



NEW ORLEANS

SMART HOUSING MIX STUDY

DECEMBER 2016



GROUNDED
SOLUTIONS
NETWORK

Sponsored By: HousingNOLA
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EXECUTIVE SUMMARY

In April 2016, HousingNOLA and the Greater New Orleans Housing Alliance (GNOHA) engaged Grounded Solutions Network to research and facilitate a discussion on whether an inclusionary housing policy could work in New Orleans and, if so, how to tailor such a policy to fit the city's unique needs and housing market.

This recommendations report is the final deliverable for that engagement. It is also the result of a collective effort of dozens of experts and policymakers who provided insight and feedback over the course of an eight-month process. We thank all who contributed their time and expertise.

Financial Feasibility Exercise

Grounded Solutions Network subcontracted with the consulting firm AECOM to conduct a financial feasibility exercise to test the potential financial impacts on prototypical housing developments of adopting a Smart Housing Mix policy. This exercise included:

- Interviewing developers and real estate experts in New Orleans
- Collecting market data from published sources about recent for-sale and rental projects
- Collecting financial market and cost data for residential projects from local developers and real estate experts
- Creating four development prototypes representing the New Orleans market
- Using model proformas to test the viability of applying Smart Housing Mix requirements to new residential projects in New Orleans under different market and financial scenarios

The financial feasibility exercise results indicate that typical developments, including adaptive-reuse projects, new rental development and new condominium development, would remain financially feasible under the Smart Housing Mix Policy as recommended.

The financial feasibility findings also indicate that local subsidy, in the form of RTA or PILOT tax abatements would, in many cases, be necessary to offset program costs. Local developers, who would receive zoning benefits such as by-right density and parking reductions under the proposed policy, would also need to receive one of these two forms of tax abatements. Establishing tax abatement levels that are both fair to developers and economical for the City will require additional analysis.

Policy Design

While conducting the financial feasibility research and modeling, HousingNOLA convened a stakeholder group of experts, government staff and elected officials to work with Grounded Solutions on designing a Smart Housing Mix policy. Grounded Solutions facilitated conversations and contributed information about national trends and best practices. After seven two-hour meetings, the Smart Housing Mix Tiger Team finalized their recommendations:

- Require new development, adaptive reuse projects, and substantial rehabilitation projects to include 12% of their housing units as affordable.
- Allow individuals and families earning 60% of AMI or below to qualify for affordable rental units.
- Allow individuals and families earning 80% of AMI or below to qualify for affordable ownership units.
- Price units to be affordable to families at 50% AMI in rental buildings and 70% AMI in for-sale developments.
- Make units indistinguishable from the exterior and comparable in size. Prevent clustering or separate doors.
- Bedroom mix of affordable units should reflect the overall building mix.
- The program should be mandatory in central and transit-oriented development (TOD) neighborhoods, voluntary elsewhere.
- Base boundaries of the mandatory area upon housing market indicators, transit and zoning maps.
- Exempt very small developments (one - four units), offer medium-sized developments (five - nine units) a modest in-lieu fee payment option, and require participation from new and substantial rehabilitation projects of 10 units and above.
- Incentivize on-site development but provide maximum flexibility by allowing developers to pay a fee, build offsite, preserve a building or dedicate land as alternatives.
- Offer a standard, unified package of incentives to accompany Smart Housing Mix requirements. The unified incentive package should include:
 - Density bonuses
 - Parking reductions
 - Development by-right as a method for speed and predictability in granting development approvals
 - A standard, RTA or PILOT offering for rental developments with the amount set by a simple formula rather than negotiation
- Amend the Restoration Tax Abatement (RTA) to link to affordability expectations and recalibrate the RTA levels to match current market conditions.
- Offer a standard Payments In Lieu of Taxes (PILOT) agreement to all new construction rental developments.
- Require 99-year terms of affordability.
- Hire staff in the City Planning Commission and Office of Community Development to oversee program administration.

INTRODUCTION

Project History

In 2015, New Orleans City Planning Commission (CPC) contacted Grounded Solutions Network to review and provide feedback on the City's proposed Comprehensive Zoning Ordinance (CZO), which offered density bonus incentives in exchange for affordable housing units. We provided suggestions to strengthen the code, while acknowledging that a voluntary density bonus policy as it was proposed would unlikely induce mixed-income housing development.

Subsequently, the New Orleans Office of Community Development (OCD) invited Grounded Solutions to support the HousingNOLA process as an outside expert with a national perspective. After playing a limited advisory role in the development of the *HousingNOLA 10 Year Implementation Plan and Strategy*, we were engaged to facilitate the next steps on one particular policy tool that had been identified in the HousingNOLA process. This tool – inclusionary housing – was a subject of interest from the CPC as a way to strengthen the density bonus provisions passed in the CZO. It also received attention as a potential policy tool by several councilmembers, the Mayor's Office and affordable housing advocates.

Inclusionary Housing Overview

Inclusionary housing programs are local policies that tap the economic gains from rising real estate values to create affordable housing for lower income families. As housing prices rise, developers and land owners are able to make greater profit for building commercial and residential developments. Inclusionary policies seek to “capture” a portion of the higher value by requiring that developers include affordable housing in developments that otherwise would not include it. In its simplest form, an inclusionary housing program might require developers to sell or rent 10 - 30% of new residential units to lower-income residents.

Inclusionary housing policies have been adopted in more states and places than commonly thought. A nationwide scan identified 507 inclusionary housing programs in 482 local jurisdictions. Since inclusionary programs are tools for sharing the benefits of rising real estate values, as a result, they are generally found in communities where prices are actually rising. In many parts of the United States, land prices are already very low, and rents and sales prices often would be too low to support affordable housing requirements even if the land were free. In these environments, policies that impose net costs on developers are unlikely to succeed (though some communities nonetheless require affordable housing in exchange for public subsidies).

Inclusionary housing policies were first developed to specifically counteract a history of 'exclusionary zoning' policies that reinforced economic and racial segregation. A wealth of recent research has convincingly demonstrated that concentrated poverty is a cause of many of our worst social problems and is especially damaging to children. Inclusionary housing is one of the only affordable housing strategies that has been successful in creating sustainable mixed-income communities.

