

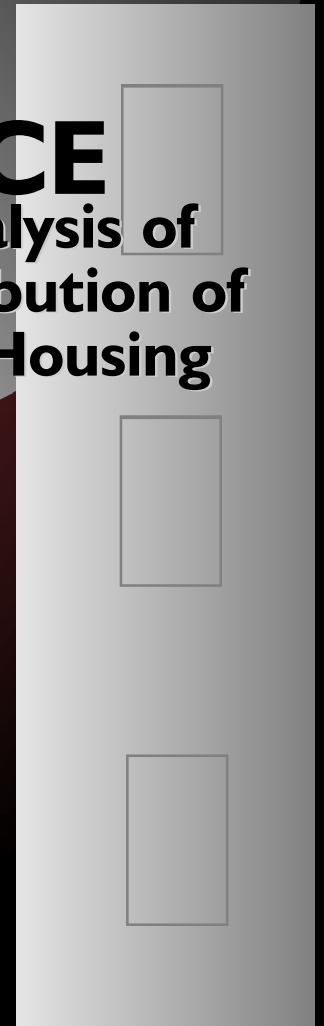
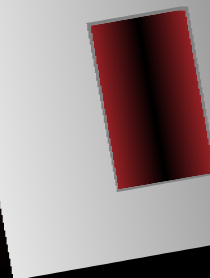
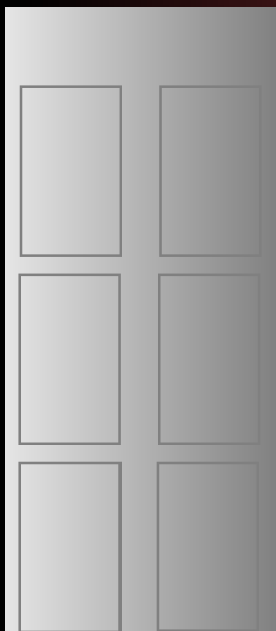


A Report from the Bureau  
of Governmental Research

AUGUST 2007

# **CEMENTING IMBALANCE**

**A Post-Katrina Analysis of  
the Regional Distribution of  
Subsidized Rental Housing**



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## EXECUTIVE SUMMARY

Prior to Hurricane Katrina, the New Orleans metropolitan area had demographic features common to many urban areas in the United States: a high concentration of poverty and lower income residents in the core city, and a continuing movement of jobs and middle- and upper-income residents to the suburbs. The problems that the pattern creates are widely known. They include a negative impact on the quality of life in cities, greater burdens and declining tax bases for core city governments, limited opportunities for economic advancement on the part of the poor, and a mismatch between jobs and affordable housing on the regional level.

While many factors contribute to the pattern, government policy at the federal, state and local levels has played an important role. Federal programs targeting the poorest households, particularly public housing, have concentrated subsidized rental housing in the inner city. Suburban communities have shown little inclination to accept low-income housing and in many cases have effectively excluded it by creating prohibitive zoning standards. The states for their part have done little to address regional disparities in the housing arena.

For decades, experts in urban policy have recognized the ultimate futility of dealing with poverty and affordable housing issues within the confines of the core city. Instead, they have been advocating a regional approach to provide a realistic platform for deconcentrating poverty, to provide greater opportunities and quality of life to low income households, to connect housing strategy and job opportunities, and to create a more equitable sharing of the costs of poverty.

In the wake of Hurricane Katrina, the federal government made available \$1.7 billion worth of tax credits for rental housing in Louisiana's portion of the Gulf Opportunity Zone (GO Zone Housing Tax Credits). It also provided Community Development Block Grant (CDBG) funds. The Louisiana Recovery Authority allocated nearly \$600 million of CDBG funds to provide supplemental funding for tax credit projects and almost \$900 million to repair small rental properties (Small Rental Repair Program). Both the GO Zone Housing Tax Credit and Small Rental Repair programs

impose rent and income restrictions on rental units financed by them. In the case of tax credits, such limitations are imposed by federal law. In the case of the Small Rental Repair Program, the State created the rent and income restrictions.

The State sought to distribute tax credits and small rental repair funds generally in proportion to the damage suffered by rental properties in the various parishes. The lion's share of the credits and Small Rental Repair Program funds were allocated to projects in New Orleans.

Prior to Hurricane Katrina, New Orleans had two-thirds of the region's subsidized rental households, but only one-third of the region's population.<sup>1</sup> It had more than 80% of the region's households that resided in public housing. Jefferson Parish, which had an equivalent population, held 9% of such households. St. Tammany Parish, with a population approximately half that of Orleans, had 3%.

BGR projects that post-Katrina New Orleans' share of subsidized households will hold steady despite its dramatic population loss. Jefferson Parish, currently the most highly populated parish in the region, will have 20% of subsidized households. St. Tammany Parish, which currently has a population comparable to Orleans, will house 6% of the total. The pre-Katrina distribution of very low income subsidized households throughout the region will also hold. BGR projects that, if the current housing plans come to fruition, New Orleans will have 65% of the region's very low income subsidized households, as opposed to 70% pre-Katrina.

The increase in subsidized housing in Orleans Parish is more dramatic than the numbers suggest. Subsidized households as a percentage of all households will nearly double, rising from 10% in 2004 to 19% by 2012. The near-doubling occurs because of both an increase in the total number of subsidized households and a decrease in the total number of households in New Orleans.<sup>2</sup>

In assessing the impact of this increase, it is important to note that the post-Katrina housing programs are directed more toward the work force than the pre-

Katrina ones. The Small Rental Repair Program, which accounts for most of the increase in subsidized housing, targets low to moderate income working households making 50% to 80% of area median income. Two-thirds of the GO Zone Housing Tax Credit units are targeted at families making 45% to 60% of area median income, while one-third is reserved for very low income households.

