Everything New Orleans

Condo market thrives without public aid

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Janet Howard

Anyone who follows the local news knows that the condo market in New Orleans is hot, hot, hot. In recent months, hundreds of apartments have been converted into condominiums. In addition, developers are adapting former office and commercial buildings into condominiums, and significant new construction is under way or on the drawing board.

The condominiums are fetching hefty prices, too. The University of New Orleans Real Estate Market Data Center reported in January that the average asking price for a condo in the Central Business District and the Warehouse District was $253 a square foot. The amount pales in comparison to the prices quoted for recently announced projects, with minimum prices that begin anywhere from $325 to $450 a square foot. The per-unit prices exceed $1 million in some cases.

CONTINUE STORY

Many of the proposed projects are quite large, exceeding 100 units. Developers of a proposed 50-story tower at Camp and Poydras streets estimate that it will cost between $120 million and $140 million. A number of other developments with estimated costs exceeding $40 million have been announced.

The New Orleans market is drawing out-of-town developers and purchasers attracted by prices far below those in Florida and other hot markets. The Plaza Tower conversion and the Camp and Poydras projects are among those proposed by out-of-state firms.

The condo market, in short, is booming in New Orleans.

The condo explosion is relatively recent, and its stability and long-term impact on the community have been the subject of some debate. Despite the uncertainties, it seems likely that condo development will contribute positively to New Orleans' property tax base -- unless, of course, the city negates the benefit through injudicious subsidies to developers. This is a possibility that needs to be faced head-on.

In recent weeks, the public learned that developers of two major condominium projects are counting on public subsidies for their developments. Before any specific project receives a green light, our elected officials should take a long, hard look at the broader issue of whether the public should be subsidizing upscale condominium development at all.

We live in a city where 28 percent of the population -- 40 percent of the children -- live in poverty. More than 62,000 families spend over 30 percent of their income on housing, which is often run-down and cramped. Given the poverty and huge unmet needs in the community, subsidizing condominiums and related amenities for well-to-do residents and second-homeowners appears to be a gross and inequitable misallocation of resources.

Not only is it inequitable. It's unnecessary.

The condominium market is thriving without subsidies. In fact, it's so heated that some analysts have expressed concerns about a bubble. The field should be left to those who can play the game with private money.

TIFs and PILOTs are not free money. They have real financial consequences for government finances and nonexempt taxpayers. Unless an area would not be developed without them, these tax breaks reduce government revenues and shift the tax burden to others.

The Bureau of Governmental Research estimates that the 2005 millage rate could have been 6.4 percent lower if properties benefiting from project-specific tax breaks had been on the rolls.

BGR has repeatedly urged the city to connect its expenditures, whether in the form of grants or tax abatements and diversions, to its priorities. Unfortunately, the city still has not taken the fundamental steps of prioritizing competing needs, defining areas of focus, and developing specific strategies. Until it does, it will be forever reacting to developer-driven requests for subsidies.

You can't blame developers for trying to take advantage of tax breaks. You can blame your elected officials if they don't protect the public purse.

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Janet R. Howard is president of the Bureau of Governmental Research. Her e-mail address is janethoward@bgr.org.