In addition to creating mixed-income communities, inclusionary housing policies increase the total number of reasonably-priced housing units available for rent and for sale. In recent decades, most new housing has been luxury housing. We are under-building housing for lower- and middle-income households. Inclusionary housing helps in two distinct ways. First, it creates a new source of financing for affordable housing, and second, it offers capacity to get homes built. Inclusionary housing policies also create affordability beyond what can be achieved through existing/traditional federal/state/local subsidies, because they do not rely on traditional affordable housing production programs like HOME, CDBG, or LIHTC. Where other affordable housing strategies generally rely on government or nonprofit agencies to build new homes, inclusionary programs typically rely on private developers to build affordable homes. In many communities, this can mean affordable homes are built more quickly.

Smart Housing Mix Study Process

In April 2016, HousingNOLA and the Greater New Orleans Housing Alliance (GNOHA) engaged Grounded Solutions Network to research and facilitate a discussion on whether inclusionary housing would work in New Orleans and how to tailor an inclusionary housing policy to fit the city's unique needs and housing market.

Grounded Solutions Network began by reviewing existing documents and local data identifying neighborhood conditions, affordable housing policies and zoning requirements.

In May 2016, we conducted our first of two visits to New Orleans, which included a public presentation and Q&A about inclusionary housing policies, interviews with local developers, and the first convening of the Smart Housing Mix Tiger Team.

Grounded Solutions Network partnered with the economics consulting firm AECOM to conduct a financial feasibility modeling exercise¹ investigating if an inclusionary housing or Smart Housing Mix policy could work in the New Orleans market, and if so, what incentives would ensure robust and unhindered market-rate development.

While AECOM built the development prototypes and tested financial feasibility, Grounded Solutions Network facilitated seven conversations of the Smart Housing Mix Tiger Team to create a framework for a rational, place-specific policy for New Orleans.

In October 2016, Grounded Solutions Network visited New Orleans to discuss the Smart Housing Mix Tiger Team's recommendations with City Council members and the City Planning Commission. HousingNOLA Executive Committee members and staff also met with the Mayor's Office to gather their input as well.

During these visits, we explained the rationale for each element of the proposed program and solicited feedback, which was generally positive. Conversations contributed helpful information about how to implement the program. The City Planning Commission staff, in particular, discussed how the City might amend the current density bonus policies and elements of the Comprehensive Zoning Ordinance to align with the proposed Smart Housing Mix Policy. Their inputs, as well as results from the Street Level Advisors evaluation of the density bonus policy, are incorporated into this report.

The following report is the result of a collective effort of dozens of experts and policymakers who provided insight and feedback over the course of an eight-month process.

¹This exercise was not intended to substitute for a professional feasibility study, and results, available in Appendix C, are not intended to predict financial feasibility to the level of precision needed to dictate details of a policy, but rather, to determine with a reasonable level of confidence, whether some form of mandatory inclusionary housing policy might be viable in the New Orleans market. Later in this memo we make recommendations on how the City might build upon the Grounded Solution's models to come to the level of detail required for making policy decisions. In particular, additional research will be required to determine the precise level of tax reduction that should be offered to developers through a PILOT agreement under the Smart Housing Mix Program.

FINANCIAL FEASIBILITY

Financial Feasibility Exercise Process

Robust financial feasibility studies are a valuable tool for jurisdictions that are considering an inclusionary housing program. These studies provide objective data on project feasibility from a neutral outside party. However, because these studies require a great deal of research, modeling, sensitivity testing and refinement, they can be quite costly and time-consuming.

At the start of this project, there were insufficient resources and time to conduct a traditional financial feasibility study for New Orleans. Instead, Grounded Solutions contracted with AECOM, an internationally recognized consulting firm, to conduct an abbreviated “ballpark” analysis.

Based on input from interviews with developers (see Appendix A) and on data from the City Planning Commission, AECOM identified a set of prototypical development templates that reflect the most common development types currently being built in New Orleans. The development prototypes included:

- Low-rise rehab/reuse rental – 41 units, three-four stories, wood frame and masonry construction
- High-rise rehab/reuse rental – 190 units, 20+ stories, steel-frame construction
- Midrise new construction rental – 300 units, five-eight stories, concrete block
- Low-rise condo development—10 units, three stories, wood construction and covered parking

AECOM developed a financial model to evaluate the financial feasibility of each prototype. To do so, they collected detailed data about development costs and revenues from the following sources:

- Proformas and Industrial Development Board reports provided by local developers
- University of New Orleans Institute for Economic Development and Real Estate Research
- NAI/Latter & Blum Multifamily Division
- CoStar Multifamily housing comparable reports for New Orleans
- RS Means Square Foot Cost Data
- Primary market research conducted by AECOM

Due to widely varying economic conditions across projects and locations, AECOM’s prototype models realistically reflect actual projects being built in the market, but they are not necessarily “average.” Many real projects will differ from these prototypes in terms of cost, rents, unit configuration and many other factors. The prototypes allow for an evaluation of the impact of potential affordable housing requirements and incentives on several realistic projects, but they are not intended to represent the impact on all actual or potential projects.

Local developers were interviewed to further inform AECOM’s initial prototype models, also called model proformas or development prototypes. The goal of additional interviews and primary research was to ensure that the assumptions about development costs, rents and sales prices reflect current realities in New Orleans. AECOM received thoughtful feedback and made a number of changes to the prototypes to more closely reflect current typical projects in New Orleans.

Summary of Developer Interviews

Project Economics

- Market-rate rents and project feasibility vary considerably from one neighborhood to the next. Uptown, the Warehouse District and the Central Business District are currently seeing the highest rental rates. In many areas of town, the rental rates are too low to attract investor capital.
- Construction costs are quite high. Much of the buildable land is on brownfield sites that suffered contamination from Katrina. Pilings and buildings need to endure flooding. Land acquisition costs and insurance costs are additional factors.
- Developments that do not receive some form of public support typically serve high-income earners renting at the upper-end of the market.
- Small, local developers that focus on single-family home construction or small (two – four units) apartment buildings might operate with slimmer profits than larger development companies.
- Adaptive reuse of existing structures into housing has, for many years, been one of the most feasible ways to develop new housing. The best of these buildings have already been repurposed, and today there are fewer adaptive reuse opportunities available. However, churches, schools and small- to medium-sized apartment buildings remain available for adaptive reuse or substantial rehabilitation.

Barriers to Development

- Neighborhood opposition often poses a barrier to exceeding the by-right height limits, for instance, building five stories rather than four stories. In general, opposition to multi-family construction and higher density housing is prevalent.
- The current process for receiving planning and building permits requires approvals from multiple departments and multiple levels of government. The process can be lengthy, opaque and unpredictable. There are often additional delays for approvals in places with heightened review requirements to preserve historic neighborhoods and in areas where conditional use permits are required (those areas where multi-family construction is not allowable by right).
- Parking requirements in some areas of town – particularly areas well served by transit – increase the cost of development.

