new households projected to arrive? How many subsidized units are already in the pipeline? How does the demand over the next decade compare to the projected housing supply?

Alternative futures for New Orleans–Housing Production Scenarios

It is impossible to perfectly forecast demand for housing units in any market, and post-Katrina New Orleans is marked by even more unpredictability than most. But it is possible to examine a range of futures based on current demographic estimates and reliable employment forecasts to estimate different levels of demand and identify policy implications of each.

The analysis below estimates the city's housing production needs for three distinct scenarios. The first two scenarios are based on the Louisiana Workforce Commission's (LWC's)[17] 2016 job projections—with variations in the spatial distribution of jobs within the region accounting for the difference between the two scenarios. The third scenario assumes that New Orleans regains its pre-Katrina population size by 2020, both by achieving more robust job growth than currently predicted and by attracting significant numbers of families with children. All three scenarios achieve a healthy, market-wide vacancy rate of 3.8 percent. Table 2 summarizes the three basic scenarios and the estimated production needs for each. Scenario 1 is the most likely scenario. Scenarios 2 and 3 would require significant policy interventions to attract more jobs and families to the city. This model estimates the overall number of housing units needed, but does not directly address the mix of homeownership versus rental housing.

If we target a higher market-wide vacancy rate (5.2 percent), then the number of new housing units needed by 2020 increases by 2,792 for Scenario 1 up to 3,351 for Scenario 3. Providing units to accommodate all of the city's current homeless population would require an additional 10,388 housing units assuming a 3.8 percent vacancy rate (or 10,543 assuming a 5.2 vacancy rate).

The primary driver of housing production needs is the anticipated number of households, which depends upon both job growth and household size. Providing

Table 2. Alternative scenarios for estimating housing production needs for New Orleans without housing for the homeless

	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	175,762	195,149	221,676
Additional housing needed by 2020	15,523	35,674	52,857

17 We compared the LWC job projections to job projections made by UNO in March 2009. The UNO projections only extend to the end of 2010 and are slightly more optimistic than the LWC job projections through 2010 but not enough to warrant a different set of population projections. In general, both sets of job projections suggest slow growth for the region in coming years.

housing or not for the homeless yields the next largest variation in housing production needs. Differences in target vacancy rates result in only slight variations in housing production needs.

A complete set of results including housing units needed by unit size by 2010, 2012, 2015, and 2020 for all possible scenarios is available in a downloadable spreadsheet entitled "Supplemental 1" at www.gnocdc.org/HousingProductionScenarios/

Factors Underlying Housing Production Needs

Several factors contribute to the level of housing production needed. This section presents data and assumptions for the six major inputs into our analysis, four related to the number of households that need housing and two related to the housing market.

Our production estimates incorporate six major inputs:

- Population projections
- Household size estimates
- Target vacancy rates
- Estimated annual rate of stock loss
- "Doubled up" households
- Homeless individuals and families

Population Projections

We developed population projections based on 2016 regional job projections from the Louisiana Workforce Commission (LWC). The job projections that form the basis of these two scenarios are quite timely. They were generated in June 2009 and incorporate knowledge from Louisiana business and industry leaders (such as plans to reduce employment at Lockheed Martin Space Systems in New Orleans) that led to a downward revision of previous, more optimistic jobs projections for the New Orleans region.[18] The LWC predicts that the number of jobs in the New Orleans metro area will increase by approximately 30,000 by 2016 for an average annual increase of 4,239 jobs. This rate of increase was extended through 2020 to yield a projection of 569,936 jobs by 2020. **Scenarios 1 and 2** use the LWC job projections, but **Scenario 3** assumes 25,000 more jobs by 2016 than currently predicted.

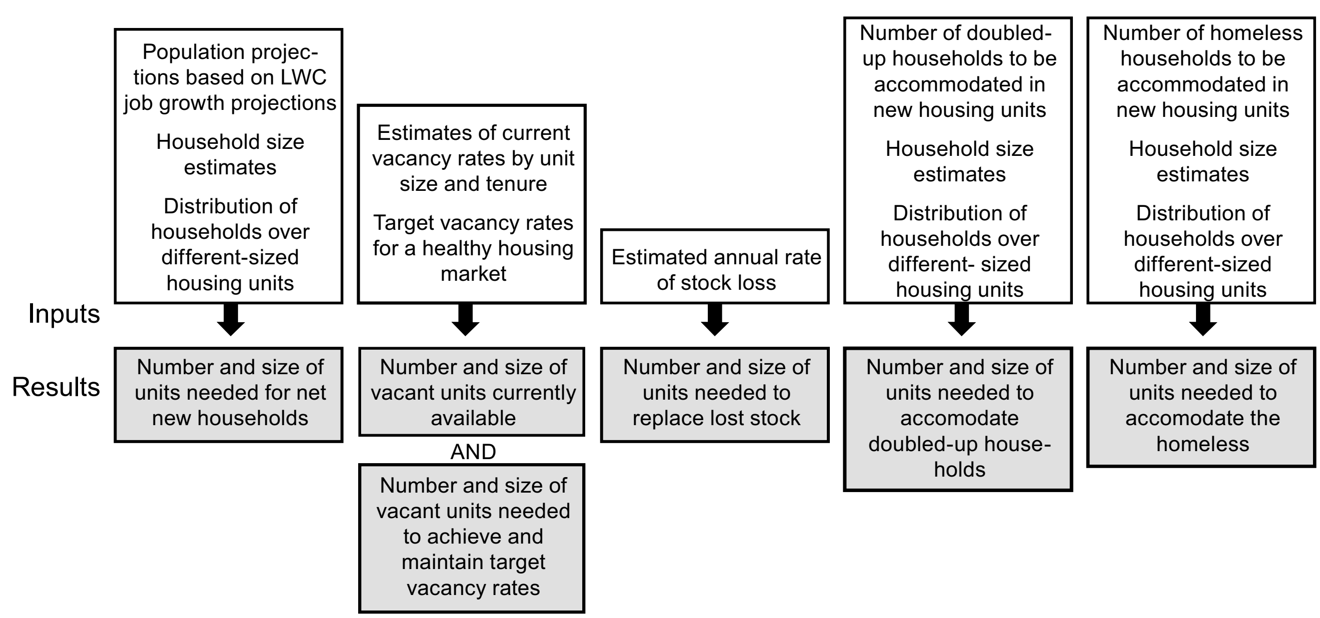
Prior to Katrina, 44 percent of regional jobs were located in Orleans Parish. This proportion dropped to 33.8 percent following Katrina.[19] In **Scenario 1**, we assume that Orleans Parish continues to account for only 33.8 percent of the regional jobs through 2020. In **Scenarios 2 and 3**, we assume that the percent of regional jobs that are in Orleans Parish grows to 37 percent by 2018 and stabilizes at that level through 2020 but does not reach the pre-Katrina level of 44 percent.