If the program targets are achieved, the number of very low income families residing in subsidized housing will decline by 25%. Such families will account for less than half of all subsidized households in New Orleans, compared to 83% pre-Katrina. New Orleans' absolute and proportionate share of those households would increase significantly if Congress passes HR 1227, which would require the reopening of more public housing units than currently planned. For more information, see p. 8.

The State, in structuring its post-Katrina housing programs, recognized the danger of concentrating poverty in the city and encouraged (with limited success) mixed income developments. Eighteen of the 72 projects awarded GO Zone Housing Tax Credits in New Orleans are mixed income projects. Several of these involve the redevelopment of high-poverty, large public housing sites as lower density developments with a mixture of poor, low income, and market rate tenants. The remaining 54 are 100% low income developments, and 42 of these have a very low income component. Many of the developments are clustered together or located near other subsidized housing. It remains to be seen whether these developments will improve neighborhoods and foster recovery, as the State claims, or contribute to neighborhood instability.

The City of New Orleans, with its greatly reduced population, is an inadequate base for deconcentrating the region's poverty and accommodating the majority of the region's low income households. Unfortunately, the current approach to low income housing does little to alleviate – and to some extent it perpetuates – the region's pre-existing imbalance. New Orleans, a city with a reduced population and severe disinvestment and destruction, is left to struggle with the social and economic costs of poverty. The wealthier suburban parishes remain relatively insulated from them. Low

income households, meanwhile, remain disconnected from the areas with the greatest job opportunities.

Crafting workable regional solutions to housing issues is a daunting task, due to a myriad of challenging political, legal and practical impediments. Nonetheless, it is time for the State and the region to begin addressing the problems of concentrated poverty and affordable housing on a regional basis. To advance the consideration of this issue, BGR intends to follow up this overview of the regional distribution of subsidized housing with research on strategic options.

The Louisiana Housing Finance Agency will soon have an opportunity to take a more regional approach to tax credit projects. That agency, which administers the GO Zone Housing Tax Credit program, anticipates that a portion of the awarded tax credit projects will not proceed because of increased construction and insurance costs. This month, the board plans to consider how to reallocate GO Zone Housing Tax Credits that are returned to the agency. BGR urges the agency to do so on a basis that distributes low income housing more broadly and strategically throughout the region.

## METHODOLOGY

*BGR limited the scope of this study to the five types of subsidized rental housing that account for the vast majority of the area's subsidized rental supply: public housing, low income housing tax credits, tenant-based vouchers, U.S. Department of Housing and Urban Development (HUD) project-based rental assistance contracts, and the first two rounds of the Louisiana Recovery Authority's program for repairing small rental properties. Due to a lack of reliable data, BGR did not include housing built under other federal programs, such as tax exempt bonds and parish housing funds received from HUD.*

*BGR compiled data on subsidized households and units from a variety of public reports, data sets, maps, and other documents prepared by HUD, the Housing Authority of New Orleans (HANO), the Louisiana Housing Finance Agency, the state Office of Community Development, and U.S. Census Bureau. BGR also conducted interviews and site visits. Unless otherwise indicated, the data are current as of June 2007.*

## PRE-KATRINA DISTRIBUTION OF SUBSIDIZED HOUSING

Federal investment in subsidized housing in the New Orleans metro area began in earnest following the passage of the U.S. Housing Act of 1937. Among other things, this act authorized the development of public housing sites. From the late 1930s to the early 1970s, during the height of New Orleans' 20<sup>th</sup> century population expansion, 10 large public housing sites and dozens of small, scattered properties were built in the city.

By the 1990s, Congress had stopped funding most new public housing development, focusing instead on the HOPE VI program, which redevelops severely distressed public housing sites<sup>3</sup> – a small fraction of the more than 1 million public housing units built nationwide. Over time, the low income housing tax credit replaced public housing as the federal government's primary program for the construction or rehabilitation of low income housing. In addition, the use of tenant-based Section 8 vouchers grew. Nationally, such vouchers now outnumber public housing units by almost 2 to 1.<sup>4</sup>

By 2000, the New Orleans metro area contained nearly 35,000 subsidized units. Not all the units were in use. This was particularly true in Orleans Parish, where 34% of the tenant-based Section 8 vouchers were unused and 40% of the 13,000 public housing units were unoccupied. In 2002, HUD placed the

Housing Authority of New Orleans (HANO) in administrative receivership. Following the takeover, HANO accelerated its redevelopment of public housing sites already under way and initiated additional redevelopments.

By the time Hurricane Katrina struck in 2005, the mix of subsidized housing in New Orleans had changed dramatically. HANO had eliminated more than 6,000 public housing units, revamped its Section 8 program to increase voucher usage, and received additional vouchers in connection with its public housing redevelopments. As of 2005, HANO held approximately 7,400 public housing units and administered 9,400 vouchers, of which, respectively, 5,100 were occupied and 9,100 were in use at the time of Katrina.

Prior to Hurricane Katrina, there were approximately 29,000 subsidized households in the New Orleans region. They were heavily concentrated in Orleans Parish. Although that parish had only 36% of the total households in the metropolitan area, it held two-thirds of the area's subsidized households. It had 82% of the households living in public housing. The subsidized households represented 10% of Orleans' total households. In each of the other parishes, subsidized households constituted less than 5% of the parish's total households. Table 1 estimates the distribution of subsidized households immediately prior to Hurricane Katrina.

