A Report from the Bureau of Governmental Research

MAY 2007

Public Investment, Private Developers

How Louisiana Deployed Its GO Zone Housing Tax Credits

BGR
We report to you.

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The Bureau of Governmental Research is a private, non-profit, independent research organization dedicated to informed public policy making and the effective use of public resources for the improvement of government in the New Orleans metropolitan area.

This report is available on BGR's web site, www.bgr.org.

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INTRODUCTION

The hurricanes and related levee breaks of 2005 destroyed or badly damaged an estimated 82,000 rental units in Louisiana. Approximately 63% of these were located in New Orleans. To help restore rental housing in the devastated areas, Congress provided Louisiana with a special appropriation of low income housing tax credits worth approximately $1.7 billion for use in Louisiana's portion of the Gulf Opportunity Zone (GO Zone Housing Credits). Congress also provided a special allocation of Community Development Block Grant (CDBG) funds to address a wide range of needs, including restoration of the housing supply.

The Louisiana Recovery Authority (LRA), the state body responsible for allocating and overseeing the CDBG funds, allocated $594 million of funds to provide supplemental "piggy-back" funding for the renovation or construction and operation of tax credit developments (the Piggy-Back Program). The program was designed to make some of the units in the tax credit developments affordable to very low income households and to encourage mixed income development with market rate units.

The Piggy-Back Program was slow getting under way for a number of reasons, including funding delays at the federal level and program restructuring. The Louisiana Housing Finance Agency (LHFA), the state entity that administers the tax credits, awarded more than half of the tax credits before the program was launched. Only projects approved in the December 2006 round of tax credit awards (worth $789 million) were eligible for the supplemental CDBG funds.

In this report, BGR analyzes the unit production, financing, and costs of 44 projects awarded tax credits and, in some cases, CDBG funding through the LHFA/LRA joint financing initiative in December (the Piggy-Back Round). It also provides information on the proposed number of housing units and geographic distribution of all 178 developments that received GO Zone Housing Credits in the Piggy-Back Round and the earlier rounds of tax credit awards.

SUMMARY OF FINDINGS

Unit Production

The LHFA awarded the GO Zone Housing Credits to 178 projects.[1] Of these projects, 149 are exclusively low-income developments,[2] while 29 contain a significant number of market rate units. If all of the developments come to fruition, they will generate approximately 15,000 rental units, including 12,400 rent-restricted units available only to low income households and 2,600 unrestricted, market rate units.

The unit production is below what the LRA anticipated when it formulated the Piggy-Back Program. The LRA had estimated that its program would spur the construction or rehabilitation of 18,000 to 33,000 rental units. The ratio of market rate units to low income units is also lower than originally projected. Market rate units constitute 17% of production, compared to estimates of 28 to 45%.

Approximately 9,350 rent-restricted units will be targeted to households with incomes between 40 and 60% of area median income. For a three-person household in the New Orleans area in 2007, this would mean income in the range of $18,800 to $28,200. The remaining 3,020 rent-restricted units would be reserved for very low income households (those with incomes less than 40% of area median income, or $18,800 for a three-person household). Slightly more than 1,000 of the 3,020 units, or 33%, would be included in public housing sites.

Development Costs

Development costs for projects in the Piggy-Back Round are higher than the LRA anticipated. The costs are especially high in the case of public housing redevelopments, where the median Total Development Cost per unit is $272,805. Public housing costs generally are high because of greater soft costs, federal requirements, and site development costs. The median Total Development Costs for private mixed income developments and for private low income developments are approximately $175,000 per unit. Total Development Costs range from $90,000 to $340,000 per unit and from approximately $100 to $334 per square foot.

Total Development Cost, as used in this report, includes construction costs, soft costs, property acquisition, and other development costs. The calculation differs from adjusted total development cost per unit, a measure used by the LHFA to set limits on development costs. Adjusted total development cost per unit excludes development costs funded by government grants and historic preservation tax credits, and costs associated with community facilities. The adjusted total development costs per unit range from approximately $90,000 to $250,000.

Total Development Costs varied significantly within development types. For example, the Total Development Costs for mixed income developments ranged from $105,000 per unit to an extraordinary $340,000 per unit for the conversion of an historic downtown office building into mixed income studio and one-bedroom apartments. The most expensive private developments are located in New Orleans' Central Business District and Warehouse District.

Public vs. Private Funding

Funding sources for developments include $789 million of low income housing tax credit equity, $417 million of CDBG Gap Financing (described below), $80 million of other government funding, $186 million of private debt, and $1 million of private grants.

The public is providing 87% of the funding for developments in the Piggy-Back Round, either indirectly through tax credits or directly through grants or low- or no-interest loans. Most of the remaining investment is in the form of private-sector loans. There is no unsubsidized private equity to speak of in the developments. (BGR is treating low income housing tax credits as a public contribution. Although the investment is made by private entities to which the tax credits are sold, the investors ultimately pass the cost to the public by taking credits against their federal income taxes.)

The developments in the Piggy-Back Round are heavily subsidized. Nearly 60 percent of the funding comes in the form of low income housing tax credit equity, historic preservation tax credit equity, and funds contributed by the Housing Authority of New Orleans (HANO). These subsidies provide 83% of the funding for Low Income Developments, 70% for Public Housing Redevelopments, and 37% for Mixed Income Developments. (See page 4 for definitions and more information.)

In addition to the development subsidies, the public is providing major operating subsidies, such as project-based rent vouchers, low- or no-interest loans for insurance costs, and interest savings on the Gap Financing provided for development. The interest savings on Gap Financing, which was awarded to most Mixed Income Developments and the Public Housing Redevelopments, can run into tens of millions of dollars over the life of a loan. Some developments are also seeking significant additional subsidies in the form of tax abatements from local governments. BGR lacks sufficient information to estimate the total dollar value of these operating subsidies.