Once the number of jobs in Orleans is estimated, we then apply a multiplier to calculate the population implied from the job total. From 1970 to 2004, the ratio

18 Louisiana Workforce Commission, June 2009, "Industry and Occupational Employment Projections (2006 - 2016)" www.laworks.net/Downloads/LMI/20062016ProjectionsLSU.ppt and www.laworks.net/Downloads/LMI/20062016ESIndusandOccProj.pdf [Accessed Oct 2009].

19 U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Figure 10: Sources of housing production needs



of population to jobs in Orleans Parish trended downward from 2.13 to 1.86—likely due to the movement of families to suburban parts of the region. In 2006, this ratio trended sharply downward to 1.39, reflective of the very tight labor market in that year immediately post-Katrina. By 2007, the ratio of population to jobs had rebounded somewhat to 1.77 as population returned to the city, and by 2008 it had surpassed pre-Katrina levels reaching 1.98. We believe the increase in self-employment since 2000 contributed to the latest rise in the population-jobs ratio. In 2008, 12.1 percent of all households in New Orleans reported receiving self-employment income, a statistically significant difference from only 8.7 percent in 2000.[20]

By June 2009, current population estimates suggest that the ratio of population to jobs has increased again to 1.99, which may indicate an influx of workers due to lack of jobs in other parts of the country. Assuming the national recession and the related entry of workers to the New Orleans area continues for one more year, we set the population to jobs ratio at 2.00 for 2010 after which it trends downward to stabilize at 1.98 in 2016. The trending downward is reflective of the end of the national recession and the flow of excess workers to other areas of the country. The 1.98 ratio from 2016 to 2020 is also reflective of a permanently higher rate of self-employment in New Orleans going forward. This is the factor used in **Scenarios 1 and 2**. In **Scenario 3**, this factor trends upward from 1.98 in 2015 to 2.08 in 2020 reflecting an increase in families with children.

Household Size Estimates

The most important factor for estimating housing production needs is the estimated number and size of additional households to be accommodated. We convert our population projections to household projections based on different assumptions of household size. According to the 2008 American Community Survey (ACS) data, fewer families with children have returned to New Orleans since Hurricane Katrina, and more singles and childless couples have made New Orleans home. For **Scenarios 1 and 2**, we assume the size mix of our new households corresponds to this latest ACS data. For **Scenario 3**, we assume that New Orleans becomes more attractive to families with children by 2020 and apply Census 2000 distributions to apportion new households over household size categories. Achieving this goal will require a wide array of policies aimed at definitive flood risk reduction, continued school improvements, robust economic development and significant crime reduction.

The number of bedrooms needed in our new housing units is influenced by household preferences as well as the size of our new households. A two-person household may choose a 1, 2, 3, or even 4-bedroom unit depending on factors ranging from household composition to unit layout. Our estimates use ACS 2007 microdata for Orleans Parish (the most recent microdata available at the time of this writing) to distribute different-sized households over different-sized units.

To illustrate, in 2007, about 2 percent of single individuals lived in zero-bedroom units, 42 percent lived in one-bedroom units, 38 percent lived in two-bedroom units, and nearly 18 percent lived in units with three or more bedrooms. Based on this evidence, for every 100 additional single individuals living in New Orleans by 2020, our housing needs estimates call for 2 more efficiencies, 42 more one-bedrooms, 38 more two-bedrooms, and 18 more units with three or more bedrooms.

Even in the most conservative scenario (Scenario 1 with no housing for homeless and a 3.8 percent target vacancy rate), there is a slight mismatch between available housing units by bedroom size and anticipated demand by bedroom size. This results in the need for a small number of units (specifically 14 no-bedroom housing units) to meet a specific demand area for which there is currently inadequate supply—despite large vacancies in other bedroom size categories.