Developer Benefits

- Most development in New Orleans since Hurricane Katrina has benefited from some form of government support – either direct subsidy or tax abatement programs. Utilized programs include the Community Development Block Grant Program (CDBG), the HOME Investment Partnerships Program (HOME), the New Markets Tax Credit Program (NMTC), Historic Tax Credit Programs, Low Income Housing Tax Credits (LIHTC), Restoration Tax Abatement Program (RTA), and Payments In lieu of Taxes (PILOTs). A significant amount of this support was one-time disaster recovery funding for Hurricanes Katrina and Rita that has been expended, and many of the recurring sources of funding are diminishing.
- The increased density that is available through current density bonus policies helps to improve project feasibility in areas of town where limitations in floor area ratios or minimum lot sizes constrain the range of allowable buildings. However, other zoning constraints, such as setback requirements and height limits can also be limiting factors that reduce the effectiveness of density bonus incentives.
- Density bonuses provide additional revenue to developers in many scenarios; however, in some cases other incentives may be needed to ensure project feasibility.
- Working with the Industrial Development Board to receive a PILOT agreement is a time-consuming and unpredictable process. Applying for a Restoration Tax Abatement is a much clearer and more predictable process.

FEASIBILITY FINDINGS

The real estate development industry uses several different metrics to gauge the financial feasibility of potential projects. No one measure is appropriate for all purposes. In order to compare different prototypes and potential policy alternatives, we measure project profitability as a percentage of total development costs, a straightforward and clear metric which allows for an easy comparison of return on investment across project types.

For the for-sale prototype, we compare the total revenue from unit sales (after expenses) to the total cost of development. This total profit divided by the cost of development provides a simple measure to compare the profitability across different projects. All other things being equal, a project where the projected profit is a high percentage of the development cost will be more attractive to developers.

Developers in different parts of the country require different rates of return on investment (ROI) depending on local real estate market conditions and based on perceptions of risk. Looking at ROI terms of profit as a percentage of total development costs, most developers nationally require an ROI of anywhere from 10 - 20%. This target ROI varies by region, marketplace, developer and investor. New Orleans developers and real estate industry stakeholders contacted for this effort reported that developers would likely need to achieve at least an ROI of 15% in order to pursue a new market-rate residential project. Stated differently, 15% is a typical local "hurdle rate", or minimum threshold requirement for profitability. For the financial feasibility exercise, we assume that projects where the profit is at least 15% of total development cost will be feasible in New Orleans. (AECOM Sustainable Economics, 2016)

For the rental prototype, we estimate net operating revenue at stabilized occupancy and divide that figure by an exit capitalization rate of 5.75 to calculate the total project value. Estimated profit is the result of subtracting total development costs from the total project value. The estimated profit is then divided by total development costs for the metric of profit as a percentage of development costs. For rental projects in New Orleans, we assume that projects where the profit is at least 15% of the development cost will be feasible.

In order to evaluate the impact of potential Smart Housing Mix Policy options, we first must establish a baseline understanding of the current financial feasibility of market-rate development with no affordable housing units.

New Orleans has a relatively strong housing market, evidenced by the strong demand for new multi-family residential development. Housing prices are rising rapidly and our development prototypes, at baseline, without any affordable housing requirements or special developer benefits, were all feasible. The new construction rental project we modeled was the least profitable, at 15.1% profitability. A summary of the baseline assumptions and returns is below.

Table 1: Baseline Assumptions and Returns

1. Baseline Assumptions and Returns by Product Type				
	Rental			For-Sale
	Prototype #1 <i>Conversion/ Reuse</i>	Prototype #2 <i>Conversion/ Reuse</i>	Prototype #3 <i>New Construction</i>	Prototype #4 <i>New Condominium</i>
# Units	41	190	300	10
Baseline Density (DU/Acre)	41	190	75	14
Parking Spaces	0	190	300	10.0
Avg. Unit Size	917	1,000	883	1,250
Average Rent/ Sale Price	\$1,852	\$2,004	\$2,040	\$450,000
Average Rent/ Sale Price/Sq. Ft.	\$2.02	\$2.00	\$2.31	\$360
Hard Costs/Sq. Ft.	(\$148)	(\$165)	(\$170)	(\$175)
Total Development Costs/Unit	(\$210,200)	(\$230,800)	(\$246,000)	(\$353,800)
Exit Capitalization Rate	5.75%	5.75%	5.75%	NA
Profit (% of Total Dev. Costs)	22.2%	19.4%	15.1%	20.8%
Value Capture Opportunity	\$624,536	\$1,935,716	\$61,608	\$205,776

Next, AECOM and Grounded Solutions created a number of scenarios to test whether affordable housing requirements would be feasible for projects like our prototypes. The below summary shows outcomes of our final round of modeling, under which developers would be required to provide 12% affordable units and would receive a number of benefits in return. According to our financial feasibility modeling exercise, all development types would remain financially feasible under the Smart Housing Mix Program as recommended. However, additional analysis will be necessary to finalize the level of tax abatement that should be offered through PILOT agreements. More discussion of this point is in the incentives section of this report.

The complete proforma models are shown in Appendix C.

Table 2: Returns with Affordable Housing and Incentives

2. Returns with Affordable Housing and Incentives				
	Rental (60% AMI)			For-Sale (80% AMI)
	Prototype #1	Prototype #2	Prototype #3	Prototype #4
	<i>Conversion/ Reuse</i>	<i>Conversion/ Reuse</i>	<i>New Construction</i>	<i>Condominium Wood Frame</i>
# Units	41	190	390	13
Baseline Density (DU/Acre)	41	190	75	14
Parking Spaces	0	190	390	13
Avg. Unit Size	917	1,000	883	1,200
Average Rent/ Sale Price	\$1,852	\$2,004	\$2,040	\$450,000
Average Rent/ Sale Price/ Sq. Ft.	\$2.02	\$2.00	\$2.31	\$375.0
Hard Costs/ Sq. Ft.	(\$148)	(\$165)	(\$170)	(\$175)
Total Development Costs/Unit	(\$194,200)	(\$226,700)	(\$235,100)	(\$286,600)
Exit Capitalization Rate	5.75%	5.75%	5.75%	NA
% Affordable	12.0%	12.0%	12.0%	12.0%
Profit (% of Total Dev. Costs)	16.9%	15.7%	15.0%	16.6%
Value Capture Opportunity	\$154,315	\$314,742	\$0	\$60,852
Density Bonus	30%	30%	30%	30%
Reduced Time for Approvals	6 months	6 months	6 months	6 months
Annual Tax Abatement (10 yrs)	\$28,188	\$130,625	\$559,565	N/A
Parking Reduction	Not Included	Not Included	Not Included	Not Included

SMART HOUSING MIX TIGER TEAM RECOMMENDATIONS

Target Percentage Set-Aside

 **Recommendation:** Require new development, adaptive reuse projects, and substantial rehabilitation projects to include 12% of their housing units as affordable.

