HOUSINGNOLA
COMMUNITY DEVELOPMENT
FINANCE PLAN
A FINANCE STRATEGY FOR A MORE EQUITABLE NEW ORLEANS
Acknowledgements

HousingNOLA is a 10-year partnership between the community leaders, and dozens of public, private, and nonprofit organizations working to solve New Orleans’ affordable housing crisis. The data indicates the need for 33,600 additional affordable units in the city by 2025 and the data clearly shows that wages have not come close to mirroring the dramatic rise in housing costs.

Funding for the research and analysis to create this investment strategy was provided by JP Morgan Chase, Ford Foundation, Kresge Foundation, Capital One, Greater New Orleans Foundation and the Foundation for Louisiana.

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Executive Summary

New Orleans, much like many other American cities, is in need of economic investment in various neighborhoods to stimulate not only the city’s growth, but its equitable development. Without a diverse pool of investment funds targeted at the appropriate level of need, the city will stagnate, and opportunities will diminish for developers, investors and more importantly, the citizens. The Community Development Finance Plan examines the cost and financial gap that will need to be filled by private investment for the projects funded through the public partners. The Lenders Roundtable also hopes to secure additional investment opportunities for community development, in order to support HousingNOLA’s 10 Year Strategy and Implementation Plan’s call for 33,600 units of affordable housing opportunities—whether this is through new construction, substantial rehabbing of existent properties, policy changes or other investments. Our estimates suggest that should require approximately $6 billion in investment from a wide variety of sources.

The city is struggling with an affordable housing crisis and we often look to government to solve such a major problem. The HousingNOLA plan recognized that both public and private dollars are necessary to solve New Orleans’ housing crisis. The city needs approximately 33,600 affordable housing opportunities to address the affordable housing crisis—representing $513 million in potential economic impact annually according a study done by National Equity Atlas.

The purpose of this document is to educate and inform lending and financial institutions of investment opportunities that will produce the affordable housing necessary to end New Orleans’ housing crisis. There are large funding gaps left that will have to be filled by the private sector through traditional and unconventional means, in order to achieve the housing production goals and increase the supply of affordable housing.

While the various public partners initially committed to produce a total of 7,500 affordable housing opportunities, to date, the partners have only produced approximately 2,300 opportunities, and in 2018, New Orleans lost more affordable housing opportunities than it created. The Community Development Finance Plan breaks down the housing need by income band, bedroom size, tenure and an estimate of the cost of the affordable housing opportunity. This will provide investment partners with the information necessary to create long-term investment commitments.

The Lenders Roundtable is a collection of financial institutions, real estate experts, government agencies, developers and advocates that are committed to securing financial investments necessary to address the affordability crisis. HousingNOLA’s Lenders Roundtable is working to meet consistently with members to develop a working plan for securing more investment opportunities.

Lenders Roundtable

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Tish Allen, Hancock Whitney
Nicole Barnes, Jericho Road
Sean Barney, CLB Porter, LLC
Barret Blaum, Hancock Whitney
Brenda Breaux, NORA
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Laura Waltanski, Walker & Dunlop
Jarret Woods, Lift Fund
Erika Wright, JP Morgan Chase
John Zollinger, Home Bank
### 10 Year Financial Analysis

<table>
<thead>
<tr>
<th></th>
<th>Need</th>
<th>Cost Projection</th>
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<tbody>
<tr>
<td><strong>Rental</strong> (× $120,000)</td>
<td></td>
<td></td>
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<tr>
<td>&lt;80% AMI Renter</td>
<td>10,952</td>
<td>1,314,240,000</td>
</tr>
<tr>
<td>&gt;81% AMI Renter</td>
<td>5,720</td>
<td>686,400,000</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>16,672</td>
<td>2,000,640,000</td>
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<table>
<thead>
<tr>
<th></th>
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<tr>
<td><strong>Homeownership</strong> (× $225,000)</td>
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<td>&lt;80% AMI Owner/Buyer</td>
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<td>1,266,300,000</td>
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<tr>
<td>&gt;81% AMI Owner/Buyer</td>
<td>11,293</td>
<td>2,540,925,000</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td>16,921</td>
<td>3,807,225,000</td>
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</table>

|                      |       |                  |
| **Cumulative Total** | 33,593| 5,807,865,000    |
## Household Area Median Income

<table>
<thead>
<tr>
<th></th>
<th>1 Person</th>
<th>2 Person</th>
<th>3 Person</th>
<th>4 Person</th>
<th>5 Person</th>
<th>6 Person</th>
<th>7 Person</th>
<th>8 Person</th>
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<tr>
<td><strong>30% AMI</strong></td>
<td>$13,800</td>
<td>$16,460</td>
<td>$20,780</td>
<td>$25,100</td>
<td>$29,420</td>
<td>$33,740</td>
<td>$38,060</td>
<td>$42,380</td>
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<td><strong>50% AMI</strong></td>
<td>$23,000</td>
<td>$26,250</td>
<td>$29,550</td>
<td>$32,800</td>
<td>$35,450</td>
<td>$38,050</td>
<td>$40,700</td>
<td>$43,300</td>
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<td><strong>80% AMI</strong></td>
<td>$36,750</td>
<td>$42,000</td>
<td>$47,250</td>
<td>$52,500</td>
<td>$56,700</td>
<td>$60,900</td>
<td>$65,100</td>
<td>$69,300</td>
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</table>