Target Vacancy Rates

A small share of the housing stock is vacant at any given time as rental and owner-occupied units turn over to the next tenant or owner. In fact, vacancies are necessary to a healthy housing market. To be clear, we are defining vacancies as unoccupied, but *habitable* units that are for sale or for rent.[21] If vacancies are too low, as they were in

20 Over the same time frame the percent of U.S. households receiving self-employment income dropped from 11.9 percent to 11.6 percent according to Census 2000 and ACS 2008 data.

21 The overall vacancy rate is defined as VR= (VFR+VFS)/(VFR+VFS+ROU+HOU+RNYO+SNYO), where VR is the vacancy rate, VFR is the number of vacant units for rent, VFS is the number of vacant units for sale, ROU is the number of renter-occupied units, HOU is the number of homeowner-occupied units, RNYO is the number of rented but not occupied units, and SNYO is the number of sold but not yet occupied units. Vacant units defined by the Census Bureau as "for seasonal, recreational, or occasional use," "for migrants," or "other vacants" are excluded from calculations of the vacancy rate.

the months following Hurricane Katrina, rents and prices will shoot up and be out of reach for much of the workforce. And if vacancy rates are too high, rents may fall below landlord costs, causing owners to abandon their investments. In the latter case, it makes sense to accommodate new households within the existing stock.

Available data supports what many locally have observed—that low vacancy rates immediately after Katrina have swung the other way. For example, a September 2009 survey by Larry G. Schedler & Associates of 123 large, multi-family rental properties indicated a 13 percent rental vacancy rate in Orleans Parish and the region. For our estimates of current vacancy rates, we needed a larger and more representative sample that included units for sale and for rent, and a mix of housing stock, including single-family houses, doubles, and multi-family apartments. As a result, we chose to use 2008 American Community Survey data after confirming that its results were reasonably consistent with other sources.[22] ACS 2008 data estimated a 15.8 percent vacancy rate for units "for rent" and a 6.0 percent vacancy rate for units "for sale."[23] Assuming the same homeowner-renter mix of units in Orleans Parish as shown in the 2008 ACS, we calculated an *overall* current vacancy rate of 10.9 percent for our housing needs model.

The current vacancy rate by itself is not meaningful until it is measured against an "ideal" or "target" vacancy rate at which the local housing market is in equilibrium. The research on target homeowner vacancy rates is largely non-existent. In the rental market, precisely identifying a target rate is very difficult as it differs by place, type of housing unit, and over time.[24] For example, the rate at which tenants are mobile (moving between housing units) is one factor in determining the equilibrium vacancy rate for an area. Another factor is the size of rental properties because vacancy rates in large, multi-family properties tend to be higher.

To test the sensitivity of the target vacancy rate, we ran our housing production model using two different target vacancy rates. In both cases, we assumed that the Census 2000 homeowner vacancy rate of 2.7 percent for Orleans Parish was healthy. In the first case, we combined the 2.7 percent homeowner vacancy rate with a "rule of thumb" rental vacancy rate of 5 percent to arrive at an overall target vacancy rate of 3.8 percent. In the second case, we assumed the Census 2000 rental vacancy rate of 7.9 percent was healthy to arrive at an overall target vacancy rate of 5.2 percent. Overall target vacancy rates were computed by applying target vacancy rates to ACS 2008 estimates of occupied housing unit by tenure.

Under both sets of assumptions, our overall target vacancy rates of 3.8 percent and 5.2 percent are substantially lower than our current vacancy rate of 10.9 percent. Thus, additional household growth is accommodated within vacant units before creating demand for new housing production.

Estimated Annual Rate of Stock Loss

New Orleans' housing stock is old, especially in areas of the city that did not flood due to the extensive levee failures of 2005. As a result, New Orleans is fending off blight and abandonment on two fronts- in the city's newer neighborhoods where the 2005 flooding was concentrated, as well as in older neighborhoods where time has taken its toll on the housing stock. Also, residential units are occasionally converted to commercial use or demolished to make way for other uses. For these reasons, communities need to plan for some level of stock loss over time.

We estimate an annual rate of stock loss of 0.259 percent from the stock that survived Katrina and the levee failures, based on housing unit loss rates by year built from the Census Bureau combined with Census 2000 data on the age of New Orleans' housing stock in census tracts that were not flooded in 2005. This estimate is less than the overall loss rate for the nation, calculated at 0.295 percent by the Census Bureau. We used the same loss rate in all three scenarios.

Doubled-up Households

Whether because of high housing costs, foreclosure, unemployment, or lack of funds to repair their hurricane-damaged home, families often move in with relatives to save money and avoid homelessness. These "doubled-up" households are also a source of demand for housing units.

22 Surveys of over 100 multi-family properties comprising nearly 30,000 rental units by Larry G. Schedler & Associates indicated an increase in the rental vacancy rate from 4 percent in Spring 2008 to 13 percent in Fall 2009 for New Orleans Historic Center, and from 6 percent to 13 percent for the region. A survey of 60 properties in 2009 by MMA REVAC (Real Estate Valuation and Consulting) indicated a 13 percent rental vacancy rate for market rate units, and a 5 percent rental vacancy rate for LIHTC units.

23 Note that the ACS data should be considered proximate rather than exact, due to sampling error and non-sampling error associated in particularly with vacancy data.

