



A Report from the Bureau  
of Governmental Research



# MENDING THE URBAN FABRIC

Blight in New Orleans  
Part I: Structure & Strategy

FEBRUARY 2008

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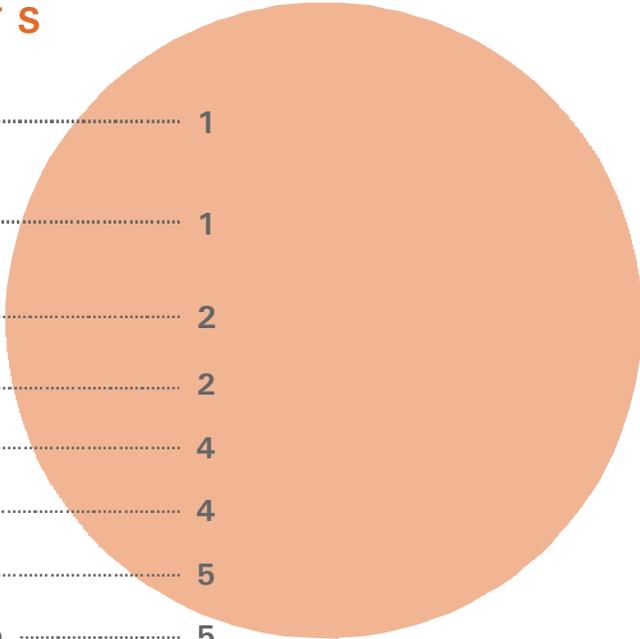


**Bureau of Governmental Research**  
938 Lafayette St., Suite 200  
New Orleans, Louisiana 70113

*Photos by C. Davin Boldissar*

## TABLE OF CONTENTS

<b>INTRODUCTION</b> .....	<b>1</b>
<b>OVERVIEW OF CHALLENGES</b> .....	<b>1</b>
<b>PROGRAM STRUCTURE</b> .....	<b>2</b>
<b>Current Structure</b> .....	<b>2</b>
<b>Fragmentation Creates Problems</b> .....	<b>4</b>
<b>Consolidating Blight Management</b> .....	<b>4</b>
<b>Controls on NORA</b> .....	<b>5</b>
<b>Code Enforcement: A Citywide Function</b> .....	<b>5</b>
<b>Coordination</b> .....	<b>6</b>
<b>GOALS AND STRATEGIES</b> .....	<b>6</b>
<b>Goals</b> .....	<b>6</b>
<b>A Comprehensive Citywide Strategy</b> .....	<b>6</b>
<b>Different Areas, Different Strategies</b> .....	<b>7</b>
<b>New Orleans' Strategy</b> .....	<b>8</b>
<b>CONCLUSION AND RECOMMENDATIONS</b> .....	<b>8</b>
<b>Program Structure</b> .....	<b>8</b>
<b>Goals and Strategies</b> .....	<b>9</b>





MENDING THE URBAN FABRIC

## INTRODUCTION

New Orleans has for decades suffered from pervasive blight. Hurricane Katrina and the resulting levee failures exacerbated this problem. No one has conducted a comprehensive survey to determine the number of blighted properties. However, federal agencies have estimated that approximately 80,000 housing units were severely damaged by Hurricane Katrina. It is safe to say that there are tens of thousands of blighted properties in the city.<sup>1</sup>

Blight poses a serious impediment to the city's recovery. Blighted properties destabilize neighborhoods, depress property values and subject neighbors to health and safety hazards. Blight deters investment and increases the likelihood that neighboring properties will also decline and become blighted. In post-Katrina New Orleans, it discourages residents from restoring flood-damaged homes. Blight also represents lost tax revenue potential in a city with troubled finances.

Local government plays a key role in fostering blighted property redevelopment. It is uniquely positioned to acquire blighted properties and encourage their redevelopment, because of its powers, access to funding and manpower.

Unfortunately, New Orleans' blighted property programs have historically been ineffective. In the five years before Katrina, the City of New Orleans and the New Orleans Redevelopment Authority (NORA), the entity charged with blight remediation in the city, acquired and redeveloped only a few hundred properties annually.<sup>2</sup> Post-Katrina, the only tangible sign of redevelopment has been the transfer of approximately 600 blighted and tax-adjudicated properties by NORA and the City to developers.<sup>3</sup>

BGR has previously made preliminary observations regarding the City's blighted property programs. These observations appear in December 2007 letters sent to NORA and the City's Office of Recovery Management (ORM).<sup>4</sup> This study builds on BGR's initial observations, discussing the obstacles to blight remediation and proposed solutions in greater detail.

BGR uses the terms "blight" and "blighted" to refer to severely dilapidated or damaged properties, regardless of whether such properties have been formally designated as "blighted" under a local government process.

## OVERVIEW OF CHALLENGES

New Orleans faces multiple structural, legal and administrative problems in addressing blight. They include the following:

- *Fragmented Structure.* The administration of blighted property programs in New Orleans is fragmented and uncoordinated.
- *Inadequate Goals and Strategies.* Local government has not articulated comprehensive and realistic goals and strategies for redeveloping blighted property.
- *Funding Deficiencies.* Blighted property programs in New Orleans lack sufficient funding to address blight effectively.
- *Poor Information.* Poor record keeping and a lack of access to basic property information impede redevelopment.
- *Acquisition Hurdles.* Numerous problems with acquisition processes prevent redevelopment.