Geographic Distribution

In the New Orleans region, the GO Zone Housing Credit program continues to concentrate low income units in Orleans Parish. That parish is slated to receive 61% of all GO Zone Housing Credit units (7,507 of 12,345). By contrast, Jefferson Parish would receive only 6% (787 units) and St. Tammany Parish 5% (652). Other parishes in the metropolitan area do not receive any. Citywide, the tax credit developments would replace 18% of heavily damaged rental units (units that, according to the Federal Emergency Management Agency, suffered major or severe damage).

Development Hurdles

It remains to be seen how much of the tax credit investment will actually be built. The LHFA is concerned that many developers are in danger of missing the federal deadline of December 31, 2008 to place completed units in service. The U.S. House of Representatives has passed a bill to extend the deadline to 2010, but the Senate has not yet considered it.[3] In addition, several of the Public Housing Redevelopments face ongoing litigation. Legislation now pending before the Senate could affect those projects.[4] Other projects may not have adequate funding, an issue that the State is attempting to address by providing additional low income housing tax credits and loans to cover some insurance costs.

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LOW INCOME HOUSING TAX CREDITS AND THE PIGGY-BACK PROGRAM

Low income housing tax credits have become the federal government's main program for financing the construction or rehabilitation of low income housing. The program is governed by federal tax law, but implemented by state housing finance agencies.

The amount of the tax credit for which a given project qualifies is determined by statutory formula.[5] The developer may claim the amount of the tax credit annually for 10 years. However, rather than taking the credits against their taxes, most developers sell them to investors, such as large corporations, at a percentage of their value to generate immediate funding for the project. Typically, the investor receives a 99% stake in the project and the developer and/or its partners retain a 1% interest and agree to build and operate the project. Developers usually receive a fee of 15% of eligible development costs. Although payment arrangements vary, many developers receive the majority of their fees at the time the construction loan is converted to a permanent loan.

Federal tax law requires the owner to comply with rent and income restrictions on the tax credit-subsidized units for 30 years after they are made available for occupancy.[6] Maximum rents (including utility charges) per unit are set each year according to a formula based on area median income. Area median income for a three-person household in the New Orleans metropolitan area is $47,000 in 2007.

Because of the income and rent restrictions, low income housing tax credit developments are as a practical matter available only to households making 45 to 60% of area median income. To make some of the units in the tax credit developments affordable to very low income households below those levels, and to encourage mixed income development with market rate units, the LRA created its Piggy-Back Program. The program offered operating subsidies to reduce the costs of operating and carrying a unit to a level that could be covered by rent affordable to very low income families. It also offered financing to provide additional construction funds for the developments (Gap Financing).

Most of the supplemental CDBG funding awarded in the Piggy-Back Round is Gap Financing. Although the terms have not been finalized, the Office of Community Development, which administers CDBG funds, anticipates that the financing will take the form of low- or zero-percent interest loans. The loans will be payable only from surplus cash generated from the operation of the project, with the balance due on maturity or sale or refinancing of the project.[7]

The LHFA, LRA, and the Office of Community Development are making up to $45 million of additional CDBG funds available to developers to offset rising insurance costs. In addition, in light of rising development costs, the LHFA plans to provide additional tax credits to certain projects from a pool of credits returned unused by other projects.

Program Administration

Low income housing tax credits are awarded on a competitive basis. In Louisiana, the LHFA administers the program. It sets the criteria and scoring system, reviews the final applications, and makes the awards. For the Piggy-Back Round, the LHFA substantially revised its tax credit allocation plan to direct more credits to the most damaged areas of the state and to encourage mixed income developments. It also used detailed criteria and a revamped scoring system to promote certain other characteristics (such as physical amenities) and to discourage others (such as scattered site development and failure to conform with flood elevation guidelines).

In the Piggy-Back Round, the LHFA received applications for 63 developments. It initially awarded tax credits to 43 developments. Subsequently, one project in St. Tammany returned its credits, which were re-awarded to two projects in Orleans. As of April 15, 2007, 44 projects had received awards of credits from the Piggy-Back Round. Of these, 33 had been awarded CDBG funds.

The Office of Community Development evaluated applications for CDBG funds. It approved all the awards as requested or with slight increases.

TOTAL UNIT PRODUCTION IN TAX CREDIT DEVELOPMENTS

The LHFA awarded the GO Zone Housing Credits to 178 projects.[8] Of these projects, 149 are exclusively low-income developments,[9] while 29 contain a significant number of market rate units. If all of the developments come to fruition, they will generate approximately 15,000 rental units, including 12,400 rent-restricted, low income units and 2,600 unrestricted, market rate units.[10]

The production is below what the LRA anticipated when it formulated the Piggy-Back Program. The LRA had estimated that its program would spur the construction or rehabilitation of 18,000 to 33,000 rental units. The program's anticipated production falls 17% short of the LRA's conservative projection and 55% short of its optimistic one. The LRA attributes the shortfall in overall production to rising development and operating costs. Other factors, including the allocation of $360 million of tax credit equity to more expensive major public housing redevelopments, also impacted the unit production.

The LRA anticipated that 13,000 to 18,000 of the projected units would be low income and 5,000 to 15,000 would be market rate. If the Piggy-Back Program had unfolded as projected, low income units would account for 55 to 72% of production. Instead, they account for 83% of the total number of units. Market rate units, which were expected to account for 28 to 45% of total production, account for only 17%.