Inclusionary housing programs in the U.S. typically require market-rate developers to set aside a specified portion of the units or square footage to serve as affordable housing. In most programs, the percentage set-aside falls between 10% and 20%, although there are notable exceptions with requirements as high as 30% or as low as 5%. Programs located in strong housing markets and those that offer significant developer incentives are more likely to have high percentage set-aside requirements.

Some programs base the percentage set-aside requirements on local housing needs and goals. However, it is increasingly common to calibrate the set-aside to maximize production of affordable housing, while ensuring market-rate development remains financially feasible. Market data on housing development costs and revenues, as well as input from local developers, typically are the basis for determining what will be possible without hindering development activity.

The Smart Housing Mix Tiger Team used the AECOM financial feasibility exercise to explore a variety of percentage set-aside options for the City of New Orleans. Team members expressed that the urgency and scale of affordable housing needs in New Orleans warranted a set-aside requirement above 10%, even if this would require the City to invest public resources into the program.

THE URGENCY OF AFFORDABLE HOUSING

According to the Mayor's Housing for a Resilient New Orleans Plan, the average annual income of local service workers is \$23,000, while the annual income needed to afford rent in the city is \$38,000. As a result of this imbalance between housing costs and wages, 37% of households pay half or more of their income on housing².

To maximize production, while minimizing expenditure of public dollars, the Smart Housing Mix Tiger Team recommended a 12% set-aside requirement. Thus, 12% of the total units, *after any density bonuses are applied*, would be rented or sold at a reduced price to qualifying households. Based on our models, this requirement will likely require financial incentives to be paired with affordability requirements.

Following typical program guidelines, developers will round to the nearest whole unit. For example, a 45-unit building would be required to include five affordable units (not 5.4 units) and a 48-unit building would be required to provide six affordable units (not 5.76 units).

Max Allowable Income (Rental)

 **Recommendation:** Allow individuals and families earning 60% of AMI or below to qualify for affordable rental units.

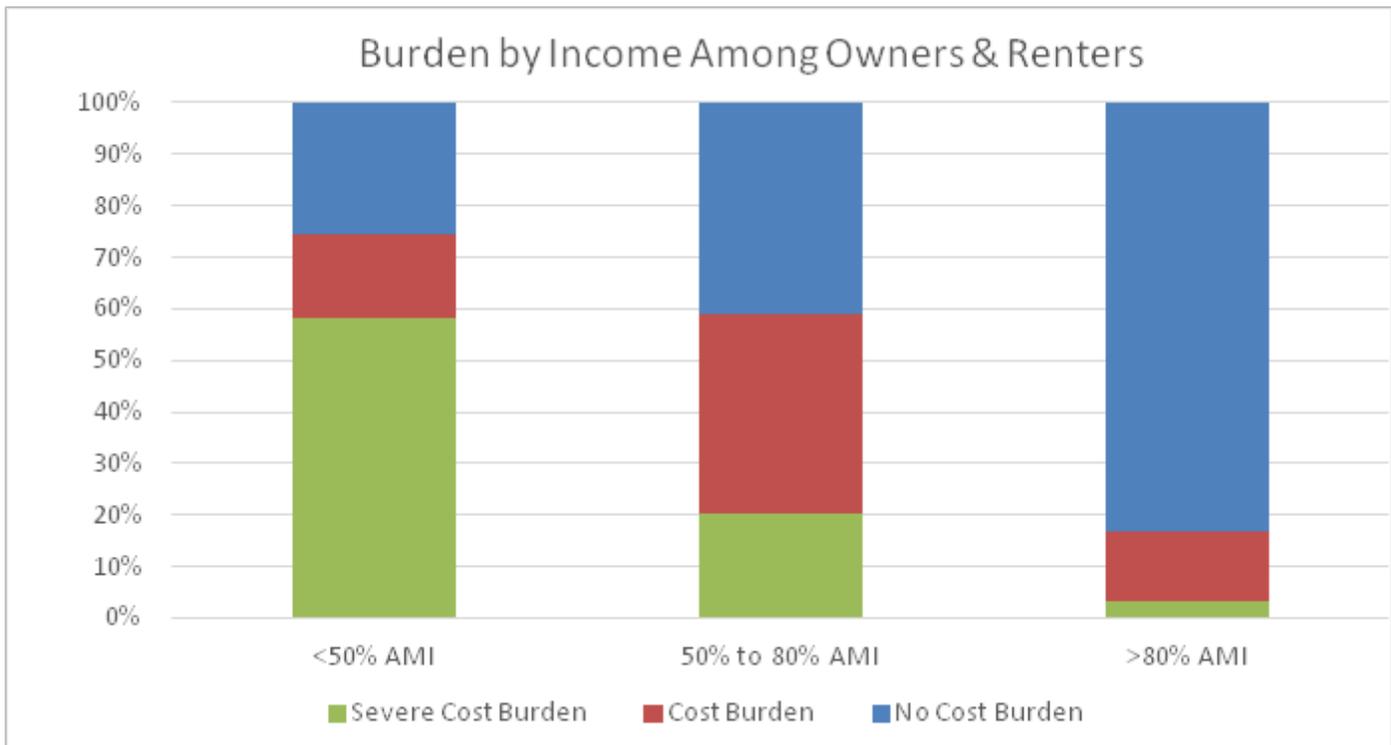
Affordability levels in inclusionary housing programs are typically based upon housing needs – both current and future.

Housing in certain New Orleans neighborhoods is becoming unaffordable for even middle-income earners. However, citywide, there is a stock of relatively inexpensive homes and apartments when compared to typical “hot-market” places like New York or San Francisco.

At this point, renters and prospective homebuyers earning over 80% of median income are often able to find suitable housing within their price range (Table 3). Of course, this does not mean they are able to find a perfect home in their desired neighborhood, which raises concerns about the city becoming increasingly segregated by income. Nonetheless, HUD data show that households in the moderate income bracket often find affordable options.