## METHODOLOGY

*BGR conducted interviews with numerous professionals, including:*

- *Staff of local government programs in New Orleans and other cities*<sup>5</sup>
- *Urban planning and land use experts*<sup>6</sup>
- *For-profit and non-profit developers, attorneys and observers of the real estate market in New Orleans*

*BGR reviewed reports and academic papers regarding blighted property programs and redevelopment, including reports on New Orleans and the cities listed below. BGR reviewed numerous documents and materials it obtained from NORA and the City.*

*In addition to New Orleans' programs, BGR's research focused on seven widely discussed programs: Philadelphia, Pittsburgh, Cleveland, Louisville, Richmond, Genesee County (containing Flint, Mich.) and Baltimore.*

*BGR also conducted physical surveys of hundreds of properties that NORA acquired.*<sup>7</sup>

- *Disposition Procedures.* The procedures for transferring properties to individuals and developers are arbitrary, opaque and uncompetitive.
- *Poor Maintenance and Cleanup.* NORA has historically not cleaned up and maintained the blighted property under its control.
- *Involuntary Demolitions.* Involuntary demolitions, as currently administered, endanger blighted structures that should be saved and returned to commerce.

There is no single “silver bullet” that will solve these problems. Instead, policymakers must roll up their sleeves and comprehensively address a multitude of issues.

Due to the complexity and scope of the issues, we are addressing them in a two-part report. In this, the first part of that report, we address the first two issues listed above: program structure and goals and strategies. In the second part, we will address funding and technical and procedural issues relating to property acquisition, maintenance, disposition and demolition.

## PROGRAM STRUCTURE

Local government has a number of tools available to address blight. It can actively enforce codes, encourage rehabilitation through incentives, demolish properties that pose threats to safety and in some cases force the sale of properties. Often, however, the government must acquire blighted properties for ultimate resale or conversion to public use.

New Orleans’ blighted property programs, like those in other cities, focus mainly on the acquisition, maintenance and disposition of properties. In New Orleans, government can acquire blighted properties through expropriation, tax adjudication and foreclosure on liens created through code enforcement proceedings (blight liens). The Road Home program provides an additional source of properties. These four acquisition pipelines are described in the sidebar at right.

### Current Structure

The administration of the City’s blighted property programs is fragmented among a number of entities and departments. The following are the key players and their roles.

## PROPERTY ACQUISITION PROCEDURES

*Local government in New Orleans has four pipelines for acquiring blighted property:*

**Road Home Transfers.** *The State of Louisiana plans to transfer to local government bodies residential properties that it purchases through the Road Home program. NORA is the designated recipient for the thousands of Road Home properties in New Orleans.*

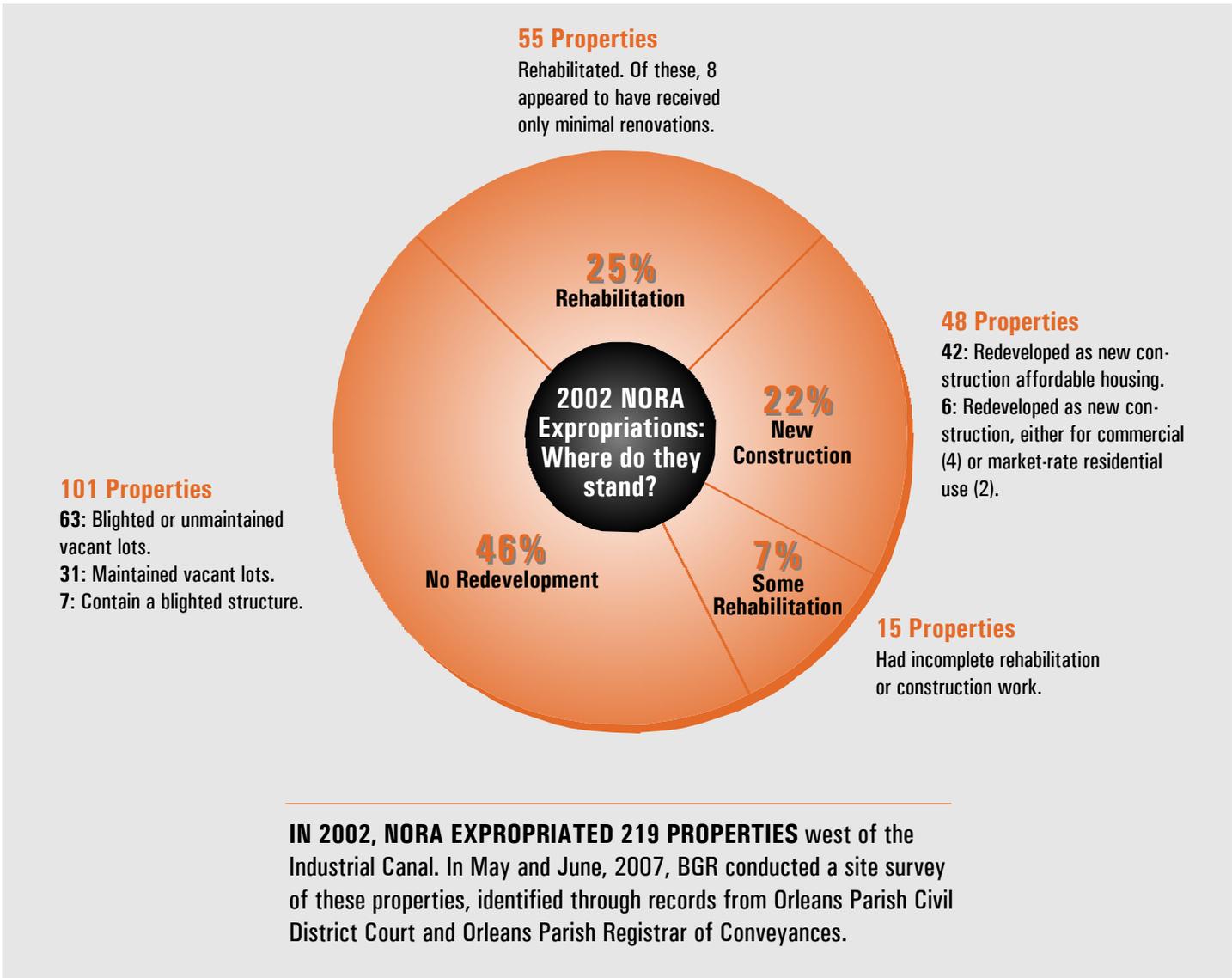
**Expropriation.** *Expropriation (also called eminent domain) is a basic power of government to take private property for certain purposes authorized by law, in exchange for compensation. The City and NORA both have the power to expropriate blighted property, although NORA’s powers are narrower. Expropriation has been severely limited by 2006 amendments to the Louisiana Constitution.<sup>8</sup>*