Approximately 9,350 rent-restricted units will be targeted at households with incomes between 40 and 60% of area median income. For a three-person household in the New Orleans area in 2007, this would mean income in the range of $18,800 to $28,200. The remaining 3,020 rent-restricted units would be reserved for very low income households (those with incomes less than 40% of area median income, or $18,800 for a three-person household). Slightly more than 1,000 of the 3,020 units, or 33%, would be included in public housing sites.

It remains to be seen how much of the tax credit investment will actually be built. The LHFA is concerned that many developers are in danger of missing the federal deadline of December 31, 2008 to place completed units in service. The U.S. House of Representatives has passed a bill to extend the deadline to 2010, but the Senate has not yet considered it.[11] In addition, several of the public housing redevelopments face ongoing litigation. Legislation now pending before the Senate could affect those projects.[12] Other projects may not have adequate funding, an issue that the State is attempting to address by providing additional low income housing tax credits and loans to cover some insurance costs.

PIGGY-BACK ROUND

In the December round of tax credits -- the only round in which developments were eligible for Piggy-Back funds -- the LHFA awarded tax credits to 44 projects in six parishes.[13] These developments are expected to generate 6,961 rental units, for a total investment of approximately $1.5 billion.

For purposes of analyzing developments in the Piggy-Back Round, BGR has broken the developments into three basic types: Mixed Income Developments, Low Income Developments, and Public Housing Redevelopments.[14] Mixed Income Developments are privately owned developments with a mix of low income, rent-restricted units and market rate units. (Market rate refers to units that are not rent- or income-restricted.) Low Income Developments are privately owned developments that contain only low income, rent-restricted units. Public Housing Redevelopments include five housing projects that HANO has leased or will lease to private developers. All of these contain some market rate rental or market rate homeownership units.

Overview by Type

Mixed Income Developments. The LHFA awarded tax credits to 20 Mixed Income Developments. These developments are expected to generate a total of 3,141 rental units, at a total investment of $612 million. They were awarded 26% of the Piggy-Back Round of tax credits and 67% of the Gap Financing.

Private Low Income Developments. The LHFA awarded tax credits to 19 Low Income Developments, including nine for elderly housing. The 19 developments are expected to produce 1,657 low income units. The total investment in the units is $267 million. The developments were awarded 28% of the December tax credits and 1% of the Gap Financing.

Public Housing Redevelopments. The LHFA awarded tax credits for five Public Housing Redevelopments in New Orleans: the first phases of the B.W. Cooper, Lafitte, and St. Bernard redevelopments, and the second phases of the St. Thomas/River Garden and C.J. Peete redevelopments. The Public Housing Redevelopments were awarded 46% of the December tax credits and 32% of the Gap Financing. They are expected to generate a total of 2,163 units, at a total investment of $595 million.

Table 1: Basic Information by Development Type

Type	Projects	Rental Units	Total Investment (in millions)
Mixed Income Development	20	3,141	$612.0
Low Income Development	19	1,657	$266.5
Public Housing Redevelopment	5	2,163*	$595.3
Totals	44	6,961	$1,473.8

*Lafitte's first phase includes 244 market rate homeownership units. These are ineligible for tax credits and are not counted in the rental unit investment.

BGR calculations based on data from low income housing tax credit applications submitted to the LHFA for projects that received awards of credits in the Piggy-Back Round.

The information by development type is summarized in Table 1.

Development Costs

Total Development Costs for projects in the Piggy-Back Round are higher than the LRA anticipated. The Total Development Costs for the 44 projects in the Piggy-Back Round range from $3.9 million to $144 million. On a per-unit basis, the costs range from $90,000 to $340,000. On a per-square-foot basis, Total Development Costs range from approximately $100 to $334. The costs are especially high in the case of Public Housing Redevelopments, where the median Total Development Cost per unit is $272,805. The median Total Development Costs for Mixed Income Developments and for Low Income Developments are approximately $175,000 per unit.

Total Development Cost, as used in this report, includes construction costs, soft costs, property acquisition, and other development costs. The calculation differs from adjusted total development cost per unit, a measure used by the LHFA to set limits on development costs. Adjusted total development cost per unit excludes development costs funded by government grants and historic preservation tax credits, and costs associated with community facilities. The adjusted total development costs per unit range from approximately $90,000 to $250,000.

Table 2 summarizes the median Total Development Costs per unit and per square foot and provides the ranges of cost per development type.

There is little difference between the median Total Development Costs of the Mixed Income and Low Income Developments. Per square foot, the median Total Development Cost of the five Public Housing Redevelopments, however, exceeds the median cost of the private developments by almost 40%. The additional costs for Public Housing Redevelopments result

Table 2: Total Development Costs (TDC) by Type

Type	Projects	Median TDC Per Unit	Approximate Range of TDC Per Unit	Median TDC Per Square Foot	Approximate Range of TDC Per Square Foot
Mixed Income Development	20	$176,919	$105,000 to $340,000	$173	$100 to $334
Low Income Development	19	$174,176	$90,000 to $247,000	$171	$126 to $233
Public Housing Redevelopment	5	$272,805	$200,000 to $307,000	$242	$233 to $266
Orleans Mixed Income	12	$209,920	$112,000 to $340,000	$187	$100 to $334
Orleans Low Income	14	$183,990	$90,000 to $223,000	$163	$126 to $233

Note: BGR has assumed that low income and market rate units within a project will be of comparable size, quality and cost, as required by state policy.

BGR calculations based on data from low income housing tax credit applications submitted to the LHFA for projects that received awards of credits in the Piggy-Back Round.