**Table 1: BGR Estimates of Pre-Katrina Subsidized Households, 2005**

Parish	Tenant-Based Section 8 Vouchers	Public Housing	Low Income Housing Tax Credit	HUD Project-Based Contracts	Total	% of Region Total
Orleans*	9,122	5,143	2,266	2,854	19,385	67%
Jefferson	3,043	592	1,393	1,692	6,720	23%
St. Tammany	449	162	340	312	1,263	4%
St. Bernard	226	-	30	214	470	2%
St. Charles	284	120	63	-	467	2%
St. John the Baptist	86	290	86	107	569	2%
Plaquemines	-	-	-	-	-	-
<b>Total</b>	<b>13,210</b>	<b>6,307</b>	<b>4,178</b>	<b>5,179</b>	<b>28,874</b>	<b>100%</b>

\*Table provides actual pre-Katrina households for Orleans' Tenant-Based Section 8 and Public Housing. Estimates of other households are based on units reduced by a 7% vacancy rate.

BGR calculations based on tenant-based Section 8 and public housing data from local public housing authorities; pre-Katrina low income housing tax credit data from HUD and Louisiana Housing Finance Agency; and HUD project-based rental assistance contract data. BGR adjusted the totals to eliminate double counting of project-based units that fall into more than one category. It could not determine the extent to which Section 8 vouchers were used in tax credit developments.

## GLOSSARY

### Income Terms

**Area median income** - An annual HUD estimate of median gross income for metropolitan areas and non-metropolitan counties. For the seven-parish New Orleans metro area, HUD determined the median income in 2007 to be \$52,200 for a four-person household. For the purposes of setting income limits, HUD increased the median income to \$57,000 due to high housing costs. HUD adjusts the four-person income limits for household size.

**Poverty** - Income thresholds adjusted annually by the U.S. Census Bureau for determining poverty status. For a four-person household in 2006, the most recent data available, the poverty threshold was approximately \$20,600. For a three-person household, \$16,100.

**Very low income** - 40% of area median income, or \$22,800 for a four-person household and approximately \$20,500 for a three-person household.

**Low income** - 60% of area median income, or \$34,200 for a four-person household and approximately \$30,800 for a three-person household.

**Moderate income** - 80% of area median income, or \$45,600 for a four-person household and approximately \$41,100 for a three-person household.

**Affordable** - HUD's benchmark for determining whether a renter household's housing expenditures (rent and utilities) are affordable is 30% of income.

### Types of Subsidized Housing Discussed

**Public housing** - Rental apartments owned and operated by public housing authorities and supported by federal operating and capital funds. Category also covers public housing redevelopments, including those receiving federal HOPE VI funds. Eligible tenants generally may have incomes up to 80% of area median income, although many have very low incomes.

**Tenant-based vouchers** - Federal rental subsidies, provided through public housing authorities, for units chosen by the tenant in the private market. Category includes the Section 8 and post-Katrina Disaster Voucher programs. Eligible Section 8 tenants generally may have incomes up to 80% of area median income. Federal law requires that 75% of newly available Section 8 vouchers must be distributed to households with incomes at or below 30% of area median income.

**HUD project-based rental assistance** - HUD contracts with owners of multifamily apartment complexes and pays the difference between the approved rent and what the tenant can afford. Eligible tenants generally may have incomes up to 80% of area median income. Nationwide, two thirds of the households in these units are elderly or disabled. Many have very low incomes.

**Low income housing tax credits** - Federal income tax credits, administered by the Internal Revenue Service and awarded to developers by state housing finance agencies, that may be claimed annually for 10 years against eligible development costs of units restricted to low income households. The units are generally affordable to households with incomes between 45% and 60% of area median income. Federal tax law requires the owner to comply with rent and income restrictions on the designated units for 30 years after they are made available for occupancy. GO Zone Housing Tax Credits are a form of low income housing tax credits.

**Small Rental Repair Program** - A rental housing initiative, formulated by the Louisiana Recovery Authority and the state Office of Community Development, that provides forgivable loans of CDBG funds to landlords for the repair of hurricane-damaged small rental properties, primarily those with one to four units. In return for the financing, landlords must comply for 5 to 10 years (longer for nonprofits) with certain income and rent restrictions. Depending on the level of CDBG assistance, the landlord sets maximum rents per unit at levels affordable at the 50%, 65%, and 80% of area median income tiers.

**Subsidized Housing**, as used in this report, refers to the units with income and rent restrictions provided by the above programs. **Subsidized Households**, as used in this report, refers to the households that occupy those units.

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## POST-KATRINA INVESTMENT IN SUBSIDIZED RENTAL HOUSING

To spur the rebuilding of low income housing in the wake of Hurricanes Katrina and Rita, Congress provided GO Zone Housing Tax Credits worth \$1.7 billion. In addition, the Louisiana Recovery Authority allocated \$594 million of CDBG funds to provide supplemental funds for the tax credit developments and another \$869 million for the Small Rental Repair Program.<sup>5</sup> The supplemental funds were intended to make units available to very low income households and to encourage mixed income developments with market rate units.

The GO Zone Housing Tax Credit and Small Rental Repair Programs require property owners to agree to rent and income restrictions on some or all of the property's apartments. Under the GO Zone Housing Tax Credit program, federal tax law requires the owner to comply with rent and income restrictions on the designated units for 30 years after they are made available for occupancy. For the Small Rental Repair Program, the State requires the owner to comply with rent and income restrictions for 5 to 10 years, depending on the amount of funding (longer for nonprofit recipients).

In the New Orleans region, Louisiana awarded GO Zone Housing Tax Credits to 97 projects with approximately 9,000 rent-restricted units available only to low income households. Approximately 7,500 are located in Orleans Parish, 800 in Jefferson Parish, and the balance in St. Tammany Parish. Approximately 2,500 of the units are reserved for very low income households. Not all of the credits will create additional units; some will finance the repair or redevelopment of existing public housing and other subsidized units.

In the first round of the Small Rental Repair Program, the State helped finance nearly 4,500 rent-restricted units in the New Orleans region. These are available to low- and moderate-income families making no more than 50%, 65%, or 80% of area median income. (The more restrictive rent caps are tied to larger awards of funding.)<sup>6</sup> More than half of the units are restricted to families making no more than 50% of AMI. Assuming that the second round of the Small Rental Repair Program produces similar results, the first two rounds

of the program will help finance the repair of properties totaling 11,300 rent-restricted units.<sup>7</sup> There is an additional \$365 million available in the program budget for additional rounds and administrative costs. BGR has not included production from these rounds because of uncertainty as to whether they will occur.