**Tax Adjudication.** *The City Finance Department periodically offers tax delinquent properties for sale to the public. Successful purchasers receive title in exchange for payment of back taxes plus costs and interest.<sup>9</sup> The City holds properties that do not sell; in legal terminology, these properties are “adjudicated” to the City. In many cases, these properties are blighted.*

**Lien Foreclosure.** *The City, through code enforcement proceedings, can impose fines and liens on property that is in violation of public health, housing, fire code, environmental or historic district ordinances. The City can then foreclose on the lien, forcing a sale of the property by the Civil Sheriff.<sup>10</sup> The Sheriff sells the property to the highest bidder, which could be a private party, NORA or the City. The procedure has not been successfully tested.*

NORA. NORA is an independent authority created in 1968 for the purpose of “eliminat[ing] and prevent[ing] the development or spread of slums and urban blight” within New Orleans.<sup>11</sup> Although its board members are appointed by the mayor from nominees proposed by State legislators, it is structurally independent from City government.

NORA has significant powers, including the power to undertake large-scale redevelopment and to expropriate blighted (and, in some cases, nonblighted) properties. In the decade preceding Hurricane Katrina, NORA’s primary activity was the expropriation of blighted proper-



ties for resale and redevelopment. The agency had a poor record. In the five years before Katrina, it undertook between 113 and 268 expropriations annually.<sup>12</sup> It sold most properties to private parties who committed to remediate them. BGR’s survey of year 2002 expropriations indicates that these actions were only partially successful. As of mid-2007, almost half of the properties had not been redeveloped. (See the chart above.)

Since Hurricane Katrina, NORA has been revamped with an expanded board and new management. It has become the designated repository for some blighted properties acquired by other government entities. These include an estimated 1,500 tax adjudicated properties and the thousands of Road Home properties located in the city.<sup>13</sup>

*City Attorney’s Office Housing Law Unit.* The City, acting primarily through the Housing Law Unit of the City Attorney’s Office, has also expropriated blighted property for later resale or donation. In addition, the Housing Law

Unit has managed the sale or donation of the City’s tax adjudicated properties. Recently, it awarded approximately 1,800 tax adjudicated properties to for-profit and nonprofit developers.<sup>14</sup> The City has set aside the remaining 1,500 for NORA. The City Attorney’s Office can also use lien foreclosure, although it has never done so successfully.<sup>15</sup>

*ORDA.* The City recently consolidated several departments into the Office of Recovery Development and Administration (ORDA), under the direction of Edward Blakely. The offices that are now part of ORDA include (among others):

- *Office of Recovery Management.* The City created ORM in late 2006 as a policy group that formulates recovery and development plans and policies. It created a recovery plan that calls for specific projects in 17 target zones. These projects include redevelopment of both blighted and non-blighted properties in these areas.

■ *Housing Department.* The housing department has a broad range of responsibilities, including the administration of federal housing funds and neighborhood education, health care and other social service programs. With regard to blighted property redevelopment, the department inspects properties for dangerous conditions and orders involuntary demolitions of structures that pose an imminent health threat.<sup>16</sup> Working in collaboration with the Department of Safety and Permits, it does the same for properties that are in imminent danger of collapse.<sup>17</sup> The housing department is also responsible for code enforcement and administers the hearing process for declaring properties blighted. Once the City declares a property blighted, the department imposes a fine and a lien to secure payment. The blight declaration enables NORA or the City to more easily acquire the property using expropriation, lien foreclosure or tax adjudication.

■ *Safety and Permits.* The Department of Safety and Permits, together with the housing department, inspects and condemns properties that are in imminent danger of collapse.

*Other City Departments.* Two other City departments play minor roles in blighted property redevelopment. The Health Department, through its environmental health section, inspects and cites vacant lots for blight. As discussed above, buildings are inspected and cited by the housing department. The City Finance Department conducts sales of tax-delinquent properties.

### Fragmentation Creates Problems

The fragmentation of responsibilities has a long history and causes three problems. First, the structure is confusing to the public and developers. A person concerned about a neighbor's blighted house must navigate several separately administered and staffed departments and sort through overlapping and confusing programs. Faced with the frustration of working within this structure, many simply give up.<sup>18</sup>

Second, coordination among entities and departments has been poor. An analysis prepared for Mayor Nagin's Transition Team in 2002 stated that "the relevant departments do not effectively share information or coordinate efforts," and other reports prepared in 1994 and 2004 agree.<sup>19</sup> In particular, observers have cited failures to coordinate involuntary demolitions, code enforcement and expropriations.<sup>20</sup> On more than one occasion, the housing department demolished a structure that NORA was attempting to expropriate for redevelopment.<sup>21</sup>

Third, fragmentation has contributed to a lack of focus. With the exception of NORA, the personnel of the various departments and entities are not dedicated to blighted property issues. Rather, blighted property is part of a broad portfolio of responsibilities in each agency. The City Attorney's Office Housing Unit staff works on all housing-related issues, including defending the City in litigation and advising the City on various legal issues. Housing department personnel administer a wide range of federal housing and social services programs. ORDA is responsible for all aspects of recovery management and planning, and also has responsibility for housing and economic development issues. With these multiple responsibilities, personnel cannot focus adequately on blighted property issues.