24 Eric S. Belsky, "Rental Vacancy Rates: A Policy Primer," Housing Policy Debate 3(3): 793-813.

We chose to use the ACS 2008 definition of subfamilies as a proxy for doubled-up families. A subfamily does not maintain its own household, but lives with a householder or householder's spouse who is a relative. The Census Bureau defines two main types of subfamilies: married-couple subfamilies with or without children and parent-child subfamilies comprised of an unmarried parent living with one or more children.

The "subfamily" definition ensures that we avoid counting roommates and unmarried partners as doubled-up. On the other hand there may be individuals who are "couch surfing" in New Orleans households and might prefer to have their own households. These individuals are not captured in our definition of "doubled up." Similarly our definition assumes that all doubled up families prefer to have their own household, however, some families may prefer to live as one large, extended family. Without more precise data about desires and intentions, it is not possible to derive a more exact estimate of doubled-up families who are in the market for their own housing unit. We use the Census' definition of "subfamily" acknowledging these limitations.

Based on ACS 2008 data, about four percent of New Orleans households included a sub-family. We applied this ratio to our current estimate of households based on September 2009 USPS data in order to estimate some 6,000 doubled-up families in New Orleans. We assumed an average subfamily size of 2.5 persons based on Census 2000 data.[25] We used the same doubled-up figure for all three scenarios.

Homeless Individuals and Families

A January 2009 point-in-time survey by Unity for Greater New Orleans estimates the number of homeless in New Orleans at 11,500.[26] This estimate is roughly twice the number of homeless people before the multiple levee failures destroyed more than one hundred thousand homes in New Orleans. Based on family size, this number translates to some 9,994 homeless individuals and families in need of housing in New Orleans.

About 80 percent of the homeless population are single individuals, 7 percent are living in a two-person household, 5 percent are living in a three-person household, and 8 percent are living in households of four persons or more. We assume that homeless individuals and families would be accommodated in the smallest units acceptable, given their household size. We assign single individuals to efficiencies, two-person households to one-bedroom units, three-person households to two-bedroom units, and households of four persons or more to three-bedroom units. We used the same estimates for accommodating the homeless in all three scenarios.

Although some units to accommodate the homeless have already been planned and are awaiting approval of financing by the State Bond Commission, it is not likely that New Orleans will be able to secure sufficient resources to house all the homeless currently in the city. For this reason we ran our housing production model without housing for the homeless and then again including housing for the homeless to provide a clear quantification of the different options.

25 ACS 2008 data for Orleans Parish could not be used because person-level weights developed by the Census Bureau created illogical results for the population in subfamilies. For example, for mother-child subfamilies, the data counted more mothers than children.

26 Unity for Greater New Orleans uses the U.S. Department of Housing and Urban Development definition of homeless as those who an individual who lack a fixed, regular, and adequate nighttime residence; and individuals sleeping in emergency shelters, transitional housing, and public or private places not designed for human beings.

Affordable Housing Needs

Table 3: 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.

While the scenarios above suggest total production targets given different assumptions, they do not give guidance on the distribution of housing needs across household income levels. The need for affordable[27] housing comes from three sources: new very low- and low-income households that will move into Orleans over the next decade; families and individuals who are currently homeless; and, as discussed in Part I, the many very low- and low-income families living in Orleans today who are paying too much for housing each month.

To estimate the number of very low- and low-income households that will move to New Orleans by 2020, we assume that the net new households will match the income distribution of resident households across the New Orleans metro area in 2008. Currently a disproportionate share (47 percent) of the households in New Orleans have incomes less than $35,000 as compared with the metro area as a whole (37 percent), and Jefferson (36 percent) and St. Tammany (30 percent) house a disproportionately lower share of households with income below $35,000. If New Orleans provides only its "fair share" of new affordable housing in the region, then only 37 percent of all new housing units should be at cost-levels to accommodate these income levels.[28] The number of more affordable housing units (either subsidized or private market) needed by 2020 assuming this income distribution, a 3.8 target vacancy rate and no housing for the homeless under Scenario 1 "Status Quo" is 5,744.

Under any scenario, an additional 10,000 housing units would be needed to house all the homeless currently in the city, and any housing built to accommodate the homeless would, of course, require subsidies. In our models that include housing for the homeless, we distribute homeless-related housing production evenly over 11 years.

To estimate demand for subsidized rental housing units for *current* New Orleans residents, we assume that renters that are housing cost burdened represent demand for a subsidy. To calculate the number of such households, we begin with our current estimate of 153,244 occupied housing units in New Orleans. The most recent ACS data indicates that 47 percent are renter occupied suggesting that there are 72,516 renter households in New Orleans. Applying ACS 2008 data on the percents of renter households in each income category and the percent in each income category that are housing cost burdened (spending more than 30 percent of pre-tax pay on housing), we yield these estimates of housing cost burdened renter households in Orleans (see Table 3).

This suggests that some 45,000 renter households with incomes below 80 percent area median income would benefit from a subsidy. If we take the most conservative assumption, that households with reasonable housing costs are not receiving subsidies but are living in unsubsidized housing with affordable rents, and that current subsidies are being used by some of the 45,000 renter households who represent demand in this analysis, we see that there are still gaps in supply. It is difficult to accurately apply specific subsidies to specific income categories because of variable eligibility criteria such as family size, but a simple analysis suggests that current subsidies do not meet current demand for at least 20,019 households (see Table 4).