If all the housing is developed, the GO Zone Housing Tax Credit and the Small Rental Repair programs will significantly increase the supply of subsidized housing in the region. Adjusting for units repaired or replaced by the new programs, BGR estimates that the supply of subsidized units will increase by 32% over the pre-Katrina level, rising from approximately 32,500 to 42,800 units. After adjusting for unit vacancy, BGR estimates a 38% increase in subsidized households, from approximately 29,000 to 39,800 households.

## POST-KATRINA DISTRIBUTION OF SUBSIDIZED HOUSING

The State sought to distribute the tax credits and CDBG funds generally in proportion to the percentage of statewide major and severe rental housing damage suffered by each eligible parish. The lion's share has flowed into New Orleans. That parish, which suffered 63% of the statewide damage,<sup>8</sup> received 60% of the tax credits. St. Tammany received 6% of the credits compared to 5% of the damage. Jefferson Parish received 7% of the credits compared to 17% of the statewide damage. The other four parishes in the metro area received none of the tax credits. New Orleans received 72% of the funds for rent-restricted apartments in the first round of the Small Rental Repair Program. Jefferson Parish received 13%; St. Bernard received 7%.

The net effect of the State's subsidized housing programs is to reinforce the pre-Katrina distribution, concentrating more than two-thirds of the region's subsidized households in the core city. BGR projects that New Orleans' share will hold steady despite its dramatic population loss.<sup>9</sup> Jefferson Parish, currently the most highly populated parish in the region, will have 20% of subsidized households. St. Tammany Parish, which currently has a population comparable to Orleans, will house 6% of the total. For maps of the

**Table 2: BGR Estimates of Post-Katrina Subsidized Households, 2012**

Parish	Tenant-Based Section 8 Vouchers <sup>1</sup>	Public Housing <sup>2</sup>	Pre-Katrina Low Income Housing Tax Credit <sup>3</sup>	Pre-Katrina HUD Project-Based Rental Assistance <sup>3</sup>	Net New GO Zone Housing Tax Credit <sup>4</sup>	Small Rental Repair Program	Total	% of Region Total
Orleans	7,470	4,741	1,708	2,247	3,318	7,763	27,247	68%
Jefferson	2,671	592	1,393	1,405	646	1,407	8,114	20%
St. Tammany	449	162	340	312	606	344	2,213	6%
St. Bernard	226	0	0	0	0	818	1,044	3%
St. Charles	222	120	63	0	0	0	405	1%
St. John the Baptist	120	290	86	107	0	0	603	2%
Plaquemines	0	0	0	0	0	151	151	0%
<b>Total</b>	<b>11,158</b>	<b>5,905</b>	<b>3,590</b>	<b>4,071</b>	<b>4,570</b>	<b>10,483</b>	<b>39,777</b>	<b>100%</b>

1. Estimates of households are based on tenant-based vouchers issued and project-based units available and projected as of June 2007, reduced by a 7% vacancy rate. Voucher estimate is based on 8,032 tenant-based vouchers issued in Orleans Parish as of June 2007. That month, 5,532 were in use in New Orleans and 2,500 were not in use.
2. Orleans estimate is based on subsidized units reopened or planned at HANO's public housing sites as of June 2007.
3. Estimates are based on units in pre-Katrina properties reopened or planned as of June 2007.
4. GO Zone Housing Tax Credits awarded to public housing redevelopments and pre-Katrina properties are included in the previous columns.

BGR calculations based on tenant-based Section 8 and public housing data from local public housing authorities; pre-Katrina low income housing tax credit data from HUD and Louisiana Housing Finance Agency; HUD project-based rental assistance contract data; GO Zone Housing Tax Credit data from Louisiana Housing Finance Agency reports; and Small Rental Repair Program Round 1 data from the state Office of Community Development. BGR estimated the units in Round 2 of the program. BGR adjusted the totals to eliminate double counting of units that fall into more than one category. It could not determine the extent to which Section 8 vouchers will be used in tax credit developments or small rental properties.

current and projected project-based subsidized units in the three largest parishes, see the links on BGR's web site, [www.bgr.org](http://www.bgr.org).

Table 2 contains estimates of the number of post-Katrina subsidized households by parish, taking into account the GO Zone Housing Tax Credit program and the first two rounds of the Small Rental Repair Program.<sup>10</sup>

St. Bernard and St. Tammany will experience the largest percentage increases in subsidized households. But the number of households in these parishes will remain small. The number of subsidized households in Jefferson Parish will increase by 21%. The number in Orleans Parish will increase by 41%. Table 3 shows the estimated percentage increases by parish.

The increase in Orleans Parish is more dramatic than the numbers suggest. Subsidized households as a percentage of households will rise from 10% of all households in 2004 to 19% of total households projected in 2012.<sup>11</sup> The near-doubling occurs because of both

an increase in the total number of subsidized households and a decrease in the total number of households in New Orleans. A map of the distribution of subsidized housing within New Orleans is on the web site; tables summarizing the distribution by New Orleans Council District and Planning District are in the Appendix.