### Consolidating Blight Management

The solution to these problems begins with the consolidation, to the greatest extent possible, of blighted property programs. In particular, one entity should hold, manage and eventually dispose of blighted property. As discussed below, this entity could also administer some aspects of blighted property acquisition.

Consolidation of these functions would help facilitate communication and cooperation. It would put blighted property management in the hands of a dedicated staff with a focus on blighted property issues and make it easier for individuals and entities interested in redeveloping properties to navigate the bureaucracy.

The recommendation to consolidate these functions is not new. Earlier reports on blighted property programs in New Orleans have advocated such consolidation.<sup>22</sup> Local governments in other jurisdictions, including Genesee County, Louisville and Richmond, have also streamlined and consolidated their programs.

The depository for blighted properties could be either a City department or an independent agency. There are, however, serious drawbacks to consolidation within City government. Due to competing demands and responsibilities, it would be difficult for a City agency to keep focus and momentum on blight issues. In addition, a City program could wax and wane depending on the politics of the moment. Also, an independent authority is generally subject to more transparency and public participation. This is because, under the Louisiana Open Meetings Law, the authority's deliberations in board and committee meetings must be open to the public.<sup>23</sup> In contrast, while City Council meetings must be open and public, deliberations of City departments are not.

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For these reasons, we believe that blighted property programs should be formally consolidated in a single-purpose authority. NORA is the obvious candidate. Its sole mission is the remediation and redevelopment of blighted properties and areas. It has most of the powers needed to acquire, manage and dispose of blighted property, including access to all of the property pipelines except lien foreclosure.

Since the storm, NORA has become the de facto depository for blighted properties. However, the current arrangement is the result of ad hoc transfers rather than the product of a long-term commitment. It should be formalized through a new, comprehensive cooperative endeavor agreement.

NORA should also, where possible, be the vehicle for acquiring property. As noted above, it already has the power to acquire property through expropriation. While it currently lacks the authority to foreclose on liens, it has the ability to purchase property through lien foreclosure.

### Controls on NORA

Our recommendation to consolidate functions within NORA comes with reservations. NORA is not directly accountable to voters. In addition, it has a troubled history and has facilitated the redevelopment of few properties. Unless properly managed and monitored, it could become a vehicle for sweetheart deals or pursue ill-advised development schemes that are not in the interest of the city or its neighborhoods.

In view of NORA's troubled history and its independence, controls on NORA's operations are necessary to promote strong performance and accountability. At a minimum:

- NORA's efforts should be consistent with the City's master land use plan and its comprehensive zoning ordinance.
- NORA should be subject to all maintenance requirements and demolition restrictions imposed on private property owners under State and local law.
- NORA and the City should jointly commit to a specific strategy and procedures for property acquisition, maintenance and disposition.
- NORA's activities should incorporate meaningful public participation.

- NORA's employees and directors should comply with conflict-of-interest rules that go beyond existing State requirements.
- NORA and the City should jointly establish rigorous performance standards.
- NORA should meet the performance standards agreed upon with the City.

Strong performance and accountability could be furthered by oversight from the City's newly created Office of Inspector General. It is unclear whether the Inspector General has sufficient authority to exercise full oversight. To avoid future disputes over the scope of authority, the ordinance establishing the office and NORA's governing statute should be amended.<sup>24</sup>

To further increase accountability, the City could retain a limited right of reversion in properties it transfers to NORA. The right would allow the City to take the properties back should NORA fail to live up to its legal and contractual commitments with the City.<sup>25</sup> This will require extra paperwork at the time of resale to waive the right of reversion. To avoid costly delays, the City will have to execute the waiver in a timely fashion.<sup>26</sup>

### Code Enforcement: A Citywide Function

Code enforcement and involuntary demolitions are basic governmental functions that should remain with the City. They should be housed within a single department. Tax sale administration should also remain with the City Department of Finance.

In recent years, the housing department has performed the code enforcement and involuntary demolition functions. The administration recently moved that department – and with it code enforcement – into ORDA. ORDA has indicated to BGR that the reorganization of City departments into ORDA reflects a shift from planning to implementation. The reorganization is expected to facilitate coordination and cooperation within City government.

ORDA maintains that its responsibilities are citywide and that it will be implementing code enforcement citywide on a strategic basis that is not limited to the 17 target recovery zones. However, BGR remains concerned that ORDA may concentrate code enforcement resources too narrowly on a limited number of recovery projects and areas. This concern arises from the fact that most of ORDA's written public plans and strategy documents focus on the 17 target zones.<sup>27</sup> Such a focus would leave fewer resources to

address blight in well functioning areas where there is an active real estate market and only scattered blight. These are the very areas where blight remediation would have an immediate and critical impact.

## Coordination

NORA and the City should carefully coordinate their activities. Among other things, coordination is necessary to ensure that the City will promptly consider and hold hearings on properties that NORA is seeking to remediate. It is also necessary to ensure that the City does not demolish buildings for which NORA has renovation plans.