² 10 Year Strategy and Implementation Plan for a More Equitable New Orleans, (New Orleans: HousingNOLA, 2015), 16.

Table 3: Housing Cost Burden in New Orleans



Definitions: Cost burdened households pay 30–50% of income on housing. Severely cost burdened households pay at least 50% of income on housing. Source: 2009–2013 American Community Survey 5-year estimates, US Census Bureau.

About three quarters of households earning 80% AMI or more are able to find housing they can afford. In contrast, only one quarter of households below 50% AMI find homeownership opportunities or rentals within their price range, even when looking in less desirable neighborhoods and lower quality buildings. As a result, the remaining three quarters of very low income families, about 29,000 households, are cost burdened or severely cost burdened by their housing expenses.

While affordable housing units should serve the population in need, deeply affordable units also have a higher opportunity cost for developers. A unit that is affordable to a family earning \$30,000 a year must be priced significantly lower than a unit affordable to a family earning \$60,000 a year. Developers experience a higher “cost” in the form of forgone revenue for providing a deeply affordable Smart Housing unit. To respect developers’ profit requirements, while also achieving a 12% set-aside, the Smart Housing Mix Tiger Team recommended a maximum allowable income for rental units at 60% of area median income (AMI).



Recommendation: Allow individuals and families earning 80% of AMI or below to qualify for affordable ownership units.

Research continues to demonstrate that home ownership provides both social and financial benefits, if buyers are able to afford their mortgages and keep their homes. For lower income families in New Orleans, this is a big “if”. Between 2000 and 2013, the percentage of homes valued below \$100,000 declined by more than two-thirds, while the percentage of homes valued over \$300,000 more than tripled. Furthermore, most of the programs that once served low and moderate income families have exhausted their resources and are no longer accepting applications³.

To meet the city’s housing demand between 2015 and 2025, New Orleans developers need to build 5,628 homes for households earning below 80% of median income (Table 4). The Smart Housing Mix program would help fill the gap.

³ 10 Year Strategy and Implementation Plan for a More Equitable New Orleans, HousingNOLA, 2015.

Table 4: Estimated Owner-Occupied Demand by Income group

Owner	<50% AMI	50%-80% AMI	80%-100% AMI	Over 100% AMI	Total
2015-2025	3,300	2,328	4,838	6,455	16,921

Source: 10 Year Strategy and Implementation Plan for a More Equitable New Orleans; HousingNOLA, 2015.

Table 5: Estimated Renter-Occupied Demand by Income group

Renter	<30% AMI	30%-50% AMI	50%-80% AMI	80%-100% AMI	Over 100% AMI	Total
2015-2025	5,201	2,861	2,890	1,248	4,472	16,672

Source: 10 Year Strategy and Implementation Plan for a More Equitable New Orleans; HousingNOLA, 2015.

The Tiger Team recommends that the maximum allowable income for homeownership opportunities be set at 80% of AMI because:

- Families earning less than 80% AMI can rarely find a home they can afford in the open market.
- There is little production to meet the growing demand for homeownership amongst low-income households.
- The price difference between Smart Housing units and market rate units should help ensure a sizeable pool of interested buyers. If they choose to sell, owners will be required to sell to other low-income buyers. Moderate income buyers who have more homeownership choices in the City may be less likely to opt into a program with resale restrictions.
- The AECOM analysis confirmed that a 12% set-aside at this affordability level will be financially sustainable for typical local developers.

Pricing

 **Recommendation:** Price units to be affordable, according to HUD guidelines, to families at 50% AMI for rental buildings and 70% AMI in for-sale developments.

To align with best practices, the pricing for the Smart Housing units should be set to be affordable at 10% below the maximum allowable income. Thus, a rental unit would be priced to cost 30% of income for a family of four earning 50% AMI (rather than 60% AMI), or \$700 per month. There are two reasons to create a buffer between the maximum allowable price and the maximum allowable income:

1. *Ensures an adequate pool of qualified renters and buyers:* If pricing is set to be affordable to families at 60% AMI, then the pool of local households who can both afford the unit and meet income qualifications would be quite small. This can result in a challenge filling the affordable units. A 10% buffer helps ensure a larger pool of qualified applicants.
2. *Plans for homeowner association dues:* HOA dues can rise unpredictably, and in extreme circumstances, force low-income homeowners to sell or to face foreclosure. Initial pricing should consider these potential increases in HOA dues.

Affordable pricing is typically defined as 30% of income on all housing costs, which include utilities, insurance, taxes and initial HOA dues. Programs differ on whether developers may charge something additional for parking spaces. Rules for pricing should be addressed in program guidelines.

Unit Quality and Location

 **Recommendation:** Make units indistinguishable from the exterior and comparable in size. Prevent clustering or separate doors.

Inclusionary housing programs must define minimum quality standards for the affordable units, as well as determine whether affordable units can be clustered in one part of the building or scattered evenly throughout the development.

Choices about unit location and mix have trade-offs. Requirements for units to be identical and distributed evenly throughout the building, which are not unusual in inclusionary programs, increase developers' costs for providing each affordable unit. For instance, top-floor units in a luxury building are highly desirable, so renting these units at an affordable rate, compared to the rate they would demand on an open market, could significantly reduce profit. Alternately, programs without any location and quality requirements have encountered problems with developers who created sub-standard dwellings or units that were noticeably different and divided from the rest.

To balance cost considerations with the goal of providing high-quality housing in a harmonious, mixed-income environment, the Smart Housing Mix Tiger Team decided to follow the City’s current density bonus policy guidelines. Units cannot be clustered together or have a separate entrance, they must be indistinguishable from the exterior, comparable in size, and have access to the same amenities as market-rate residents. However, Smart Housing units do not need to be scattered evenly, which allows developers to reserve top floor units, for example, for market-rate sales or rental. Interior finishes or appliances may be different from the market-rate units so long as quality, functionality and longevity are retained.

Bedroom Mix



Recommendation: Bedroom mix of affordable units should reflect the overall building mix.

Most inclusionary housing programs require the bedroom mix for the affordable units to mirror the proportion of studios, one-bedroom units, two-bedroom units, etc. in the market-rate portion of the building. This strategy helps ensure that not all of the affordable units are studios, which are usually least expensive to build. Some programs require a specific percentage of two-bedroom and three-bedroom units because they want to target families for the affordable units.