In gauging the impact of the increase, it is important to note that the post-Katrina housing programs differ significantly from the public housing and Section 8 programs that dominated the pre-Katrina subsidized housing scene. Prior to Hurricane Katrina, 83% of the subsidized households in New Orleans were very low

**Table 3: Projected Change in Subsidized Households**

Parish	Estimated Subsidized Households, 2005	Estimated Future Subsidized Households, 2012	% Increase
Orleans	19,385	27,247	41%
Jefferson	6,720	8,114	21%
St. Tammany	1,263	2,213	75%
St. Bernard	470	1,044	122%
St. Charles	467	405	(13%)
St. John the Baptist	569	603	6%
Plaquemines	-	151	n/a
<b>Total Units</b>	<b>28,874</b>	<b>39,777</b>	<b>38%</b>

Note: The calculations assume a 7% vacancy rate.

income households, most of whom resided in public housing or used Section 8 vouchers. According to HANO, in 2007 average annual household income for such households was around \$10,000. Two-thirds of households living in HANO's public housing, and 59% of families with Section 8 vouchers, did not report any income from wages.<sup>12</sup>

The post-Katrina housing programs are directed more toward workforce housing. The Small Rental Repair Program targets households with low to moderate incomes, ranging from 50% to 80% of area median income. Two-thirds of the GO Zone Housing Tax Credit units are targeted at families making 45% to 60% of area median income. One-third of the tax credit units are reserved for very low income families.

The programs target various income levels by setting rent caps at levels that HUD deems affordable at the designated income level and by setting maximum income levels for tenants. While the restrictions exclude households with incomes higher than the target range, they do not preclude lower income households from renting units targeted to higher income levels.

## DISTRIBUTION OF VERY LOW INCOME SUBSIDIZED HOUSEHOLDS

Historically, Orleans Parish has housed the majority of the region's poor households. According to the 2000 Census, Orleans Parish contained 54% of the poverty-status families in the metro area, but only 34% of the area's total families. Orleans also contained most of the region's census tracts with concentrated poverty. New Orleans had 47 of the region's 49 tracts in which more than 40% of the population lived below the census poverty level; the other two were in Jefferson Parish. One-fourth of the city's census tracts fell into that category. Ten of the 47 tracts contained large public housing sites. These accounted for all 10 of the city's tracts with greater than 60% poverty.

The State's GO Zone Housing Tax Credit Program will create in the region approximately 2,500 units reserved for very low income house-

holds.<sup>13</sup> Approximately 2,200 of these will be located in Orleans Parish, 200 in Jefferson Parish, and 100 in St. Tammany. Most of the units in Orleans Parish will replace or repair existing subsidized units there, including 1,000 in public housing and 500 in other HUD project-based contract apartments.<sup>14</sup>

On the regional level, the post Katrina housing programs reinforce the pre-Katrina distribution of very low income subsidized households throughout the region. BGR projects that, if the current housing plans come to fruition, New Orleans will have 65% of the region's very low income households in subsidized housing. Jefferson Parish, currently the most highly populated parish in the region, will have 24% of such households. St. Tammany Parish, which currently has a population comparable to Orleans, will have 5% of the total.

BGR estimates that in New Orleans the number of very low income households in subsidized housing will decline 25% from 16,100 to approximately 12,138. Such families will account for less than half of all subsidized households in New Orleans, compared to 83% pre-Katrina. However, such households as a percentage of total households will remain the same.<sup>15</sup> This is because of the fall in the total number of households since 2005. The number of units in Orleans, and its share of the region's total, could increase significantly if Congress passes HR 1227. See discussion on p. 8.

**Table 4: Estimates of Very Low Income Subsidized Households Post-Katrina, 2012**

Parish	Estimated Future Very Low Income Subsidized Households	Parish Share of Region's Total
Orleans	12,138	65%
Jefferson	4,376	24%
St. Tammany	1,016	5%
St. Bernard	226	1%
St. Charles	324	2%
St. John the Baptist	485	3%
Plaquemines	0	0%
<b>Total Units</b>	<b>18,565</b>	<b>100%</b>

Note: The calculations assume a 7% vacancy rate.

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## CONCENTRATIONS OF POVERTY

Experts in urban policy have in recent decades aggressively advocated for a regional approach to low income housing. Such an approach goes beyond modern subsidized housing initiatives that aim to reduce or eliminate concentrations of poverty, such as mixed income public housing redevelopment, and encourages the location of subsidized housing in low poverty suburbs which offer greater opportunities for residents. Experts have found that concentrating the poor in the core city depresses it, retards regional prosperity, and limits the access of the inner city poor to employment and other opportunities.

It is generally acknowledged that concentrated poverty adversely impacts the core city, contributing to serious social problems, such as poor student performance, high crime, fragmentation of families, limited labor force participation, substance abuse and teenage pregnancy. These conditions cause many middle-income residents who initially lived in these areas to leave and discourage new middle-income residents from moving in. Some scholars have indicated that the negative effects of concentrated poverty accelerate once a neighborhood's poverty rate reaches 15% to 20%.<sup>16</sup>

Concentrated poverty and the accompanying social ills not only negatively impact quality of life and drive out the middle class. They also cost local governments. A study of cities with populations exceeding 300,000 in 1990 found that cities with high poverty rates spent \$422 per capita more than low poverty cities on police, courts, fire protection, sanitation, and other general public services. In addition, those cities with higher poverty rates spent on average \$277 per capita on hospitals, public welfare and health services, compared to \$124 per capita in cities with low poverty rates.<sup>17</sup>

While the correlation between concentrated poverty and adverse social conditions is clear, the correlation between subsidized housing and these problems is less so. It generally depends on the subsidized developments' income levels and placement. As noted above, the post-Katrina programs are directed more toward workforce housing than the pre-Katrina ones. The likelihood of low income units lowering property val-

ues and creating crime and other social problems increases with the size of the development or the clustering of small properties, poor quality design and management, and the number of poor households.<sup>18</sup>

The State, in structuring its post-Katrina housing programs, recognized the danger of concentrating poverty in the city. For example, its scoring system for tax credit projects encouraged mixed income developments, which include both market rate and subsidized low income units, and provided additional points to projects located in areas with higher median incomes. It also directed significant tax credits and CDBG funds to assist HANO in redeveloping several of its high-poverty, large public housing sites. Combined with HANO's ongoing redevelopment efforts, only one of the 10 large sites pre-Katrina – the Iberville development – would remain. The rest would be demolished and rebuilt at lower densities and targeted to a mixture of poor, low income, and, in some cases, market rate tenants.