Table 3: Total Development Costs for Public Housing Redevelopments

Redevelopment	Number of Rental Units*	Total Development Costs (in millions)	Total Development Costs Per Unit
Lafitte	568	$144.0	$254,000
St. Bernard I	465	$126.9	$273,000
C.J. Peete III	410	$125.7	$307,000
B.W. Cooper I	410	$123.3	$301,000
River Garden CS2	310	$62.0	$200,000

* Excludes the cost of 244 market rate homeownership units planned for Lafitte.

BGR calculations based on data from low income housing tax credit applications submitted to the LHFA for projects that received awards of credits in the Piggy-Back Round.

in part from significantly higher soft costs, including architectural and engineering, construction interest, property insurance, survey, testing, and permitting costs. Compliance with federal public housing regulations, such as resident and minority business recruiting efforts, demolition review, and certain planning and reporting requirements, also create additional costs for the redevelopments. The median soft cost per square foot is more than 70% higher than the median for private developments. In addition, several redevelopments will incur significant demolition, infrastructure and other site costs, due to their emphasis on building units in small structures to reduce density. Total Development Costs for the Public Housing Redevelopments are set forth in Table 3. For additional information on construction and soft costs, see Appendix A.

In general, development costs for projects in the Piggy-Back Round are higher than those of projects in the previous rounds of tax credit awards. The earlier rounds, which featured primarily Low Income Developments, had a median Total Development Cost per unit of $157,487, compared to a median of $174,176 for Low Income Developments in the Piggy-Back Round.

Within each of the types of housing, there are wide differences in the development costs. For example, the Total Development Cost of units in Mixed Income Developments ranges from $105,000 to $340,000 a unit, and the Total Development Cost per square foot ranges from $100 to $334 a square foot. Variables include the size of units, type and quality of construction, site preparation costs, location, and whether a project is a rehabilitation of an existing apartment complex, an adaptive reuse, or new construction. Developments for the elderly, which tend to have smaller units, have a lower median Total Development Cost than other developments (in private developments approximately $145,000 per elderly unit versus $193,000 for others).

Location appears to be a significant factor. Four of the five most expensive private developments, summarized in Table 4, are located in New Orleans' Central Business District or Warehouse District. For the LHFA's most highly ranked project, 200 Carondelet, costs of $334 a square foot make the conversion of this historic downtown New Orleans office building into mixed income apartments the most expensive of all the tax credit projects. For more information on individual projects, see Appendix B.

Funding Sources

The primary sources of funding for the 44 developments in the Piggy-Back Round are tax credit equity and CDBG Gap Financing. Together they provide 82%

Table 4. Five Most Expensive Mixed Income Developments, by Total Development Cost Per Unit

Project (Location)	Parish	Total Development Costs Per Unit	Total Development Per Square Foot
200 Carondelet (CBD)	Orleans	$339,660	$334
Constance Lofts (Warehouse District)	Orleans	$307,801	$273
St. Joe Lofts (Warehouse District)	Orleans	$276,159	$314
Nine 27 (Warehouse District)	Orleans	$259,274	$191
Classic Construction of NO Venture II (Scattered Sites)	Orleans	$222,522	$173

BGR calculations based on data from low income housing tax credit applications submitted to the LHFA for projects that received awards of credits in the Piggy-Back Round.

Table 5: Sources of Funding for Developments in Piggy-Back Round ($ Figures in Millions)

Type	Projects	First Mortgage Debt	Gap Financing*	Low Income Tax Credit Equity	HANO Capital Funds	Historic Tax Credit Equity	Other**	Total Sources
Mixed Income Developments	20	$84.0	$278.8	$207.6	-	$19.0	$22.6	$612.0
Low Income Developments	19	$24.7	$4.5	$221.5	-	-	$15.8	$266.5
Public Housing Redevelopments	5	$42.6	$134.1	$360.3	$57.7	-	$0.6	$595.3
Totals by Source	**44**	**$151.3**	**$417.4**	**$789.4**	**$57.7**	**$19.0**	**$39.0**	**$1,473.8**
% of Total Sources		10%	28%	54%	4%	1%	3%	

* In September 2006, the Office of Community Development awarded $417 million of Gap Financing to projects. It may award another $15 million to projects.

** Other sources include HOME loans; deferred developer fees, which are loaned to the project; private grants; and other private debt.

BGR calculations based on data from low income housing tax credit applications submitted to the LHFA for projects that received awards of credits in the Piggy-Back Round.

of the funding. Other sources include private debt, deferred portions of developer fees, other government financing, federal and state historic preservation tax credits, and private grants. Table 5 summarizes the funding sources.

Mixed Income Developments. 83% of the funding for Mixed Income Developments comes directly or indirectly from public funds, consisting of: Gap Financing (46%), low income housing tax credit equity (34%), and other government financing (3%). (BGR is treating low income housing tax credits as a public contribution. Although the investment is made by private entities to which the tax credits are sold, the investors ultimately pass the cost to the public by taking credits against their federal income tax payments.) Private debt accounts for 17%.[15] The financing structure of individual developments varies, with Gap Financing supplying more than 60% of project funding in some cases.

Low Income Developments. Low income housing tax credit equity provides 83% of total financing sources and Gap Financing 2%. Another 14% comes from private debt. The remaining 1% consists of other government financing. In the rounds prior to the Piggy-Back Round, low income developers relied just as heavily on tax credit equity.

Public Housing Redevelopments. Low income housing tax credit equity supplies approximately 60% of the total financing, and Gap Financing provides another 23%. HANO provides an additional 10%. Private debt accounts for 7%. For a breakdown of sources by development, see Table 6.