1 2018 HUD Median Income Limits
HousingNOLA secured seed funding from JPMorgan Chase & Co. to create an Investment Fund, which expands the Lenders Roundtable to include local Community Development Finance Institutions: NewCorp, HOPE, LIFT Fund and CD Capital while leveraging the resources of its current members. The Investment Fund seeks to equitably reinvest resources in distressed and primarily minority communities, build wealth for low-income and minority families and small business owners, thereby preventing displacement. Each CDFI will concentrate on its core specialty and support and enhance the activities of the other CDFIs.

Over the next two years, the Lenders Roundtable Investment Fund will use the $1 million investment received through JPMorgan Chase’s PRO Neighborhoods Initiative PRONeighborhoods funding to attract and invest an estimated additional $12.5 million in additional capital to the Claiborne Corridor. The CDFI partners will deploy capital to local small businesses, emerging developers, and CDCs in the Claiborne Corridor footprint, making targeted strategic investments and allow for the execution of the HousingNOLA 10 Year Strategy and Implementation Plan. As a result, we will mitigate displacement in the target neighborhoods by:

1. Preserving and expanding the supply of affordable rental and homeownership opportunities; particularly those in close proximity to catalytic developments by financing suitable projects

2. Relieving cost-burdened customers for neighborhood level businesses while also providing resources to small landlords and emerging developers—increasing wealth creation

3. Increasing access to capital for all residents, with particular focus on minorities, underserved residents, small landlords and emerging developers.

One Table

The One Table Project is a coordinated funding mechanism designed to enhance the ability to attract and deploy capital effectively and efficiently in New Orleans’ urban core. Managed by the Foundation for Louisiana, the One Table initiative is committed to meeting the goals of expanding opportunities for low- and middle-class families; revitalization of underserved communities; real estate development that provides long-term community benefit; putting vacant properties back into commerce; educating and sharing information; reducing development costs; and preserving place, culture and people.

Individuals with special needs face many of the same issues as low-income New Orleanians: paying too much in rent or on a mortgage and living in neighborhoods with limited access to services. However, individuals with special needs, like the formerly incarcerated, also face additional barriers and require additional supportive services in order to thrive. Furthermore, these populations are more at risk of not having safe and affordable housing options.
Potential Source of Funding/Case Study #1: GO Bonds to Fuel Economic Opportunity

Local Initiatives Support Corporation (LISC) announced that it is issuing $100 million in general obligation bonds to amplify its economic opportunity work and help drive impact investment capital into urban and rural areas in need. General obligation bonds are municipal bonds backed by the credit and taxing power of the issuing jurisdiction rather than the revenue from a given project. The bonds will have no geographic or programmatic restrictions. Different from the existing CDFI Bond Guarantee Program, this is a self-issued bond offering with an S&P rating based on LISC’s good balance sheet.

Potential Source of Funding/Case Study #2: Detroit’s Mortgage Bridge

Detroit Mayor Mike Duggan, with the help of the Obama administration’s Detroit Federal Working Group, brought together investment from a coalition of organizations from the private sector to create the Detroit Home Mortgage. Announced last year, it is designed to bridge the appraisal gap to get homes mortgaged and families moving back in to Detroit neighborhoods. Several banks, the Kresge and Ford foundations, and the Michigan State Housing Development Authority have each invested in the program, which competitively finances second mortgages up to $75,000 to cover the cost over a home’s appraised value. Qualified borrowers complete a homebuyer’s education course, and the Kresge Foundation has provided funds to support borrowers in extreme situations if they fall behind on their mortgage repayment.

Potential Source of Funding/Case Study #3: CDCs Are Taking Tips from Capital Market

For gentrifying neighborhoods, displacement of lower-income populations over time is a common occurrence, and renters are at an even greater risk. Market-rate units are of course susceptible to impossibly high rent increases, but gentrification’s effects are devastating when subsidized units with affordability restrictions expire, effectively barring lower-income households from staying. To guard against this, a nationwide group of CDCs and housing organizations took some tips from capital markets and established a Real Estate Investment Trust (REIT) called the Housing Partnership Equity Trust (HPET). Like a mutual fund, HPET’s portfolio of multifamily rental properties—typically located in gentrifying neighborhoods—and their access to opportunity provides investors long-term capital appreciation and a regular income stream. HPET’s structure allows it to bid as competitively as for-profit buyers without relying on cobbled-together, and often complex, financing. It is also just the second mission-driven and nonprofit sponsored and controlled REIT. Though it isn’t brand new (HPET is in its fourth year) it currently owns over 2,700 units, from California to Maryland, all of which have standard rents that are affordable to households earning 60 to 80 percent of area median income, or AMI.
Potential Source of Funding/Case Study #4: Nonprofit Developers to Fight Fire with Fire