Overall, however, the GO Zone Housing Tax Credit Program funded mixed income development to a limited degree. Only one quarter of the Orleans projects – 18 in all, including five large public housing redevelopments – are mixed income developments with a market rate component. The remaining 54 are 100% low income developments, and 42 of these have a very low income component. Many of the developments are clustered together or located near other subsidized housing. It remains to be seen whether these developments will improve neighborhoods and foster recovery, as the State claims, or contribute to neighborhood instability.

Legislation pending in the U.S. Senate could derail the redevelopment of public housing and dramatically increase the number of very low income units in New Orleans. In March 2007, the U.S. House of Representatives passed a bill that, among other things, would require HANO: (i) to make available for immediate occupancy at least 3,000 public housing units, and (ii) to replace, on a "one-for-one" basis, any of the 7,000 existing public housing units that it decides to dispose of or demolish. The one-for-one replacement may take place on-site, or at off-site locations. The legislation would also authorize federal appropriations for

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the public housing repair and development.<sup>19</sup>

7,000 public housing units is more than double the number of public housing units contemplated in HANO's current plans<sup>20</sup> and well in excess of the approximately 5,100 households who resided in public housing prior to Hurricane Katrina. The demand for the units is not evident. Of the 4,600 displaced residents contacted by HANO, only 60% wish to return to the city.<sup>21</sup> As of early August 2007, the bill remained in Senate committee.

## IMPACT ON WORK FORCE

Hurricane Katrina destroyed much of the workforce housing in New Orleans, and restoring adequate housing to meet job demand in Orleans is clearly important. Thousands of units in small rental and larger multifamily properties were flooded and remain out of service.

Housing costs have risen with the supply loss and increased operating costs. In the case of low or moderately priced apartments pre-Katrina, vacancy rates are low, and rents have risen. For example, monthly rents for New Orleans East apartments that averaged 65 cents to 70 cents per square foot pre-Katrina hovered around 85 cents as of this month.<sup>22</sup> As more units reopen, rents are expected to decrease, but only to a limited extent since landlords now face higher insurance, labor, maintenance, and other costs.

Wages have risen, partially offsetting the rise in housing costs. The U.S. Department of Labor reports that a worker at the 10<sup>th</sup> percentile in the region's earnings distribution makes \$7.50 an hour post-Katrina, up 16% from \$6.45 an hour pre-Katrina. The median wage has risen a similar percentage, from \$13 to \$15 an hour.<sup>23</sup>

The regional job market has both contracted in overall size and shifted to the suburban parishes. Total employment in the region is 82% of its pre-Katrina level. Jefferson Parish's relative share has increased from 36% to 40%, while Orleans Parish's relative share has shrunk from 41% to 33%.<sup>24</sup>

The State's programs proceed on the assumption that affordable housing is urgently needed to rejuvenate the

economy in New Orleans. They seek to address the need by directing a majority of the post-Katrina subsidized housing to New Orleans and by imposing rent and income restrictions on properties in the Small Rental Repair Program, targeting units to low income, working households.

To the extent that the housing created through the State's post-Katrina programs actually attracts the targeted work force, it may help alleviate the labor shortage and boost the job count in the city. It is not clear, however, that the lengthy rent- and income-restrictions are necessary to create affordable housing.

While the additional housing should help meet near-term labor needs in New Orleans, the State's strategy will do little in the long term to alleviate the geographic mismatch between jobs and affordable housing in the metro area, which developed over many years as inner city businesses and jobs relocated to suburban jurisdictions. A 2003 report commissioned by St. Tammany Parish, in which 80% of households are owner-occupants, cited a lack of affordable housing as one of the parish's chief economic weaknesses.<sup>25</sup> Another report in March 2007, prepared for the St. Tammany Housing Partnership, estimated St. Tammany's need to add more than 10,000 affordable housing units by 2010 to meet the demands of its local work force and maintain a healthy economy.<sup>26</sup>

BGR compared the locations of selected industries<sup>27</sup> with significant supplies of low-skill jobs to subsidized households in the New Orleans area prior to Hurricane Katrina. BGR found that Orleans held 38% of the jobs in those industries prior to Hurricane Katrina but 67% of the subsidized households. Meanwhile, Jefferson held 40% of the jobs but only 23% of the subsidized households, and St. Tammany had 12% of the jobs and 4% of the subsidized households. Interestingly, the mismatch does not appear to extend beyond those three parishes. The less populated parishes in the metro area had levels of subsidized households roughly commensurate with their job shares (2% to 3% job shares compared to shares of subsidized households not exceeding 2% in each parish).<sup>28</sup>

Following Hurricane Katrina, the job shares in the selected industries fluctuated among the three largest

**Table 5: Employment Among Selected Industries in Orleans, Jefferson and St. Tammany Parishes**

Three Large Parishes	Employment Shares			Subsidized Household Shares		
	2nd Quarter 2005	Relative Share	4th Quarter 2006	Relative Share	Estimated Future Subsidized Households	Relative Share
Orleans	86,014	42%	54,446	32%	27,247	72%
Jefferson	91,371	44%	84,959	50%	8,114	22%
St. Tammany	28,163	14%	31,124	18%	2,213	6%
<b>Totals</b>	<b>205,548</b>	<b>100%</b>	<b>170,529</b>	<b>100%</b>	<b>37,574</b>	<b>100%</b>

\* Industries selected for this comparison include construction, retail trade, administration and waste services, accommodation and food services, and other services, except public administration.