According to ORDA, the City has taken steps to address coordination. The City and NORA are meeting regularly to discuss blight remediation issues, and both ORDA and NORA have asserted that communication has greatly improved in the last few months. While internal meetings are certainly important, coordination and transparency would be promoted by spelling out responsibilities and procedures in a cooperative endeavor agreement. Currently, NORA and the City have two agreements in effect:<sup>28</sup>

- In the first agreement, the City committed to allocate up to \$5 million in federal funds to NORA, on a cost reimbursement basis, for property acquisition and land assembly in designated areas within or around ORDA's 17 target zones.
- In the second agreement, the City committed to allocate \$2 million in City funds for property acquisition within a target zone surrounding the proposed Department of Veterans Affairs Hospital site. NORA's property dispositions must comply with a concept plan to be jointly agreed upon at a later date.

These agreements do not spell out a cohesive strategy or procedures. They do not provide for performance standards with remedies if NORA fails to meet the standards.

## GOALS AND STRATEGIES

### Goals

The basic goals of a blighted property program are blight remediation and redevelopment of blighted areas. This is clearly expressed in NORA's governing statute,

which states that NORA's purpose is to "eliminate and prevent the development or spread of slums and urban blight [and] to encourage needed rehabilitation."<sup>29</sup> Other cities' blighted property programs also embrace these basic goals.

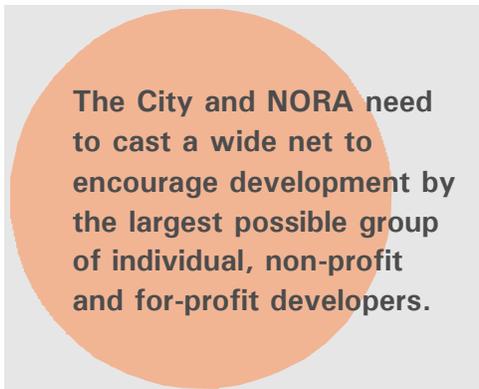
There are indications that the City and NORA intend to impose on their blighted property programs other, more expansive goals. These include: building "inclusive" or "equitable" communities, favoring certain types of development, pursuing other social goals such as "green" building, and promoting homeownership.<sup>30</sup> For example, NORA's most recent request for proposals for property disposition favored developers that intend to do workforce training, use environmentally sustainable techniques, "creat[e] vibrant communities," use "sustainable ownership" models and produce "projects [that] will be affordable to potential purchasers and renters."<sup>31</sup>

The Louisiana Recovery Authority (LRA) and the United States Department of Housing and Urban Development (HUD) impose some restrictions that will require NORA to pursue goals beyond blight remediation. For example, the LRA requires NORA to redevelop 25% of Road Home properties into affordable housing.<sup>32</sup> However, the City and NORA should focus, to the extent possible within those parameters, on the basic goal of remediating blight. It would be a mistake for NORA and the City to impose additional limitations unrelated to that basic goal and good quality development. Such restrictions will limit the range of potential projects and the pool of interested developers, with the almost certain result that fewer properties will be rehabilitated.

To be clear, BGR is not suggesting that developers who seek to achieve goals beyond blight remediation — such as affordable housing and workforce training — should be discouraged. Rather, it is simply suggesting that the City and NORA should not limit redevelopment to that type of development. The City and NORA need to cast a wide net to encourage development by the largest possible group of individual, non-profit and for-profit developers.

### A Comprehensive Citywide Strategy

Because blight is so widespread in New Orleans, the City needs a comprehensive citywide strategy. As NORA has acknowledged, given the large number of blighted proper-



ties in the city and the current state of real estate demand, it will be impossible to redevelop all blighted properties in the short term. Therefore, a blight strategy should take into account the viability of different areas and limited available resources. The City and NORA should direct their limited resources to viable areas where they would have the greatest potential for impact in the near future.

In formulating strategy, local government must recognize that it is a facilitator. Individuals and developers will be the ones who rebuild or rehabilitate blighted homes and businesses. This is true in every city, no matter how extensive the program. Effective blighted property programs encourage and facilitate private activity.

### Different Areas, Different Strategies

Cities that have pursued successful blight redevelopment have used different approaches in different types of areas. Those approaches include:

- **Market-Driven Strategy.** The local government acquires as many blighted properties as possible and gives all potential developers an equal chance to purchase them.
- **Targeted Strategy.** The local government acquires scattered blighted properties within a target zone and transfers them to one or more developers for immediate redevelopment.
- **Total Redevelopment.** The local government acquires blighted properties within an area to hold for future large-scale redevelopment. This redevelopment may take the form of a new commercial or residential development or a public use, such as a public park.

In well-functioning areas with an active real estate market and only scattered blight, the market-driven approach is the most effective. Blighted properties in these areas are generally out of commerce for property-specific reasons – such as cloudy title, a vacant succession, or the owner’s absence or intransigence. In well-functioning areas, once those problems are resolved and the properties are placed in commerce, redevelopment generally takes place on its own. Local governments such as Baltimore and Genesee County have successfully used this approach. At one time, NORA itself used a market-driven strategy in some neighborhoods, with limited, but positive, results.

In more troubled but functioning areas, the targeted approach is generally the most effective. Such areas have clusters of blight, in which a critical mass of positive redevelopment is needed. To create the critical mass, developers need to work on several or many properties at once in the area. A targeted approach, such as the Neighborhoods in Bloom program in Richmond, Va., enables this.<sup>33</sup> The use of a targeted approach should not preclude market-driven redevelopment efforts in other troubled areas.

In the worst-off areas, which have scattered residents or businesses, total redevelopment is generally the only feasible approach. Many communities, including Philadelphia, Detroit and Pittsburgh, have used this strategy.