27 For the purposes of this report, we define "affordable" as a household that does not spend more than 30 percent of its pre-tax income on housing expenses.

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

Table 4: Current demand versus current supply, Orleans Parish

	Cost-burdened households	Subsidized units	Households with unmet need	Subsidy program Details
Less than $20,000[a]	27,151	22,077	**5,074**	About 14,897 DHAP and Housing Choice vouchers were in use in June 2009,[d] 1,750 public housing units were occupied as of September 2009,[e] 1,980 deeply subsidized LIHTC units (<40% AMI) were placed in service as of October 2009,[f] and about 500 additional project-based Section 8 units were leasing as of August 2009.[g] We estimate an additional 2,000 vouchers were recently or soon will be available, and that up to 950 additional public housing units may be available for occupancy.
$20,000 to $34,999[b]	14,022	3,397	**10,625**	Currently, there are 2,214 subsidized LIHTC units (40-60% AMI) and an estimated 1,183 small rental property units that are affordable to households earning 65% AMI.
$35,000 to $49,999[c]	4,414	94	**4,320**	94 units from the small rental properties program are affordable to households earning 65%-80% AMI.
$50,000 plus	1,885	0	*Purposely omitted*	We assume no subsidies for this group.
Total	**47,472**	**25,568**	**20,019**	

Source: GNOCDC analysis of data from the Louisiana Housing Finance Authority (LHFA), Housing Authority of New Orleans (HANO), Louisiana Recovery Authority (LRA) and U.S. Department of Housing and Urban Development (HUD).
Note: Unmet need calculations assume that subsidies are used by lowest eligible income levels.
a. ~<40% AMI "very low-income"; b. ~40-60% AMI "low-income"; c. ~60-80% AMI
d. HUD Voucher Management System, 2009 Q2.
e. HUD Resident Characteristics Report, September 2009.
f. Louisiana Housing Finance Agency LIHTC reports as of October 16, 2009.
g. HUD's Multifamily Assistance and Section 8 Contracts Database as of August 5, 2009.

Housing Production

After estimating the potential demand for housing, the next step ideally would be to compare the total demand to the projected supply, that is the current supply plus any confirmed near-term additions to the stock. Unfortunately, an accurate accounting of housing under construction in New Orleans is not easily available. The city's building permit data contains classifications that are inconsistent and, therefore, not interpretable. Moreover, the use of kiosks for requesting building permits has exponentially increased the number of errors associated with each permit and has resulted in multiple permit applications per building. For example, a resident may accidentally apply for a commercial permit using a kiosk, realize their mistake and then apply for a residential permit. Or may apply for an electrical permit, realize their mistake and then apply for an auxiliary structure permit. A building inspector may be able to decipher these errors when comparing the multiple permits associated with one address and a visual inspection of that same address. But an aggregate analysis of the city's building permit data as an indicator of housing in production would result in erroneous conclusions. The poor quality of this municipal data set means that the total number of housing units in the pipeline cannot be accurately quantified.

Instead, we focused our efforts on documenting the rental housing in the pipeline that is funded by major federal funding streams in anticipation that this would be useful for decision-makers currently determining the need for additional subsidized housing. Specifically we focused on housing funded by the Low-Income Housing Tax Credit (LIHTC) program, small rental properties being rehabbed with disaster Community Development Block Grant (CDBG) funding, housing units in the Housing Authority of New Orleans' (HANO's) redevelopment plans, and properties with federal project-based Section 8 contracts. There is no single administrative source that tracks this data and official reports are not always definitive as to the status of housing developments or funding commitments. A project-by-project accounting of up-to-date data on federally funded housing in the pipeline and the remaining uncertainties about this data are documented in the downloadable spreadsheet entitled "Supplemental 2" at www.gnocdc.org/HousingProductionScenarios/.

In all, approximately 7,754 units with some source of federal subsidy are in the pipeline, with approximately 2,666 more in earlier planning stages (See Table 5).

Table 5: Federally subsidized rental housing units in the pipeline for Orleans Parish as of October 2009

	Housing units in the pipeline	Explanation	Planned housing units
LIHTC tax credits	Approx 2,176: 1,218 subsidized and 958 deeply subsidized	These housing units are currently under construction or have "closed" - that is, they have secured the private financing necessary to begin construction. It's important to note the majority of these units are dependent on federal legislation to extend placed in service dates and/or exchange GO-Zone tax credits for grants via the national stimulus bill.	Approximately **1,337** additional housing units have been allocated tax credits by the LHFA but have not secured the needed private financing. Many of these are dependent on CDBG "piggyback" dollars from the LRA and/or State Bond Commission approval.
LRA Small Rental Properties program	5,543	The LRA has sent commitment letters for approximately **5,543** housing units to be rehabbed via their small rental properties program. This number does not include those that have already submitted their certificate of occupancy, because those units are assumed to be among the occupied households already accounted for in our analysis.	
Project-based Section 8	35	Only one project-based Section 8 property (beyond those financed via tax credits) consisting of **35** units is known to be in the pipeline -- that is, the owner reports that it is being rehabbed and will be opened later this year.	Only one other Project-based Section-8 property (beyond those financed via tax credits) consisting of **98** units anticipates an approved refinancing/ rehabilitation plan in place by end of 2009, which would lead to a construction start in the early 1st quarter of 2010.
HANO			HANO's redevelopment plans call for an additional **1,231** units beyond those financed via LIHTC tax credits, but we have not be able to determine any specific funding commitment for these units and, therefore, do not consider them in the pipeline.
Estimated total	**7,754**		**2,666**

Source: GNOCDC analysis of data from the Louisiana Housing Finance Authority (LHFA), Housing Authority of New Orleans (HANO), Louisiana Recovery Authority (LRA) and U.S. Department of Housing and Urban Development (HUD).