Based on the affordability needs in New Orleans, which reflect similar demand for units across incomes (Tables 6 and 7), the Smart Housing Mix Tiger Team opted for affordable units to reflect the bedroom mix of market-rate units in the development. For example, a 100-unit building that has 40 studio units, 40 one-bedroom units, and 20 two-bedroom units would be required to provide 12 total affordable units (five studio units, five one-bedroom units, and two two-bedroom units.)

Tables 6 and 7: Rental and Ownership Housing Demand by Unit Size and Area Median Income

Housing Demand	Percentage	Total
New Rental Units Needed- 5 Year		
Units Needed by Income:		
<30% AMI		
1 BR	49%	140
2 BR	31%	88
3+ BR	20%	58
30%-50% AMI		
1 BR	45%	128
2 BR	34%	98
3+ BR	21%	60
50%-80% AMI		
1 BR	47%	136
2 BR	33%	96
3+ BR	22%	57
80%-100% AMI		
1 BR	45%	57
2 BR	33%	41
3+ BR	22%	27
Over 100% AMI		
1 BR	51%	63
2BR	33%	41
3+ BR	17%	21

Housing Demand	Percentage	Total
New Ownership Units Needed- 5 Year		
Units Needed by Income:		
<50% AMI		
1 BR	23%	381
2 BR	52%	171
3+ BR	25%	83
50%-80% AMI		
1 BR	21%	49
2 BR	44%	103
3+ BR	35%	81
80%-100% AMI		
1 BR	18%	200
2 BR	40%	455
3+ BR	42%	474
Over 100% AMI		
1 BR	19%	214
2 BR	41%	459
3+ BR	40%	456

Source: Housing Demand Model, 10 Year Strategy and Implementation Plan for a More Equitable New Orleans; HousingNOLA, 2015.

Mandatory/Voluntary



Recommendation: The program should be mandatory in central and transit-oriented development (TOD) neighborhoods, voluntary elsewhere.

Inclusionary housing programs may be voluntary or mandatory, and they may be citywide or targeted to specific areas of town. New Orleans currently has a density bonus policy that is equivalent to a voluntary, geographically specific inclusionary housing program. In areas of town that are zoned for multi-family housing, developers may elect to receive a density bonus in exchange for providing a portion of their units as affordable. A recent evaluation of the density bonus policy by Street Level Advisors found that, in most cases, the value offered by density bonuses fails to offset the cost of providing on-site affordable housing at the income levels required by the City's current program. For this reason, market-rate developers are unlikely to opt in to the program, and to date, only one market-rate developer has participated.

Voluntary vs Mandatory Programs

Among the more than 500 inclusionary housing policies identified by Grounded Solutions Network, more than 80% are structured as mandatory requirements and most apply to all residential development throughout a jurisdiction. A smaller number of policies are structured as voluntary programs, which allow developers to choose to provide affordable housing in exchange for certain incentives. These programs commonly offer planning incentives, such as density bonuses or reduced parking requirements, and/or financial incentives, such as tax abatements or Tax Increment Financing (TIF).

The distinction between voluntary and mandatory programs is not as clear as it sometimes seems. Nearly all of the mandatory programs offered many of the same incentives as the voluntary programs to help offset the cost of providing the mandated affordable housing. Additionally, some of the voluntary programs deny zoning variances or other common incentives to developments that do not "voluntarily" provide affordable housing.

The challenge facing New Orleans' density bonus policy is a typical one for voluntary inclusionary programs. Nationally, voluntary policies are less productive because City government can rarely provide sufficient financial incentives to make participation attractive. The Smart Housing Mix Tiger Team recommends a mandatory program that includes by-right developer incentives as well as predictable requirements that developers can count on without negotiation.

Table 8: Example Affordability Requirements

Jurisdiction	Requirement	Applies to
Chapel Hill NC	Mandatory 15% of for sale units set aside at 80% of median income	Developments of five or more units
Irvine CA	Mandatory 15% of units set aside at 60% of median income	Developments with 50 or more units
Portland	Currently considering a proposal to require 20% of units at 80% of median income	All multi-family development with 20 units or more
Washington DC	Mandatory 8-10% at 80% of median income	Projects with 10 or more units in certain higher density zones in the city
Chicago	Mandatory 10% at 60% of median income	Projects with 10 or more units that receive zoning changes or public land
Santa Fe NM	Mandatory 15% at 80% of median income for rental and 20% at 100% of median income for ownership	All projects above two units, projects below 11 units pay a fee instead of providing units

Geographic Targeting



Recommendation: Base boundaries of the mandatory area upon housing market indicators, transit and zoning maps.

Inclusionary housing programs work best in healthy housing markets where prices are rising. They do not work in neighborhoods with low-priced rentals and for-sale units, because these areas don't attract developers and real estate investors. A policy requiring 12% of each new building to be affordable, in a place where there are no new market-rate developments, will yield no new units. Furthermore, the cost of providing inclusionary units could deter new housing investments in fragile or high-risk markets. The Smart Housing Mix Tiger Team recommends that New Orleans implements a market-responsive, geographically targeted program.

For simplicity, the program would divide the City into two zones. The boundary would be reassessed once every three to five years. In setting the

reassessment period, the City will need to balance several considerations. Revising the boundary frequently will allow the policy to respond to rapidly changing neighborhood conditions. However, revising the boundary is also time-consuming for City staff and every time the boundary is re-assessed, developers planning a new development face unpredictable expectations.

In corridors ripe for transit-oriented development (TOD), and in strong-and promising-market neighborhoods, Smart Housing will be mandatory. In low-rent neighborhoods with weaker real estate markets, further from the urban core, participation in the program will be voluntary and subject to approval from the Office of Community Development. Requiring OCD approval will ensure that affordable and mixed income developments in conflict with City goals for economic integration would not automatically receive density allowances and tax reductions through the Smart Housing Mix policy.

Grounded Solutions created a series of maps overlaying development pipeline data from the City Planning Commission, planned transit enhancements, and neighborhood market conditions. This mapping exercise resulted in Appendix E, suggested boundaries for a mandatory Smart Housing Mix Policy. Outside of the purple border, participation would be voluntary and subject to discretionary approval to ensure developments are consistent with fair housing goals adopted in the Assessment of Fair Housing, Housing for a Resilient New Orleans plan, and HousingNOLA plan.

The initial boundary suggestion you see in Appendix E needs to be refined in order to align with the current CZO. We also recommend adjustments based on local knowledge about current neighborhood conditions and areas primed for growth or “gentrification.” Grounded Solutions is available to work collaboratively with City staff to enhance our initial suggestions.

Threshold Size



Recommendation: Exempt very small developments (one-four units), offer medium-sized developments (five-nine units) a modest in-lieu fee payment option, and require participation from new and substantial rehabilitation projects of 10 units and above.