Table 6: Sources of Funding for Public Housing Redevelopments ($ Figures in Millions)

Redevelopment	Rental Units*	First Mortgage Debt	Gap Financing	Low Income Tax Credit Equity	HANO Capital Funds	Other Sources	Total Sources**
Lafitte	568	-	$27.0	$119.0	$1.0	$0.6	$147.6
St. Bernard I	465	$10.3	$27.0	$74.1	$18.9	-	$130.3
C.J. Peete III	410	$10.1	$27.0	$73.5	$18.3	-	$128.9
B.W. Cooper I	410	$10.1	$27.0	$70.0	$19.4	-	$126.5
River Garden CS2	310	$12.1	$26.1	$23.8	-	-	$62.0

* Does not include 244 market rate homeownership units planned for Lafitte, but funded through other sources.
** Total Sources include Total Development Costs and other uses of funds, such as reserves.

Source: Data from low income housing tax credit applications submitted to the LHFA for projects that received awards of credits in the Piggy-Back Round.

Public Subsidies. Public subsidies provide $866 million, approximately 59% of total funding sources, for developments in the Piggy-Back Round. The subsidies include federal low income housing tax credits, federal and state historic preservation tax credits, and funds contributed by HANO. Developers project that sales of the two types of tax credits will generate equity in the amounts of $789 million and $19 million, respectively. The HANO subsidy is expected to provide $58 million in capital funds.

BGR has not treated Gap Financing as a development subsidy, since the amount borrowed must be repaid. Gap Financing does, however, provide a significant operating subsidy in the form of no-interest or low-interest loans. This form of subsidy is discussed below under Operating Subsidies.

Breakdown by Income Levels

The 44 developments in the Piggy-Back Round generate 2,471 market rate rental units[16] and 4,490 rent-restricted units available only to low-income households. Approximately 41% of the low income units (1,841) are set aside for very low income households. A household is considered low income if it makes 60% or less of area median income. A household is considered very low income if it makes 40% or less of area median income. For 2007, the area median income for a three-person household in the New Orleans metropolitan area is $47,000.

Mixed Income Developments. 1,891 units, or 60% of the total number of units in Mixed Income Developments, are market rate units. The remainder are rent-restricted units available only to low income households, and approximately half of those units are set aside for very low income households. Most of the individual Mixed Income Developments have a similar income mix. Exceptions include two projects with 80% market rate and 20% very low income units, and one project with 17% market rate and 83% low income units.

Low Income Developments. With the exception of three manager units, the units in the 19 Low Income Developments would be rent-restricted units available only to low income residents. Of the total units, approximately one-fourth, or 387 units, would be set aside for very low income households.

Public Housing Redevelopments. Four of the developments, C.J. Peete, B.W. Cooper, River Garden, and St. Bernard, would have a total of 577 market rate rental units. Lafitte would have 244 market rate homeownership units, bringing the percentage of market rate units in the Public Housing Redevelopments to 34%. Of the 1,586 low income units, 831 (35% of all units) would be set aside for very low income households. The income mixes vary in the redevelopments. The second phase of River Garden, which is 60% market rate/40% low income units, most closely resembles the typical income mix in Mixed Income Developments. The other Public Housing Redevelopments have a far

Table 7: Proposed Units by Development Type and Income Category (Percentage of Area Median Income)

	Very Low Income			Low Income*			Market Rate	
Type	Up to 20% AMI	20%-30%	30%-40%	40%-50%	50%-60%	More than 60%	More than 60%	Total
Mixed Income	113	169	341	137	490	0	1,891	3,141
Low Income	109	141	137	490	777	0	3	1,657
Public Housing Rental	579	184	68	111	623	21	577	2,163
Public Housing Homeowner	0	0	0	0	0	0	244	244
Grand Total, All Units	**801**	**494**	**546**	**738**	**1,890**	**21**	**2,715**	**7,205**

* Includes 21 public housing units for households with incomes greater than 60% of area median income, but not funded by tax credits.

BGR calculations based on data from low income housing tax credit applications submitted to the LHFA for projects that received awards of credits in the Piggy-Back Round; and data provided by the Office of Community Development.

greater low income component, with a mix of approximately 30% market rate/70% low income units.[17]

Table 7 summarizes the allocation of units awarded in the Piggy-Back Round by income restrictions. The income restrictions are based on percentages of area median income, or AMI.

Operating Subsidies

Unit-based Subsidies. The construction subsidies discussed above (which in the case of Low Income Developments cover approximately 83% of costs) are not the only form of subsidy contemplated for the tax credit projects. 2,052 units would receive unit-based operating subsidies. These take the form of CDBG-funded, project-based rental assistance for 102 units,[18] project-based Section 8 vouchers for 1,146 units, and public housing operating subsidies for 804 units. Not included in the above figure are tenant-based Section 8 vouchers, which may also be used in the developments.

870 of the project-based Section 8 units would serve elderly households in Orleans Parish.[19] Another 192 would support families at the Lafitte redevelopment, and 84 would provide supportive housing to disabled and other special needs households in Jefferson Parish.

Other Operating Subsidies. As discussed above, many of the tax credit developments will receive Gap Financing. These loans are offered at zero- or low-interest rates, providing a significant subsidy that reduces the carrying costs of the project. BGR does not have sufficient data on the terms of each loan and the creditworthiness of each development to calculate the amount of subsidy that the public is providing in the form of interest savings. It is clear, however, that the amount is significant. By way of example, the present value of the interest savings on a zero-interest, $27 million, 30-year Gap Financing loan, compared to an 8% mortgage over the same period, would approximate $33 million.