Comparing Housing Needs to Projected Supply

The table below compares the levels of production of subsidized housing units to the units needed in our "status quo" scenario. Because some of the planned production is set aside for homeless, we include in this table the housing units needed to meet current demand for homeless housing, and distribute those evenly across 11 years. We see that in the short term the new federally subsidized units will contribute to excess capacity. Of course, even more units are being built or rehabbed either with help from the Road Home program or without federal subsidies, thus, we anticipate that vacancies will increase in the short term and demand for market rate units will remain weak. At the same time, demand for current and projected subsidized units will remain high throughout this period since the estimated 23,034[29] households that will need affordable housing by 2012 far exceed the new subsidized supply.

After 2012, we see a change in direction, ending with a possible shortfall of 1,399 units in 2015. Given the long lead time for land acquisition, financing, and construction, city stakeholders should begin the dialogue now about issues of housing density, historic preservation, and affordability pressures. Beyond just meeting the needs of low-income households, the location, structure mix, and cost distribution of these units have important implications for how the city and its neighborhoods will grow. Planning ahead will allow time for careful examination of the tradeoffs of various development strategies, for listening to all stakeholders in the decision-making process, and for any prerequisite government actions such as zoning changes or city CDBG or HOME funding decisions.

Table 6: Timeline of housing demand and supply for Scenario 1 (status quo and 3.8% target vacancy rate with housing for homeless)

	2010	2012	2015	2020
Housing Demand				
Total additional units needed	885	3,598	9,153	25,911
Total new 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: 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. Numbers are cumulative.

29 This total includes 20,019 of unmet demand among current low- and very low-income renter households, 2,673 homeless households by 2012, and 37 percent of the 925 new units needed by 2012.

PART III: Policy Implications and Options

All sectors – government, nonprofit, philanthropy and private – have roles to play in building a thriving city. Our final section discusses three specific action areas: ensuring the completion of the current subsidized housing pipeline; helping low-income households gain access to existing housing; and investing in information infrastructure to support decision-making and promote accountability.

A. Ensuring the Completion of the Current Subsidized Housing Pipeline

The city, state, and federal governments, as well as the philanthropic sector can take actions to address the serious housing affordability problem facing New Orleans. As discussed earlier, building additional subsidized housing units – particularly units targeted to the needs of homeless and other special needs populations – has to be part of the solution. There is ample evidence of significant demand for subsidized rental units and overwhelming evidence of the need for housing for the homeless. Public agencies at every level should work to facilitate the production of subsidized housing currently in the pipeline. Specific actions that are needed to ensure that housing in the pipeline is completed include:

- U.S. Congress extending the placed-in-service date for the tax credit housing units until 2012.
- U.S. Congress approving the inclusion of GO-Zone tax credits in the federal stimulus package's exchange of tax credits for grants.
- State bond commission approving bonds for housing that has already received low-income housing tax credits and LRA piggyback dollars.
- LRA honoring current commitments via Small Rental Properties program and CDBG "piggyback" funding for housing.

The last two items in particular will demonstrate to investors that the development process for New Orleans can be handled in a professional, predictable way without last-minute derailing of well-vetted projects. Regardless of how New Orleans grows in the decade ahead, most of the new subsidized and market rate housing will be produced by the private sector. Earning their confidence is essential to creating an environment that attracts future investment and ensuring our city and state will be able to meet the housing needs of current residents and newcomers.

B. Helping Low-Income Households Gain Access to Existing Housing

Given the city's high vacancy rates among habitable units, additional policies should focus on helping low-income households gain access to the housing that already exists, and secondarily to preventing and reversing blight. Specifically, actions are needed to: 1) make existing rental housing more affordable; 2) strengthen the performance of housing voucher programs; 3) involve businesses in helping employees obtain affordable housing; 4) control the cost of property insurance; and 5) expand affordable housing options throughout the metropolitan region. Experience from cities around the country offers a wide array of such tools for advancing these goals. No single program can provide the whole solution and no single level of government can implement all the needed policies. A range of policy options are briefly described below, focusing in turn on each level of government and on the potential role of philanthropic foundations.[30]

1. Make Existing Rental Housing More Affordable

Programs targeted to the existing stock of rental units can improve housing quality and prevent or reverse blight while making housing more affordable for low- and very low-income households. Options include grants or low-cost loans to small landlords who commit to holding rents down; acquisition and rehab of vacant and deteriorating properties; and support for high performing nonprofit housing providers to acquire and operate existing properties as affordable rental housing.

The city can:

Target annual HOME and CDBG funding to improve the rental housing stock. If increasing the quality of the housing stock and making more rental properties affordable are both key goals of the city, HOME and CDBG funding can be used to correct housing code violations or upgrade housing quality. In return, property owners could be required to keep rents within some designated affordability range for a fixed period.