Sources: Average quarterly employment data compiled from Louisiana Department of Labor, Regional Labor Market Data; estimated subsidized households, BGR calculation.

parishes. Orleans’ relative share fell to 32%, while its share of the three parishes’ subsidized households is 72%.

Table 5 illustrates the change in the relative shares of jobs in the selected industries among Orleans, Jefferson and St. Tammany parishes, both pre- and post-Katrina. The selected industries have significant supplies of low-skill jobs.

## CONCLUSION

For decades, experts in urban policy have recognized the ultimate futility of dealing with poverty and affordable housing issues within the confines of the core city. Instead, they have been advocating a regional approach to provide a realistic platform for deconcentrating poverty, to provide greater opportunities and quality of life to low income households, to connect housing strategy and job opportunities, and to create a more equitable sharing of the costs of poverty.

Unfortunately, the current approach to low income housing does little to alleviate – and to some extent it perpetuates – the region’s imbalance. New Orleans, a city with a reduced population and severe disinvestment and destruction, is left to struggle with the social and economic costs of poverty. The wealthier suburban parishes remain relatively insulated from them. Low income households, meanwhile, remain disconnected from the areas with the greatest job opportunities.

Crafting workable regional solutions to housing issues

is a daunting task, due to a myriad of challenging political, legal and practical impediments. Nonetheless, it is time for the State and the region to begin addressing the problems of concentrated poverty and affordable housing on a regional basis. To advance the consideration of this issue, BGR intends to follow up this overview of the regional distribution of subsidized housing with research on strategic options.

The Louisiana Housing Finance Agency will soon have an opportunity to take a more regional approach to tax credit projects. That agency, which administers the GO Zone Housing Tax Credit program, anticipates that a portion of the awarded tax credit projects will not proceed because of increased construction and insurance costs. This month, the board plans to consider how to reallocate GO Zone Housing Tax Credits that are returned to the agency. BGR urges the agency to do so on a basis that distributes low income housing more broadly and strategically throughout the region.

## APPENDIX: POST-KATRINA SUBSIDIZED HOUSING DISTRIBUTION, ORLEANS PARISH

The following tables summarize the post-Katrina distribution of subsidized rental housing in Orleans Parish by Planning District and Council District. BGR compiled the tables based upon address data for current and projected subsidized rental units in Orleans as of June 2007. The tables do not reflect approximately 2,500 tenant-based vouchers issued by the Housing Authority of New Orleans but not used, and 5,000 projected units in the ongoing second round of the Small Rental Repair Program, for which address data was unavailable.

**Table 1: Distribution by Council District (figures in units)**

Council District	Tenant-based Vouchers In Use, June 2007*	Current and Projected (2012) Units Located In:					Total Units
		Reopened or Redeveloped Public Housing Sites	Pre-Katrina Low Income Housing Tax Credit Properties	Pre-Katrina Properties with HUD Rental Assistance	Net New GO Zone LIHTC Properties	Small Rental Repair Properties	
District A	782	853	70	0	209	567	2,481
District B	1,164	1,852	846	396	628	679	5,565
District C	1,839	1,223	386	964	1,630	434	6,476
District D	994	503	108	148	255	906	2,914
District E	743	425	426	908	790	753	4,045
Undetermined	10	242	0	0	56	0	308
<b>Citywide Totals</b>	<b>5,532</b>	<b>5,098</b>	<b>1,836</b>	<b>2,416</b>	<b>3,568</b>	<b>3,339</b>	<b>21,789</b>

\*Includes both Section 8 and Disaster Voucher programs. BGR calculations.

**Table 2: Distribution by Planning District (figures in units)**

Planning District-General Area	Tenant-based Vouchers In Use, June 2007*	Current and Projected (2012) Units Located In:					Total Units
		Reopened or Redeveloped Public Housing Sites	Pre-Katrina Low Income Housing Tax Credit Properties	Pre-Katrina Properties with HUD Rental Assistance	Net New GO Zone LIHTC Properties	Small Rental Repair Properties	
1- Quarter / CBD	1	0	70	163	163	5	402
2- Central City / Garden Dist.	674	1,385	534	34	81	294	3,002
3- Uptown	590	56	70	0	188	402	1,306
4- Mid-City	1,163	2,556	285	338	405	753	5,500
5- Lakeview / City Park	15	0	0	0	0	131	146
6- Gentilly	351	0	108	148	56	296	959
7- Bywater	564	496	64	250	345	493	2,212
8- Lower 9th	43	0	4	0	89	413	549
9- N.O. East	845	0	216	508	648	442	2,659
10- Village de L'est	108	0	206	400	252	19	985
11- Viavant / Venetian Isles	0	0	0	0	0	2	2
12- Algiers	1,167	363	279	575	1,285	89	3,758
13- English Turn	1	0	0	0	0	0	1
Undetermined	10	242	0	0	56	0	308
<b>Total</b>	<b>5,532</b>	<b>5,098</b>	<b>1,836</b>	<b>2,416</b>	<b>3,568</b>	<b>3,339</b>	<b>21,789</b>

\*Includes both Section 8 and Disaster Voucher programs. BGR calculations.

## END NOTES

<sup>1</sup> The New Orleans region includes Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. John the Baptist and St. Tammany parishes.

<sup>2</sup> Using a preliminary projection provided by GCR & Associates, Inc., BGR has assumed a 2012 population of approximately 350,000, 23% below the pre-Katrina level. BGR estimates 142,000 households based on the 2012 population, assuming 2.46 persons per household, the 2004 Census estimate.

<sup>3</sup> The HOPE VI program emphasizes the redevelopment of the sites at lower densities and with a mix of incomes.

<sup>4</sup> Tenant-based Section 8 vouchers total 2.1 million nationwide, compared to 1.2 million public housing units, according to the National Low Income Housing Coalition, *2007 Advocates' Guide to Housing and Community Development Policy*.