In addition, a number of developments are seeking local government subsidies in the form of tax abatements. Three private developments awarded tax credits in the Piggy-Back Round have also been awarded property tax abatements by the Industrial Development Board of the City of New Orleans. In addition, HANO is seeking tax abatements for four of the five Public Housing Redevelopments. Its goal is to preserve for the private developers the property tax exemption that the property now enjoys by virtue of HANO's public ownership. The private developer of another public housing site, River Garden, may seek a separate property tax abatement for its second phase from the Industrial Development Board.

In response to rising insurance costs, the LRA, LHFA, and Office of Community Development have developed a program to fund a portion of insurance costs with up to $45 million of the remaining CDBG funds.

Operating Expenses

Operating expenses[20] are highest for units in Public Housing Redevelopments. The median projected initial year expenses are $4,500 per unit for Public Housing Redevelopments, $4,300 per unit for Mixed Income Developments, and $4,400 per unit for Low Income Developments.

GEOGRAPHIC DISTRIBUTION

For the Piggy-Back Round, the LHFA limited the available credits to eight parishes with major or severe damage to their rental housing units: Calcasieu, Cameron, Jefferson, Orleans, Plaquemines, St. Bernard, St. Tammany, and Vermilion. In its tax credit allocation plan, the LHFA stated its intention to award the credits to developments in parishes in proportion to the parishes' hurricane damage to rental housing units. It also intended to allocate sufficient credits to at least one project from each of the eight parishes. Within the parameters established by the LHFA, developers decide where to locate projects, subject to zoning restrictions and in some cases local opposition.

Orleans suffered 70% of the major and severe rental housing damage in the eight parishes; it received 86% of the tax credits awarded in the Piggy-Back Round. When the results of all tax credit rounds are considered, Orleans Parish's proportionate share declines to 60% of all GO Zone Housing Credits awarded. This compares to a 63% share of the statewide major and severe rental housing damage.

Table 8: Distribution of Tax Credits Statewide, All Rounds of GO Zone Housing Credits

Parish	% of Major/ Severe Damage	Number of Projects	Number of Tax Credit Units*	% of Tax Credits	Total Rental Units**
Orleans	63%	72	7,507	60%	9,357
Jefferson	17%	15	787	7%	1,027
St. Tammany	5%	10	652	6%	802
Calcasieu	2%	22	1,200	9%	1,408
Other	13%	59	2,199	18%	2,363
Statewide Totals		**178**	**12,345**		**14,957**

* Excludes 21 low income public housing units that are located in Public Housing Redevelopments but not funded by tax credits.
** Figures include market rate rental units, but exclude 244 market rate homeownership units planned for the Lafitte redevelopment.

BGR calculations based on data from the LHFA's LIHTC 2006-2007/2008 (FA) Multifamily Project Pipeline Status Report, February 12, 2007, adjusted to reflect the subsequent movement of one project from Jefferson to Orleans Parish.

Of the 97 projects in the New Orleans metropolitan area that were awarded tax credits, 72 are located in Orleans, 15 in Jefferson, and 10 in St. Tammany. No GO Zone Housing Credits were awarded in St. Bernard, Plaquemines, St. Charles, or St. John the Baptist parishes. Table 8 summarizes the tax credit awards by parish for all rounds.

The 72 Orleans projects include 13 Mixed Income Developments, 44 Low Income Developments, all five Public Housing Redevelopments, and 10 smaller public housing sites. At least 13 of the New Orleans developments would be located in census tracts that, according to the 2000 Census, had concentrated poverty.[21] Five of these are the sites of the public housing redevelopments funded in the Piggy-Back Round. Citywide, the tax credit developments would replace 18% of heavily damaged rental units (units that, according to the Federal Emergency Management Agency, suffered major or severe damage).

ENDNOTES

1 The numbers are only for projects awarded from the $1.7 billion worth of GO Zone Housing Credits. They do not include another 62 projects outside the GO Zone that received low income housing tax credits from the state's annual per-capita allocation of credits or the 26 projects statewide that received tax credits attached to tax exempt bond financing. These projects would produce 2,157 units and 1,860 units, respectively.

2 Several projects have one or two units available to households above 60% of area median income. These are grouped with the 100% low income projects.

3 H.R. 1562 passed the U.S. House of Representatives on March 27, 2007.

4 H.R. 1227 passed the U.S. House of Representatives on March 21, 2007.

5 The amount of the credit is determined by multiplying a project's qualified basis by the applicable tax credit percentage. The qualified basis of any qualified low-income building for any taxable year is equal to the eligible basis of the building multiplied by the low-income occupancy percentage. Eligible basis is generally development costs less land costs, disproportionate standard costs and grants.

6 The credits require an initial regulatory compliance period of 15 years and an extended use period of 15 more years. Noncompliance during the first 15 years may result in recapture of credits by the Internal Revenue Service. In the extended use

ENDNOTES CONTINUED

period, the property owner must continue to comply with its regulatory agreement, although it no longer reports to the IRS. The property owner may request that the housing finance agency find a new owner for the property by the end of the 15th year. If the agency cannot, the current owner is allowed to void the regulatory agreement and convert the property to market rate. Kroger, Jim, Novogradac & Company LLP, "Important Time Periods," *Property Compliance Report,* July 2006.

7 The developer decides whether to apply for a low- or zero-percent loan. Low-interest loans would bear interest at the Applicable Federal Rate (AFR), which for long-term debt is 4.9% in May 2007. The AFR option was put in place to accommodate applicants concerned that loans bearing interest below AFR would limit the amount or type of credit for which a development is eligible.

8 Figures are only for projects awarded from the $1.7 billion worth of GO Zone Housing Credits. They do not include another 62 projects outside the zone awarded the state's per-capita annual allocation of low income housing tax credits or the 26 projects statewide awarded other tax credits attached to tax exempt bond financing. These projects would produce 2,157 units and 1,860 units, respectively.