Support the creation of a community land trust. Land trusts can help stabilize declining or distressed neigh-

30 For a more detailed description of these policy options, examples from other cities, and explanations of how they may be useful in post-Katrina Louisiana, see "Affordable Rental Housing in Healthy Communities: Rebuilding after Hurricane Katrina and Rita" www.urban.org/publications/411514.html.

borhoods by putting blighted properties back into re-use in ways that best benefit the community rather than relying on the individual investment decisions of existing property owners or developers. In a land trust, a nonprofit acquires and retains land in trust for the community and leases it for a small fee to individuals who own the structures built on the land. This supports long-term affordability since the cost of the land is taken out of the price of the housing.

Philanthropies can:

Provide funding to build the capacity of public and nonprofit institutions to plan and implement the steps above. Foundation support can provide additional, time-limited funding to help build the staffing and skills of city agencies, nonprofit organizations, and quasi-governmental entities that manage significant housing resources.

2. Strengthen the Performance of Housing Voucher Programs

The federal Housing Choice Voucher and other voucher programs have the potential to help many of New Orleans low-income households find and afford housing in the marketplace. However, considerable evidence suggests that these voucher programs may not be living up to their potential and need serious attention to perform effectively.

The city can:

Prohibit discrimination based on source of income. Expanding local fair housing protections to cover "source of income" discrimination can help ensure that recipients of housing vouchers are not arbitrarily excluded from available rental opportunities.

Vigorously enforce fair housing laws. The City of New Orleans—working in partnership with nonprofit organizations like the Greater New Orleans Fair Housing Action Center—can help ensure that illegal discrimination does not bar families and individuals from available housing. Prompt federal investigation and prosecution of specific instances of discrimination by housing providers is essential, and the city can facilitate this through CDBG and/or HOME-funded activities around fair housing education and enforcement support.

The state can:

Prohibit discrimination based on source of income. This option could be implemented statewide for even broader impact.

The federal government can:

Provide effective oversight to ensure that current voucher allocations are fully utilized. A large amount of voucher funding was not distributed by the Housing Authority of New Orleans (HANO) for many months for lack of capacity to process the tremendous increase in voucher funding through HANO post-Katrina. Similarly it is possible that supportive housing and other vouchers for the homeless and disabled as well as HOME, CDBG, HOPWA and other funding streams have not been used to their fullest potential because of lack of administrative capacity, cumbersome HUD regulations, or poor oversight. HUD should ensure that HANO and other voucher administrators have sufficient capacity to administer all voucher funding they receive, provide technical assistance as necessary, and conduct regular audits of housing-related funding streams via New Orleans entities to ensure their full and appropriate use.

Strengthen voucher program management. HANO recently awarded voucher administration to an outside firm under an emergency, no-bid contract. HANO should move quickly to replace this emergency arrangement with a well-planned and competitively awarded contract. This contract should include performance measures and incentives to ensure that the program is efficiently administered and that families who receive vouchers are able to use them to obtain decent housing in healthy communities region-wide.

Create an ombudsman for HANO to resolve landlord disputes. A recent study by the Greater New Orleans Fair Housing Action Center revealed that many landlords refused to accept vouchers because of difficulty working with HANO.[31] HANO could create an ombudsman office so that property owners can resolve issues with housing authority administration in meaningful ways on an individual basis.

Philanthropies can:

Provide funding for housing search assistance and landlord outreach. The performance of the Housing Choice Voucher program could be significantly enhanced by well-designed and implemented intensive case management including transportation and education to help families identify and secure acceptable rental units and landlord outreach that would help voucher recipients gain access to available market rate housing in opportunity-rich neighborhoods.

31 www.gnofairhousing.org/pdfs/HousingChoiceInCrisis2009.pdf.

3. Involve Businesses in Helping Employees Obtain Affordable Housing

In the greater New Orleans region, the lack of affordable housing is adversely affecting some businesses, making it difficult for them to find staff, increasing employee turnover, and limiting their ability to resume their normal operations. This creates an opportunity to engage employers in providing rental or homeownership assistance to low-wage workers.

The city can:

Establish an Employer Assisted Housing Program. Employer Assisted Housing programs can offer a wide range of benefits, including: forgivable, deferred, or repayable second loans; grants; matched savings plans; rental assistance; security deposit assistance; and homebuyer education. Employers can write off the costs of providing these benefits as a business expense and a growing number of states and local jurisdictions provide tax incentives for such employer-provided assistance. By establishing an intermediary to administer an employer assisted housing program and offering local income tax incentives to participating employers, the City could strengthen the housing market, rehabilitate more blight and strengthen the local economy.

The state can:

Provide matching funds for an Employer Assisted Housing Program. State funds could be used to supplement employer assistance to low-income workers under a locally established employer assisted housing program.

Philanthropy can:

Provide funding and technical assistance to launch an Employer Assisted Housing Program. Foundation support could provide the impetus and fund the planning needed to establish local Employer Assisted Housing programs.

4. Control the Cost of Property Insurance

The cost of residential property insurance has risen rapidly throughout the Gulf Coast since 2005. These high costs make owning and operating rental housing more expensive, and either require owners to charge higher rents or make reinvestment infeasible. One strategy for addressing this problem is to create a special purpose insurance pool.