The amount of time and public investment required to implement the strategies discussed above varies considerably. Total redevelopment is the most expensive and time consuming. The table below provides information on three communities that used that strategy.<sup>34</sup>

The market-driven strategy is the least expensive and time consuming of the three strategies discussed above.

### Total Redevelopment: A Long and Costly Approach

Community	Type of Redevelopment	Total Subsidies	Time Required to Redevelop
Detroit	Single-family residential neighborhood (approximately 300 homes)	At least \$115,000 per unit	Still under development (commenced in 1998)
Philadelphia	Single- and two-family residential neighborhood (103 units)	At least \$110,000 per unit (excluding land acquisition costs)	Approximately six years
Pittsburgh	Large sites including derelict steel mills and slag dumps, a stockyard, and a blighted neighborhood	An average of approximately \$250,000 per acre (excluding infrastructure and construction subsidies)	10 to 19 years (most projects still under development)

Buyers provide most or all of the investment. In a well-run program, the time required for development of a particular property is generally minimal.

Targeted redevelopment is generally more expensive than a market-driven strategy but less expensive than total redevelopment, both overall and on a per-unit basis. The targeted strategy used in Richmond redeveloped 419 properties in seven zones. It cost approximately \$16.6 million (approximately \$40,000 in public funds per housing unit). That figure includes \$2.7 million spent on capital improvements such as sidewalks and street improvements. Richmond's targeted redevelopment took approximately four and a half years.<sup>35</sup>

### New Orleans' Strategy

NORA and the City intend to rely heavily on a targeted strategy. That strategy is a small part of a larger recovery plan that involves infrastructure rebuilding, economic development and redevelopment of vacant and idle properties in 17 target zones. ORDA has identified seven of these zones for blight remediation programs.<sup>36</sup> NORA plans to use a targeted strategy in at least five additional zones.<sup>37</sup>

The targeted strategy is appropriate for troubled areas. However, in light of the history of the City's programs and the slow progress made since Hurricane Katrina, it makes sense for the City and NORA to start small, with a few zones that are feasible and manageable. The number of planned zones is too ambitious at this juncture. NORA and the City should focus, at least at first, on no more than three or four zones.

In determining which zones to address first, NORA and the City should use a transparent public process and clear and limited criteria. Criteria that have been used successfully in other cities to identify such areas include proximity to well-functioning or up-and-coming areas, the potential to encourage other development, and the presence of existing redevelopment efforts. In New Orleans, flood protection should also be taken into account in choosing targeted zones.

At the same time, the City and NORA should energetically pursue a market-driven strategy to eliminate blight in well-functioning areas and in troubled areas where appropriate. Addressing blight in functioning areas

would improve the quality of life and increase the housing supply with a relatively modest investment of public resources.

**Total redevelopment projects have a tendency to “suck the oxygen out the room” and consume all available resources, at the expense of other blighted property redevelopment.**

Total redevelopment should take a backseat to the other strategies for now. As discussed above, the costs and time commitment required for total redevelopment are massive. Also, total redevelopment projects have a tendency to “suck the oxygen out the room” and consume all available resources, at the expense of other blighted property redevelopment

such as market-driven redevelopment of scattered sites. The City's blighted property programs will have a wider and much more immediate impact (with much less cost) by focusing on market-driven and limited target zone strategies.

## CONCLUSION AND RECOMMENDATIONS

New Orleans has struggled with blight for a long time, and Hurricane Katrina made the problem worse and more urgent. To address the problem effectively, local government must address a number of structural, legal and administrative challenges. These include fragmented programs, overly broad goals and the lack of a comprehensive strategy. In addition, as BGR will discuss in detail in Part II of this report, funding deficiencies and a host of technical and procedural problems have prevented successful redevelopment. These include poor property information, problems with property acquisition and disposition procedures, lack of property maintenance and a haphazard demolition process.

While these problems may seem daunting, solutions do exist. To implement them, many policymakers, including City officials, State lawmakers and NORA board and staff, will have to work together. If these policymakers roll up their sleeves and comprehensively address the issues, there is a good chance that the City's troubled course on blight can be reversed.

BGR recommends the following with respect to program structure, goals and strategies:

### Program Structure

- Blighted property programs in New Orleans should be consolidated, to the greatest extent possible, in NORA. Specifically:

- NORA should conduct all expropriations of blighted properties in New Orleans.
  - NORA should serve as the depository for all blighted properties, with responsibility for managing and eventually disposing of them.
- City government should retain responsibility for the administration of tax sales, code enforcement and involuntary demolitions.
- The State Legislature should amend NORA’s enabling legislation:
  - To require that NORA follow the City’s master land use plan and its comprehensive zoning ordinance
  - To provide for meaningful public participation in NORA’s property acquisition and disposition decisions
  - To establish strong conflict-of-interest rules for NORA’s board members and staff
- The City Council should amend the City ordinance governing the Office of Inspector General, and State lawmakers should amend NORA’s enabling legislation, to clearly give the Office of Inspector General oversight power over NORA.
- The City and NORA should jointly commit, through a cooperative endeavor agreement, to the allocation of responsibilities recommended in this report and to specific strategies, procedures and performance standards.
- To provide a means of enforcing NORA’s commitments, the City should retain a clearly defined right of reversion in properties it transfers to NORA.
- Facilitates private development
- Directs limited resources to viable areas with the greatest potential for impact in the near future
- Gives priority to blight remediation efforts in well-functioning areas and a limited number of carefully chosen target zones
- Relies on a market-driven approach in areas with sufficient development interest
- Acquires properties within chosen target areas for simultaneous redevelopment
- When identifying and prioritizing target zones, NORA and the City should use a public process with clear and limited criteria. Criteria should include proximity to well-functioning and up-and-coming areas, potential to encourage other development and the presence of existing redevelopment efforts.