Though the phrase “scalable affordable housing in San Francisco” may best be described as oxymoronic, there are some folks who haven’t given up yet. We received word from Citi Community Development that it has partnered with the city to fund the San Francisco Housing Accelerator Fund. Citi acknowledged that efforts to address the unaffordability problem at scale are repeatedly thwarted by the city’s cash-rich and fast-moving development machine, which moves too quickly for the long lead times that public subsidy requires. Rare opportunities to develop affordable housing are lost time after time. Described as a “one-stop” shop, the fund will source and deploy new capital for affordable housing. Citi Community Development’s Bob Annibale said, “By assembling and aggregating capital from more and broader sources of funding, affordable housing developers will have access to a streamlined, market-reactive lending model that will enable them to acquire properties quickly. In addition, it will bring forward new and existing public funds as bridge financing for projects the city wishes to support over the long term through subsidies, which can take years to materialize. And because the future affordable housing pipeline will depend on investments made today, the fund will build equity to allow for sustainable strategic site acquisition into the city’s future.”

Potential Source of Funding/Case Study #5: PRO Neighborhood

Partnerships for Raising Opportunity in Neighborhoods (PRO Neighborhoods) is JPMorgan Chase’s five-year, $125 million commitment to support locally-driven solutions for reviving distressed neighborhoods across the U.S. The PRO Neighborhoods Collaborative Competition encourages Community Development Financial Institutions (CDFIs), nonprofit lenders, to pool their resources and break down barriers to economic mobility in their communities. To date, JPMorgan Chase has hosted five competitions supporting 25 Collaboratives, representing more than 70 CDFIs across the country. A 2018 impact assessment by the Joint Center for Housing Studies of Harvard University found that the awardees of the first three competitions have issued a wide range of loans totaling $411 million – many of which were small loans to consumers who often either completely lack access to loans or have access only to costly loan products. The awardees also helped create or preserve nearly 3,300 units of affordable housing and supported nearly 11,000 jobs. Our $67.5 million investment in the first three years has leveraged an additional $717 million in outside capital, boosting the CDFI’s balance sheets by more than $137 million.

We will also review the following policy recommendations and craft case studies for further analysis:

- CDC Preservation Fund
- Live/work (doubles)
- Accessory dwelling units
- Incentives to maintain affordability
- Neighborhood Strategies
- Articulate wealth building as a priority
- Increase public investment
- Education gap for landlord and homeownership
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<tbody>
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<td><strong>Housing Supply</strong></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Number of Louisiana Housing Corporation Units Approved in New Orleans</td>
<td>Louisiana Housing Corporation</td>
<td>10,876</td>
<td>358</td>
<td>35</td>
<td>114</td>
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<tr>
<td>Number of Office of Community Development Disaster Recovery Units Approved in New Orleans (SRPP + Road Home)</td>
<td>Office of Community Development Disaster Recovery Unit</td>
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<td>5</td>
<td>7</td>
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<td>Number of Housing Opportunities Created by the City of New Orleans</td>
<td>CNO Office of Community Development, FANO, HANO, and NORA</td>
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<td>358</td>
<td>118</td>
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<td>Housing Choice Vouchers</td>
<td>Housing Authority of New Orleans</td>
<td>17,729</td>
<td>18,193</td>
<td>18,281</td>
<td>17,920</td>
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<td><strong>Total</strong></td>
<td></td>
<td>88,190</td>
<td>1,439</td>
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<td><strong>Other Housing Impacts</strong></td>
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<td>Number of HUD-VASH Vouchers</td>
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<td>Number of Permenant Supportive Housing Vouchers</td>
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<td>250</td>
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<td>Waiting List for Vouchers</td>
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<td>13,013</td>
<td>27,959</td>
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<td>Number of Properties Auctioned by New Orleans Redevelopment Authority</td>
<td>New Orleans Redevelopment Authority</td>
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<td>3,335</td>
<td>4,210</td>
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Next Steps

The Community Development Finance Analysis is a snapshot in time.

It lays out the overarching and pressing need for the city of New Orleans. We have made some progress, but not enough. It is imperative that we use data like the Market Value Analysis to refine investment opportunities; this Community Development Finance analysis will determine what level of certain investments is needed to be truly impactful. We will continue to work with the Lenders Roundtable members to build out investment options based on deals that are low, medium or high density.

In the 2019 HousingNOLA Report Card, we will be adding a category to document the number of affordable housing opportunities created by private resources in order to track the efficacy of the Community Development Finance Plan Analysis.
The Market Value Analysis (MVA) is a tool to assist residents and policymakers identify and understand the elements of their local real estate markets. It is an objective, data-driven tool built on local administrative data and validated with local experts. With an MVA, public officials and private actors can more precisely target intervention strategies in weak markets and support sustainable growth in stronger markets. The 2018 New Orleans Market Value Analysis map and report can be found in the City of New Orleans data portal website: https://datadriven.nola.gov/home/.
The data analysis for the *HousingNOLA: Community Development Finance Plan* was conducted by the HousingNOLA Data Working Group. Design and layout performed by Rashidah Williams Design.

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