9 Several projects have only one or two units available to households above 60% of area median income. These are grouped with the 100% low income projects.

10 An additional 244 market rate homeownership units will be added to one development in Orleans Parish, bringing the total market rate to more than 2,800, and the overall total production in the funded projects to 15,200.

11 H.R. 1562 passed the U.S. House of Representatives on March 27, 2007.

12 H.R. 1227 passed the U.S. House of Representatives on March 21, 2007.

13 The LHFA data compiled for this report were current as of February 12, 2007. In April 2007, the LHFA approved a change of location for one project from Jefferson Parish to Orleans Parish. BGR has updated the data to reflect this change. However, the data do not reflect recent requests for additional credits or insurance subsidies.

14 The three types differ from the funding pools used by LHFA and LRA, and are not intended to match the awards by pool. Rather, they are intended to compare the developments on a conceptual basis.

15 One Mixed Income Development reported private grants as a funding source. This reflects less than 1% of the total funding sources for Mixed Income Developments.

16 The figure does not include another 244 market rate homeownership units planned in connection with the Lafitte project. Also, three of the market rate units are manager units in three low income developments.

17 The applications for River Garden and Lafitte were submitted by the private developers selected for the sites. HANO, through its quasi-public corporate entities, submitted the applications for the other three sites, because it had not yet selected the private developers. The developers may propose their own budgets and development plans, but any significant changes to the financing structures would require LHFA approval.

18 The CDBG-funded project-based rental assistance is estimated at $7 million to $9 million.

19 One Section 8 elderly project proposed for St. Tammany and awarded credits in the Piggy-Back Round returned its credits unused. The LHFA awarded the returned credits to two other Section 8 elderly projects in Orleans Parish. In April 2007, the LHFA approved a change of location for another elderly project from Jefferson Parish to Orleans Parish.

20 Operating expenses include maintenance, insurance, real estate taxes, and utilities. They do not include the carrying cost of debt.

21 Concentration is defined by the Census Bureau as 40% or more households with incomes below its poverty threshold.

Appendix A: Comparison of Hard and Soft Costs by Development Type, Piggy-Back Round

Type	Projects	Median Construction Cost Per Square Foot	Approximate Range Per Square Foot	Median Soft Cost Per Square Foot	Approximate Range Per Square Foot
Mixed Income Development	20	$134	$68 to $211	$24	$14 to $72
Low Income Development	19	$122	$66 to $151	$34	$21 to $45
Public Housing Redevelopment	5	$141	$140 to $180	$58	$50 to $68
Orleans Mixed Income	12	$143	$72 to $211	$34	$14 to $72
Orleans Low Income	14	$120	$66 to $151	$33	$21 to $45

BGR calculations based on data from low income housing tax credit applications submitted to the LHFA for projects that received awards of credits in the Piggy-Back Round.

APPENDIX B

Appendix B: Summary Data on Projects from the Piggy-Back Round

Project, by Development Type (BGR Categories)	Parish	Rental Unit Characteristics: Total Rental Units	Market Rate Units (1)	Low Income Units (2)	Very Low Income Units (2)	Zero or 1 Bedroom Units	3 or more Bedroom Units
Mixed Income Developments							
200 Carondelet	Orleans	190	114	38	38	190	-
Beechgrove Homes	Jefferson	100	80	0	20	-	100
Crescent Garden Homes	Orleans	143	86	28	29	-	143
Meadows, The	Calcasieu	180	108	36	36	-	180
Marquis Apartments, The	Orleans	250	150	50	50	50	100
Lakeside Apartments	St. Tammany	250	150	50	50	60	102
Renoir Acres Estates II	Calcasieu	60	36	12	12	-	45
Walnut Square Apartments	Orleans	209	125	42	42	41	87
Tiffany Apartments	Vermilion	250	150	50	50	60	102
Wellswood Manor	Jefferson	84	50	17	17	68	-
Canterbury House Apartments	Orleans	276	165	55	56	96	90
Monet Acres Estates II	Calcasieu	60	36	12	12	-	45
Constance Lofts	Orleans	47	28	10	9	13	-
Crescent Club, The	Orleans	226	136	44	46	99	-
Preserve, The	Orleans	183	110	36	37	74	-
Nine 27	Orleans	76	60	0	16	56	-
Villas at Lake Forest	Orleans	230	138	46	46	-	129
Levey Gardens	Orleans	100	60	20	20	-	100
Timberlane Apartments	Jefferson	164	98	33	33	54	14
St. Joe Lofts	Orleans	63	11	48	4	38	-
Low Income Developments							
Renaissance Place	Orleans	307	-	245	62	307	-
Tulane Senior Housing	Orleans	60	-	48	12	60	-
Forest Towers II	Orleans	200	1	160	39	200	-
Nativity Apartments	Orleans	75	-	58	17	75	-
All Saints Apartments	Orleans	110	-	79	31	110	-
Nazareth Inn II Apartments	Orleans	120	1	107	12	119	-
New Chateau	Jefferson	84	-	66	18	-	44
Indiana Homes	Orleans	60	-	48	12	-	50
Old Morrison Homes	Orleans	38	-	30	8	-	38
Orleans Place	Orleans	60	-	48	12	-	50
Delta Oaks Homes	Orleans	40	-	16	24	-	40
Grand Lake Elderly	Cameron	30	1	11	18	28	-
Oak Villa	Jefferson	80	-	64	16	20	-
Georgetown of NO III	Orleans	80	-	64	16	8	48
AMOS Project, The	Orleans	70	-	26	44	-	56
Sulphur Retirement Community	Calcasieu	60	-	48	12	24	-
Classic Construction of NO Venture II	Orleans	56	-	44	12	-	36
Jefferson Davis Apartments	Orleans	72	-	56	16	36	-
St. Bakhita Apartments	Jefferson	55	-	49	6	-	21
Public Housing Redevelopments							
CJ Peete III	Orleans	410	123	151	136	83	205
River Garden CS-II Project	Orleans	310	186	62	62	154	-
Lafitte Redevelopment	Orleans	568	-	224	344	111	208
St Bernard I	Orleans	465	145	167	153	93	232
BW Cooper I	Orleans	410	123	151	136	83	205

Notes

(1) For the Lafitte Redevelopment, total does not include 244 market rate homeownership units. Units for Forest Towers II, Nazareth Inn II, and Grand Lake Elderly projects are non-revenue manager units.