## Goals and Strategies

- NORA and the City should focus their blighted property programs, to the extent possible, on the goals of blight remediation and good quality redevelopment of blighted areas. NORA and the City should avoid program requirements that interfere with effective accomplishment of these goals.
- NORA and the City should adopt a comprehensive, citywide set of strategies that:

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## END NOTES

- <sup>1</sup> Federal Emergency Management Agency and U.S. Department of Housing and Urban Development, *Current Housing Unit Damage Estimates, Hurricanes Katrina, Rita, and Wilma*, February 12, 2006, p. 23 (estimating that 78,810 housing units received “severe” damage from Hurricane Katrina and resulting flooding). Other sources of data reflecting the scope of the problem are as follows: Krupa, Michelle, “Doubt Next Door,” *The Times-Picayune*, August 26, 2007 (blight complaints were made on 17,112 separate properties between 2006 and July 2007); City of New Orleans, damage assessment data, December 18, 2007, [gisweb.cityofno.com/cnogis/dataportal.aspx](http://gisweb.cityofno.com/cnogis/dataportal.aspx) (post-Katrina damage estimates by municipal address indicate that 29,262 properties had damage of 50% or greater); U.S. Department of Housing and Urban Development and U.S. Postal Service, HUD Aggregated USPS Administrative Data on Address Vacancies, Third Quarter 2007 Data, [www.huduser.org/datasets/usps.html](http://www.huduser.org/datasets/usps.html) (indicating that 83,341 addresses in Orleans Parish were vacant or inactive). See also Guillet, Jaime, “New office boosts Blakely’s fight against blight,” *New Orleans CityBusiness*, December 17, 2007 (ORDA estimate of between 20,000 and 30,000 blighted properties).
- <sup>2</sup> Data from Orleans Parish Civil District Court indicates that NORA filed 113 expropriation suits in 2000, 234 suits in 2001, 268 suits in 2002, 212 suits in 2003, 162 suits in 2004, and 113 suits in 2005. Some, but not all, of those suits resulted in acquisition and redevelopment. The City sold or donated 121 tax adjudicated properties to developers between 2000 and Hurricane Katrina. Data received in response to a June 8, 2007, public records request.
- <sup>3</sup> BGR’s calculations indicate that 607 properties were sold or donated by the City and NORA between August 31, 2005, and January 18, 2008. These calculations are based on data received in response to a June 8, 2007, public records request to the City Attorney’s Office and on data from the Orleans Parish Registrar of Conveyances.
- <sup>4</sup> These letters were dated, respectively, December 3 and December 11, 2007, and are available at BGR’s web site, [www.bgr.org](http://www.bgr.org).
- <sup>5</sup> BGR interviewed staff from NORA and the following departments in New Orleans: City Attorney’s Office, Housing Department, Department of Finance, ORM and ORDA. BGR interviewed staff from the following programs and entities in other cities: Philadelphia Neighborhood Transformation Initiative; Pittsburgh Urban Redevelopment Authority; Cleveland Land Bank; Louisville Department of Housing and Community Development; Richmond Department of Community Development; Richmond Federal Reserve Bank; Genesee County Land Bank; Baltimore Department of Housing and Community Development; Homestead, Fla., Community Redevelopment Authority; Detroit Economic Growth Corporation; and Milwaukee Department of Neighborhood Services.
- <sup>6</sup> BGR interviewed experts from University of Michigan, University of Pennsylvania, Virginia Tech, Emory University, Johns Hopkins University, Wayne State University and Carnegie Mellon University.
- <sup>7</sup> These surveys included all properties west of the Industrial Canal owned by NORA as of May 2007 or expropriated by NORA in 2002 (NORA’s most active year between 2000 and 2005).
- <sup>8</sup> La. Const. art. I, § 4; La. R.S. 19:136 *et seq.*, La. R.S. 33:4720.59, and New Orleans, Louisiana, Ordinance No. 22,643 M.C.S. (May 3, 2007).
- <sup>9</sup> La. R.S. 47:2171 *et seq.* The purchaser’s title is subject to a right of redemption, allowing the original owner a period of time to reclaim the property by paying the back taxes, interest and costs.
- <sup>10</sup> La. R.S. 13:2575(C)(1), 2576.
- <sup>11</sup> La. Acts 1968, No. 170, §§2-3; La. R.S. 33:4720.52-53.
- <sup>12</sup> Data from Orleans Parish Civil District Court (indicating 113 actions in 2000; 234 in 2001; 268 in 2002; 212 in 2003; 162 in 2004; and 113 in 2005).
- <sup>13</sup> Cooperative Endeavor Agreement between the City of New Orleans and New Orleans Redevelopment Authority, Contract No. K06-594, December 2006, p. 3; minutes from NORA Board of Commissioners meeting, April 23, 2007.
- <sup>14</sup> Data received in response to a June 8, 2007, public records request to the City Attorney’s Office (total of 1,833 tax adjudicated properties awarded).
- <sup>15</sup> According to the City Attorney’s Office, as of December 2007 it had made only one attempt to conduct lien foreclosure, through a lawsuit filed in 1997. In that lawsuit, the Court found the City’s attempt procedurally deficient and gave the City a chance to correct those deficiencies. The City did not pursue the case to a conclusion. *City of New Orleans v. Teche Street, Inc.*, Case No. 97-12588 (La. Civil Dist. Ct., Div. “L,” October 20, 1997).
- <sup>16</sup> New Orleans, Louisiana, Code § 26-263 (2007).
- <sup>17</sup> New Orleans, Louisiana, Code § 26-166 (2007).
- <sup>18</sup> Past reports have recognized the confusion caused by fragmentation: National Vacant Properties Campaign, *New Orleans Technical Assessment and Assistance Project, Draft Report: Recommended Actions to Improve the Prevention, Acquisition, and Disposition of New Orleans’ Blighted, Abandoned, and Tax Adjudicated Properties*, October 2004, pp. 1, 5; Mayor Elect C. Ray Nagin Transition Team, *Blighted Housing Task Force Report*, May 2002, p. 22.