<sup>5</sup> On July 30, 2007, the Louisiana Recovery Authority approved the reallocation of certain CDBG funds from the GO Zone Housing Tax Credit and Small Rental Repair programs to the Road Home homeowner program. The reallocation reduces the total CDBG funding for the GO Zone Housing Tax Credit program to \$581 million and for the Small Rental Repair Program to \$866 million.

<sup>6</sup> The properties funded in the first round will also contain more than 500 market rate or owner-occupied units not subject to rent or income restrictions.

<sup>7</sup> BGR estimate based on 50% more funding available in the second round (\$300 million vs. \$202 million in the first round).

<sup>8</sup> For the purposes of the final round of the GO Zone Housing Tax Credits, in which the supplemental CDBG funds were provided, and the Small Rental Repair Program, the State adjusted the damage estimates provided by the Federal Emergency Management Agency to give greater weight to the damage classified as severe. This increased New Orleans' percentage of the statewide damage to approximately 70% and reduced Jefferson Parish's to 13%.

<sup>9</sup> GCR & Associates, Inc. estimated approximately 274,000 as of July 2007, compared to 455,000 in 2005.

<sup>10</sup> It excludes closed pre-Katrina low income housing tax credit properties and apartments with HUD project-based rental assistance contracts for which the owners had not announced repair or redevelopment plans as of June 2007. These total approximately 1,000 units in Orleans, 132 units in Jefferson, and 260 units in St. Bernard.

<sup>11</sup> Using a preliminary projection provided by GCR & Associates, Inc., BGR has assumed a 2012 population of approximately 350,000, 23% below the pre-Katrina level. BGR estimates 142,000 households based on the 2012 population, assuming 2.46 persons per household, the 2004 Census estimate.

<sup>12</sup> Data from HUD, Resident Characteristics Reports for the Housing Authority of New Orleans, as of May 31, 2007. HANO reported that 28% of its public housing households were elderly and 17% were non-elderly disabled, while 12% of its Section 8 households were elderly and 14% were non-elderly disabled.

<sup>13</sup> The very low income definition used in this report includes poverty households and those slightly above the federal poverty

threshold.

<sup>14</sup> BGR calculated that of the 2,223 total very low income units proposed for Orleans, 1,023 would be provided in public housing redevelopments and 453 in rehabilitations or redevelopments of pre-Katrina Low Income Housing Tax Credit and HUD Project-Based Rental Assistance properties. The remainder would be provided in new developments or rehabilitations of rental properties not previously subsidized.

<sup>15</sup> The percentage is 9% of total households. Based on a preliminary 2012 population estimate of approximately 350,000 provided by GCR & Associates, Inc., BGR estimates total households will decline from approximately 184,000 in 2005 to 142,000 in 2012.

<sup>16</sup> Quercia, Roberto G., and George C. Galster, "Threshold Effects and Neighborhood Change," *Journal of Planning Education and Research*, Vol. 20 (2000), pp. 146-162. Also, Galster, George C., "Consequences from the redistribution of urban poverty during the 1990s: A cautionary tale," *Economic Development Quarterly*, Vol. 19, No. 2, pp. 119-125.

<sup>17</sup> Pack, Janet Rothenberg, "Poverty and Urban Public Expenditures," *Urban Studies*, November 1998, p. 1996.

<sup>18</sup> Several studies in recent years have supported these general findings. Examples include: (1) Galster, George C., et al., "The Impact of Neighbors Who Use Section 8 Certificates on Property Values," *Housing Policy Debate*, Vol. 10, Issue 4 (1999); (2) Galster, George, et al., "The Impact of Supportive Housing on Neighborhood Crime Rates," *Journal of Urban Affairs*, Vol. 24, No. 3; and (3) Santiago, Anna M., et al., "Neighbourhood Crime and Scattered-site Public Housing," *Urban Studies*, Vol. 40, No. 11, (October 2003). For a more general discussion of property value impacts, see: (1) Nguyen, Mai Thi, "Does Affordable Housing Detrimentally Affect Property Values? A Review of the Literature," *Journal of Planning Literature*, August 2005, or (2) Galster, George C., "A Review of the Existing Research on the Effects of Federally Assisted Housing Programs on Neighborhood Residential Property Values," prepared for the National Association of Realtors, 2002.

<sup>19</sup> H.R. 1227, sponsored by California Rep. Maxine Waters.

<sup>20</sup> As of August 2007, HANO's redevelopment plans project 3,343 public housing units.

<sup>21</sup> Housing Authority of New Orleans, Agency Responses to Housing and Human Needs Committee of the New Orleans City Council, June 18, 2007.

<sup>22</sup> Multifamily apartment market data provided by Larry G. Schedler & Associates, Inc.

<sup>23</sup> U.S. Department of Labor, Bureau of Labor Statistics, *National Compensation Surveys*, prepared for the New Orleans metropolitan area, December 2004 (Table 6-1) and April 2006 (Table 6).

<sup>24</sup> BGR calculations based on Louisiana Department of Labor data on average quarterly employment for second quarter 2005 compared to fourth quarter 2006.

<sup>25</sup> Tamerica Management Company, *Future Directions for St.*

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## END NOTES CONTINUED

*Tammany Parish Louisiana*, prepared for the Economic Development Focus Group of New Directions 2025, 2003.

<sup>26</sup> GCR & Associates, Inc., *A Place to Call Home: Addressing the Gap between St. Tammany Workers and Local Housing Prices*, prepared for the St. Tammany Housing Partnership, March 2007.

<sup>27</sup> Industries selected for this comparison include construction, retail trade, administration and waste services, accommodation and food services, and other services, except public administration. BGR calculations based on Louisiana Department of Labor data on average quarterly employment for second quarter 2005 compared to fourth quarter 2006.

<sup>28</sup> BGR analysis of pre-Katrina U.S. Census Bureau data.



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