Most inclusionary housing programs include an exemption for buildings below a specific size. Typically, the minimum size is between five and 10 units, although some programs exempt larger buildings, and others require participation from all new development. Programs with no threshold size usually require small developments to pay a fee scaled to the size of the development.

There are several reasons to exempt very small developments in New Orleans:

- Single-family home development/rehabilitation, and very small multi-unit projects such as shotgun doubles and two to four unit buildings, are often undertaken by families or small businesses that are less able to navigate the complexity of a Smart Housing Mix Program.
- Profit margins for construction of single family homes and small apartment developments can be slim.
- Development and substantial rehabilitation of single-family homes and doubles are particularly critical for the continued recovery from the devastation of Hurricane Katrina.

In an effort to support and promote families and small businesses who undertake small-scale residential projects, the Smart Housing Mix Tiger Team recommends exempting projects of one to four units from the policy. Definitive data on the type of developer who undertake these small projects was not available, but public perception, professional experience and anecdotal information informed this recommendation.

Several developers and real estate experts noted that in coming years, aging apartment buildings with five to 20 units, which are currently a source of naturally-occurring affordable housing, are likely to be renovated into high-end rentals. According to local experts, most of the large-scale, multi-family buildings are already being rehabilitated, but many smaller buildings remain.

Loss of naturally-occurring affordable housing is one of the City’s greatest challenges, and an important impetus for considering a Smart Housing Mix Policy. Consistent with program goals that new development and redevelopment in central neighborhoods include a mix of affordability, the Smart Housing Mix Tiger Team recommends that projects of five to nine units in size would be subject to the policy, with the option to decline participation by paying a modest in-lieu fee.

The Smart Housing Mix Tiger Team recommends different fee levels for buildings five to nine units in size and buildings 10 or more units in size. A lower-cost option for small developments is based on perception that these projects have tighter margins. Although this perception was not explicitly verified by the AECOM financial feasibility exercise (development prototypes modeled were all larger buildings) it is a logical assumption. In places with high land prices, higher density developments usually benefit from lower per-unit costs (unless they are steel-frame high rise developments).

Alternatives



Recommendation: Incentivize on-site development but provide maximum flexibility by allowing developers to pay a fee, build offsite preserve a building or dedicate land as alternatives.

Academic researchers on the topic have concluded that inclusionary housing programs can avoid affecting development activity by offering flexibility and incentives to developers⁴. The policy recommended by the Smart Housing Mix Tiger Team offers maximum flexibility by including four alternatives to on-site development.

In order for these alternatives to offer local developers meaningful choices, each alternative must be calibrated to be economically equivalent under typical development scenarios. If one alternative is substantially less costly than the others, it will become the default option. A common mistake in the development of an inclusionary housing policy is setting the in-lieu fee option too low, which results in all developers paying the fee, which undermines the economic integration goals of the program.

Many members of the Smart Housing Mix Tiger Team voiced that the core goal of the program is to promote economic integration and create mixed-income development. To meet this goal, they recommend that the four alternatives be based upon a 15% percent set-aside requirement rather than a 12% set-aside. Additionally, developers choosing to pay the in-lieu fee should not benefit from direct financial support from the City in the form of a PILOT agreement or RTA. Note that executing this recommendation will require revising local PILOT and RTA policies.

In-Lieu Fee

The Smart Housing Mix Tiger Team recommends that the City base the required in-lieu fee on the typical difference in price (or rent) between market-rate and affordable units. Thus, the fee would be equal to the average foregone revenue for providing an affordable unit. For example, if the median price for a new condo unit is \$450,000 and the affordable price for a family at 70% of median income is \$95,000, then the fee would be \$355,000 per affordable unit foregone. If a development included 100 units, then the in-lieu fee would be \$5,325,000 ($15\% * 100 * \$355,000$). This calculation should be based on rents or sales prices in desirable neighborhoods, rather than citywide averages. Otherwise, the higher value neighborhoods, which are places where the City wants to create more affordable options, will be locations where developers fee-out of the program.

Off-site Development

Allowing developers to build Smart Housing units in a different location has benefits and drawbacks. Typically, the off-site development will be a traditional affordable housing building, developed under the leadership of an experienced affordable housing developer who can leverage their expertise and federal and state funds to create a new affordable building. The market-rate developer plays the role of a partner/investor rather than the lead developer.

If the off-site affordable development is located in a neighborhood with access to transit, and it would not have been developed without the financial support of the market-rate developer, then this can be a great benefit to the City. Often it is possible to create more units offsite by leveraging outside funding than would be financially feasible onsite. However, off-site development is less likely to result in mixed-income housing. Furthermore, unless the location of the off-site development is carefully determined, the affordable units may end up in undesirable locations or concentrated in certain areas of the city.

The Smart Housing Mix Tiger Team recommends an off-site option that ensures neighborhood level economic integration so that any off-site developments will be mutually beneficial to both the public and the developer. This off-site option would allow development within one half mile of the originating development and the location must be reviewed by the Office of Community Development (OCD) to confirm that it meets both HousingNOLA, Housing for a Resilient New Orleans plan, and Assessment of Fair Housing Plan guidelines. These guidelines will ensure that the site is appropriate for affordable housing and will not contribute to concentrated poverty.

⁴ Amy Armstrong, Vicki Been, Rachel Meltzer, Jenny Schuetz; The Effects of Inclusionary Zoning on Local Housing Markets: Lessons from the San Francisco, Washington DC and Suburban Boston Areas; Furman Center for Real Estate and Urban Policy at New York University, March 2008.

The off-site development should not be on the same parcel or an immediately adjacent parcel, and it should result in a total number of units equivalent to 15% of the originating development. Off-site developments should not “double dip” by using City funding or scarce federal/state programs such as the nine percent low-income housing tax credit. In the program’s administrative procedures manual, the City will need to stipulate which sources are allowable, likely because they are not highly competitive (such as the four percent tax credit), and which funding streams cannot be used.

Lastly, the design of off-site units should meet affordable housing standards stipulated under either the HUD HOME program or the Low Income Housing Tax Credit program rules. Design review and approval should be conducted by OCD staff who have experience with these minimum quality standards.

Land Dedication

The Smart Housing Mix Tiger Team recommends similar rules and requirements for allowing land dedication in lieu of building affordable housing units. Because parcels of significant size in centrally located neighborhoods with amenities are scarce and costly, the donation of land for development of affordable housing is a valuable public benefit. The location of publicly owned parcels are shown in Appendix D. Most of the buildable parcels currently owned by the New Orleans Redevelopment Authority (NORA) and the Housing Authority of New Orleans (HANO) are located in low-income neighborhoods.