(2) Low Income Units target households with incomes between 40% and 60% of Area Median Income (AMI) and another 21 rent-restricted public housing units above 60% of AMI. Very Low Income Units target households below 40% AMI. For 2007, the area median income for a three-person household in the New Orleans metropolitan area is $47,000.

(3) Other government funding does not include rental unit operating subsidies.

APPENDIX B

Figures in $000s, except per unit and per square foot figures

Funding Sources							Rental Development Costs (4)		
Total Funding Sources	Private First Mortgage	Deferred Developer Fee Loan	Other Private Funding	Low Inc. Tax Credit Equity	CDBG Gap Financing	Other Gov't Funding (3)	Total Development Costs ($000s)	TDC Per Rental Unit	TDC Per Square Foot
$ 66,465	$ 1,100	$ 2,189	$ -	$ 20,482	$ 26,500	$ 16,194	$ 64,535	$ 339,660	$ 334
22,685	4,200	377	-	4,208	13,900	-	22,189	221,890	172
22,504	3,005	1,182	-	3,600	14,717	-	21,913	153,235	100
29,239	4,159	1,464	-	4,500	19,116	-	28,558	158,656	103
56,385	5,510	2,711	-	21,164	27,000	-	49,764	199,056	188
45,626	4,980	2,147	-	16,499	22,000	-	38,869	155,475	146
9,496	1,305	6	-	3,765	4,420	-	9,363	156,052	109
37,914	2,624	942	900	13,953	19,495	-	37,436	179,117	183
43,524	3,960	2,118	-	17,846	19,600	-	41,919	167,677	159
18,336	4,980	975	-	6,800	5,581	-	17,271	205,610	216
31,007	10,825	1,128	-	10,999	8,055	-	31,006	112,342	105
9,656	1,305	6	-	3,765	4,580	-	9,523	158,709	111
14,896	4,497	742	-	4,631	5,026	-	14,467	307,801	273
50,436	8,900	1,944	-	19,992	19,600	-	49,897	220,784	185
41,036	7,325	1,626	-	16,135	15,950	-	40,597	221,841	195
19,704	3,348	-	-	3,629	12,727	-	19,705	259,274	191
41,101	2,763	809	-	14,293	23,236	-	40,186	174,721	174
16,882	1,940	827	-	2,500	11,615	-	16,407	164,074	107
17,490	5,480	117	-	6,173	5,720	-	17,190	104,817	107
17,648	1,833	336	-	12,624	-	2,855	17,398	276,159	314
30,701	2,450	1,383	5,310	21,558	-	-	29,351	95,607	157
8,082	655	-	-	6,277	-	1,150	7,741	129,011	217
35,598	3,821	869	-	30,908	-	-	34,835	174,176	190
12,317	1,492	414	-	10,411	-	-	11,922	158,958	219
22,693	5,428	724	-	16,541	-	-	22,000	200,000	233
11,431	3,425	574	-	7,432	-	-	10,857	90,473	138
14,386	1,887	-	-	12,499	-	-	14,162	168,596	162
11,964	1,296	240	-	9,574	854	-	11,964	199,403	163
7,594	665	170	-	6,217	542	-	7,594	199,841	159
11,965	724	265	-	10,125	851	-	11,964	199,406	163
7,996	-	76	-	7,320	600	-	7,774	194,350	152
3,958	-	-	-	3,958	-	-	3,894	129,811	172
13,537	-	500	-	12,113	924	-	13,537	169,210	201
12,257	280	-	-	11,977	-	-	12,257	153,214	146
12,695	-	445	-	12,250	-	-	12,260	175,140	126
8,156	800	-	-	7,356	-	-	7,856	130,935	190
13,380	259	740	-	11,686	695	-	12,461	222,522	173
14,055	650	531	-	12,874	-	-	13,885	192,840	174
13,769	844	204	-	10,421	-	2,300	13,565	246,641	204
128,911	10,118	-	-	73,471	27,000	18,322	125,693	306,567	266
61,952	12,053	-	-	23,844	26,055	-	61,952	199,845	242
147,582	-	585	-	118,997	27,000	1,000	144,005	253,529	233
130,303	10,305	-	-	74,067	27,000	18,931	126,854	272,805	240
126,512	10,118	-	-	69,955	27,000	19,439	123,294	300,716	264

(4) In some cases, Total Sources exceed Total Development Costs. The excess is used to fund reserves, services, and various other costs and fees.

Sources: Unit, funding, and development cost data per low income housing tax credit applications submitted to the LHFA in October 2006; the LHFA's LIHTC 2006-2007/2008 (FA) Multifamily Project Pipeline Status Report in February 2007, adjusted to reflect the subsequent movement of Forest Towers II from Jefferson to Orleans Parish; and summaries prepared by the Louisiana Office of Community Development; total development costs per unit and per square foot, BGR calculations.

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