The federal government can:

Provide expertise and funding to launch a cooperative insurance pool. Federal expertise in cooperative development and seed funding may be needed to help create a cooperatively-owned company to provide affordable property owner insurance in Louisiana.

Philanthropy can:

Create a statewide nonprofit cooperative insurance pool for affordable property insurance. If private insurance companies fail to offer property insurance at reasonable rates, the nonprofit sector could take the lead in creating a cooperatively-owned company dedicated to providing affordable property insurance.

5. Expand Affordable Housing Options throughout the Metropolitan Region

Although this report focuses primarily on the housing needs of Orleans Parish, the challenge is regional in scope. Every parish in the Greater New Orleans region should offer housing options that low- and very low-income families can afford. And affordable housing – both market rate and subsidized – should be located in healthy, opportunity-rich communities, not concentrated in a few, primarily low-income neighborhoods.

The state can:

Target Low-Income Housing Tax Credits to opportunity-rich neighborhoods. Although LIHTC is a federal program, the state controls the allocation of credits among competing development proposals. The state should continue to prioritize proposals that include permanent supportive housing for the homeless and families with special needs. Priority for credits should also be given to projects that produce affordable rental units in a diversity of locations in healthy, opportunity-rich communities.

Establish "fair share" affordable housing requirements. Some jurisdictions and neighborhoods have actively worked to block the development of affordable housing in their area post-Katrina. The state can reduce the time and effort spent combating these actions by mandating that every parish provide a sufficient quantity of affordable rental housing to serve its "fair share" of low-income households expected over the coming years. Such a mandate would create an incentive for parishes to work together to make housing more affordable throughout the region.

The federal government can:

Withhold approval of disaster-CDBG infrastructure dollars for non-compliant parishes. Parishes' funding from HUD programs should be contingent upon their compliance with federal fair housing laws. Recently, HUD informed St. Bernard Parish that attempts to block building of multifamily housing would result in withdrawal of disaster CDBG funds for rebuilding the parish hospital.

C. Investing in Information Infrastructure to Support Decision-Making and Promote Accountability

As an overarching recommendation, New Orleans urgently needs to invest in the operational routines within departments and the in-house technology necessary to track its housing stock, including planned production. This at a minimum includes accurate and unduplicated building permit data so that the total number of housing units in the pipeline could be quantified. To assess supply and demand for sub-parish areas such as neighborhoods, an accurate, updated property-level database is needed including information about building and demolition permits, homestead exemptions, and investments from CDBG, HOME, and other funding programs. Additional data about code violations and tax liens would also help assess property conditions and investment. This database should be downloadable (rather than available only one record at a time) for analysis purposes, and it should be publicly available (rather than privately held) to promote transparency and confidence.

Without this basic information infrastructure, our community is hamstrung – we cannot reliably assess the supply and condition of housing, making it impossible to make informed policy decisions or track the impacts of policy and program changes going forward.

Having a set of numbers that all stakeholders can work from will help focus the public debate on the choices available to determine the city's future, instead of wasting energy arguing about the accuracy of estimates. This recommendation echoes the draft of the Master Plan, which calls for improved internal and external accountability through performance measurement systems, an information warehouse, and accessible and meaningful information about municipal activities.

These changes cannot happen overnight, and will require significant re-engineering of the business processes within City Hall by municipal employees themselves. Technology that enables the visualization of the current low-quality data will not meet these needs and could have wide-ranging negative consequences if used for decision-making.

Unless we begin in earnest on concrete elements of the system now, we will be as hindered in ten years by the lack of solid information as we are today.

Looking Ahead

The policies outlined above provide a myriad of opportunities to improve housing affordability for low- and very low-income workers and reverse neighborhood blight. Of course, housing policies alone can't supply the whole solution. Even before Katrina, the pervasiveness of low-wage tourism jobs meant that many New Orleans residents had low incomes, and property owners couldn't command the resources that would have been needed to maintain New Orleans' vast expanses of historic housing, much of which was run down. Post-Katrina this problem could be exacerbated if the increases in insurance and utilities costs are permanent. Billions of federal dollars spent to repair flood and wind damaged New Orleans homes could be wasted if homeowners don't earn sufficient wages to maintain their newly rebuilt homes and landlords cannot charge high enough rents to cover maintenance costs.

Looking ahead, therefore, policies that encourage economic development, increase wages, and expand households' purchasing power will be needed to maintain New Orleans historic housing stock. Without significant focus on economic development activities that spawn more middle and high wage jobs, New Orleans will have less demand for housing and more blight. The challenge of historic preservation and the vitality of New Orleans' neighborhoods are inextricably linked to the growth and health of the region's economy.

ABOUT HOUSING IN THE NEW ORLEANS METRO

The *Housing in the New Orleans Metro* series creates a common base of reliable information around housing and the recovery that is easy to use to support decision making at many levels as the New Orleans area moves from recovery to large-scale community development. Housing policy development must be informed by a solid understanding of not only housing affordability challenges for homeowners and renters, but also economic, employment, income, and demographic trends and regional commuter patterns. The *Housing in the New Orleans Metro* annual report quantifies housing issues and raises promising policy options that can address current and future housing problems. In addition to the annual report, periodic *Housing in the New Orleans Metro* briefs highlight new data as they are acquired and analyzed to provide timely support to local, state, and federal decision-making. The complete collection of briefs and reports can be found on the Data Center's website: *www.gnocdc.org*

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