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## END NOTES CONTINUED

- <sup>19</sup> Mayor Elect C. Ray Nagin Transition Team, *op. cit.*, p. 23; National Vacant Properties Campaign, *op. cit.*, p. 4 (“There is a lack of coordination ... which contributes to developer confusion and a lack of effective targeting by the City.”); Mayor Elect Marc H. Morial Transition Team, April 1994, *Report to the Housing Task Force*, p. 5 (“Each organization is subject to unique political considerations and pressures which makes collaboration between any and all of them nearly impossible.”); National Vacant Properties Campaign, *Draft Report*, *op. cit.*, p. 4.
- <sup>20</sup> Mayor Elect C. Ray Nagin Transition Team, *op. cit.*, pp. 23, 26.
- <sup>21</sup> See, e.g., *NORA v. Ovide*, 871 So.2d 396, 398 (La. App. 4 Cir. 2004).
- <sup>22</sup> Mayor Elect C. Ray Nagin Transition Team, *op. cit.*, p. 25; National Vacant Properties Campaign, *New Orleans Technical Assessment and Assistance Report: Recommended Actions to Improve the Prevention, Acquisition, and Disposition of New Orleans’ Blighted, Abandoned, and Tax Adjudicated Properties*, February 2005, pp. 4-5, 9-11 (suggesting that functions could be consolidated into a new operating entity); Mayor Elect Marc H. Morial Transition Team, *op. cit.*, p. 7.
- <sup>23</sup> La. R.S. 42:4.1 *et seq.*
- <sup>24</sup> The section of the governing ordinance entitled “Authority” gives the Inspector General the authority to investigate departments of “city government.” Other sections of the ordinance gives the Inspector General certain powers (such as subpoena powers) over independent boards and commissions. New Orleans, Louisiana Code § 2-1120 (2007).
- <sup>25</sup> Louisiana law allows sellers to impose a right of reversion. La. C.C. arts. 2567-68; see also, e.g., *LeBlanc v. Romero*, 783 So.2d 419, 420 (La. App. 3 Cir. 2001). Applying this restriction to tax adjudicated properties may require changes in law.
- <sup>26</sup> The purchaser will need this waiver because the right of reversion is a cloud on the purchaser’s title.
- <sup>27</sup> See, e.g., City of New Orleans 2008 Budget, p. 61 (“The mission of [ORDA] is to design and successfully implement a plan for the recovery of the citizens of the City especially in targeted recovery areas....”); ORDA Target Area Development Plans, [www.nolarecovery.com/taplans.html](http://www.nolarecovery.com/taplans.html).
- <sup>28</sup> Cooperative Endeavor Agreements (K07-733 and K07-734) between City of New Orleans and NORA, December 2007.
- <sup>29</sup> La. R.S. 33:4720.53.
- <sup>30</sup> NORA, *New Orleans Redevelopment Authority: Restoring, Rebuilding, and Redeveloping an American City, A Fundraising and Investment Prospectus*, July 2007, pp. 8, 11; NORA, *Request for Qualifications for Participation in “Demonstration Village” Redevelopment Initiative Conducted by New Orleans Redevelopment Authority*, July 2007; Mayor C. Ray Nagin, Testimony Before U.S. House of Representatives Subcommittee On Housing And Community Opportunity, February 22, 2007 (City’s blighted property programs “will provide affordable workforce housing units built to community style.”).
- <sup>31</sup> NORA, *Request for Qualifications*, *op. cit.* §§ 4-5.
- <sup>32</sup> Louisiana Recovery Authority, Action Plan Amendment 14 (First Allocation) – Road Home Homeowner Compensation Plan, May 14, 2007, p. 11. See also HUD, Waivers Granted to and Alternate Requirements for the State of Louisiana’s CDBG Disaster Recovery Grant, 71 Fed. Reg. 34451, 34454 (June 14, 2006); HUD, Allocations and Common Application and Reporting Waivers Granted to and Alternate Requirements for the State of Louisiana’s CDBG Disaster Recovery Grant, 71 Fed. Reg. 7666, 7667 (February 13, 2006).
- <sup>33</sup> See, e.g., Galster, George, Peter Tatian and John Accordino, “Targeting Neighborhoods for Neighborhood Revitalization,” *Journal of the American Planning Association*, Autumn 2006.
- <sup>34</sup> Interviews with staff from Detroit Economic Growth Corporation, Philadelphia Neighborhood Transformation Initiative and Pittsburgh Redevelopment Authority.
- <sup>35</sup> Galster, *et al.*, *op. cit.*, p. 459 n. 9.
- <sup>36</sup> ORDA, Target Area Development Plans, [www.nolarecovery.com/taplans.html](http://www.nolarecovery.com/taplans.html). These documents also include plans in another area, the Federal City in Algiers, as well as a few citywide projects.
- <sup>37</sup> NORA, *Parish Redevelopment and Disposition Plan for Louisiana Land Trust Properties*, December 11, 2007, p. 5; Cooperative Endeavor Agreements (K07-733 and K07-734), *op. cit.* (indicating an additional zone surrounding the proposed Veterans Administration hospital).



**Bureau of Governmental Research**  
938 Lafayette St., Suite 200  
New Orleans, Louisiana 70113

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