To dedicate land instead of building a mixed-income development, developers would make a proposal to the Office of Community Development with supporting documentation. The parcel should be within a half mile of the originating development, should meet HousingNOLA and/or Smart Housing guidelines, and should be assessed at a value that is roughly comparable to the developer’s in-lieu fee level (assuming that the City will set the in-lieu fee as recommended above). The assessed value may be slightly lower than in-lieu fee levels if the parcel is an otherwise desirable asset to the City. The New Orleans Redevelopment Authority (NORA) would be the receiving entity, and NORA would work with OCD to ensure the parcel is developed as affordable housing.

Preservation

New Orleans has a large stock of aging single-family homes and small apartment buildings. According to recent Census estimates, 54% of housing in New Orleans was built before 1960. In fact, some say that the city does not have an affordable housing problem, it has a decent affordable housing problem. Affordable opportunities are often in dilapidated structures or high-poverty neighborhoods without access to transit and amenities. According to the Brookings Institute, between 2009-2013, poverty exceeded forty percent in 38 of the city’s 173 census tracts.

Table 9: Year of Construction for Housing in New Orleans

New Orleans City, Louisiana		
	Estimate	Percentage
Total:	191,951	100%
Built 2014 or later	116	<1%
Built 2010 to 2013	3,016	1.5%
Built 2000 to 2009	16,721	9%
Built 1990 to 1999	7,570	4%
Built 1980 to 1989	14,604	8%
Built 1970 to 1979	26,547	14%
Built 1960 to 1969	20,424	11%
Built 1950 to 1959	23,052	12%
Built 1940 to 1949	18,834	10%
Built 1939 or earlier	61,067	32%

Source: U.S. Census Bureau, 2011–2015 American Community Survey 5-Year Estimates

To help tackle preservation needs, inclusionary housing programs can allow for acquisition and/or substantial rehabilitation of an existing structure or multiple scattered sites as an alternative to building onsite affordable housing units. The preserved building would become part of the inclusionary program, with units carrying the same City-monitored affordability requirements as they would in new mixed-income buildings.

The Smart Housing Mix Tiger Team recommends that preservation activities be allowed and that developers follow a similar approval process as they would for dedicating land or off-site development, including site approval and design review. Program guidelines will need to ensure that substantial building improvements and investments occur, perhaps by requiring that the total developer investment in the building is equivalent to what their in-lieu fee payment obligation would be.

Incentives



Recommendation: Offer a standard, unified package of incentives to accompany inclusionary housing requirements. The unified incentive package should include:

- Density bonuses
- Parking reductions
- Development by-right as a method for speed and predictability in granting development approvals
- A standard, non-negotiated RTA or PILOT offering for rental developments

Most inclusionary housing programs, both voluntary and mandatory, provide developers with incentives as part of the program's package. These incentives help offset reduced revenue flow that developers will experience for providing price-restricted units. Density bonuses are the most widely used incentive because they can offer substantial financial value to developers but are nearly revenue neutral to the municipality. Other common incentives include parking reductions, other zoning variances, fast-track processing, tax benefits, fee waivers and direct financial support.

Interviews with local developers helped Grounded Solutions and the Smart Housing Mix Tiger Team to determine the most valuable incentives. Developers indicated that the voluntary density bonus policy offered value in some cases, but would be more useful with some small adjustments. Developers also noted that parking reductions in certain parts of the city could provide significant cost savings. They emphasized the difficulty and unpredictability of moving through the planning approvals and permitting process, enthusiastically supporting any means that would move developments forward more quickly and easily. Most developers also agreed that the City would need to provide direct financial assistance in the form of tax benefits in order to help partially offset the costs of providing affordable units. It should be noted that the goal of financial assistance is to ensure that development activity is not stymied. Financial assistance is not intended to fully offset the costs of providing affordable units nor to ensure that developers recoup the full profit they might in the absence of Smart Housing Mix requirements.

Density, Parking and Development Approvals

For density bonuses to offset developers' costs enough to allow profitability, the City should slightly amend the existing density bonus policy. Grounded Solutions offers these initial observations and suggestions to the City Planning Commission (CPC), but we defer to the expertise of planning staff to make more specific final recommendations to City Council. Technical knowledge and input from CPC staff will be crucial to properly amend the existing density bonus policies to work with a mandatory Smart Housing Mix Policy. As a starting point, we recommend that the following issues be addressed in amendments:

- AMI and pricing requirements in the recommended Smart Housing Mix recommendations do not exactly align with density bonus policies.
 - Amend the density bonus policy to match the AMI targeting, pricing requirements, and other details contained in the Smart Housing Mix policy.
- There is no single density bonus program, but 15 distinct sections of the planning code providing bonuses. This complexity makes it more challenging to understand and make use of the density bonuses⁵.
 - Simplify the density bonus policy so that the same policy is applied to all areas where multi-family housing development is allowed.
- Density bonuses are offered in terms of exceptions to the minimum lot size, maximum height allowance, and maximum floor area ratio. However, other important limitations on density, such as set-back requirements, are not addressed.
 - Allow developers to choose from a menu of density allowances in order to achieve 30% more units on site than otherwise possible. The menu could include up to a 30% increase or reduction in one or more of the following limiting factors:
 - Maximum floor area ratio (FAR)

⁵ Street Level Advisors, the Affordable Housing Density Bonus in New Orleans, September 2016

- Minimum lot sizes
- Maximum dwelling units per acre
- Minimum set-back requirements
- Maximum height allowance
- Parking reduction
- Developers we interviewed were not sure if the current density bonuses require a lengthy approval process.
 - Clarify in the ordinance and communications that developers can access the density bonus menu by right, without review and approval from the full City Planning Commission or the City Council.
- Abandoned churches and schools must go through a conditional use process before they can be converted into housing. These existing structures offer an opportunity to build higher density housing that fits into existing neighborhoods while rehabilitating historic structures simultaneously.
 - Designate multi-family housing an allowable use by right in areas where it is currently a conditional use. This should include adaptive reuse projects in otherwise single-family zoned neighborhoods.

Restoration Tax Abatements and PILOT Agreements

The City of New Orleans offers two highly valuable tax incentives to rental developers: the Restoration Tax Abatement (RTA) and Payments In Lieu of Taxes (PILOT) agreements. Tax abatements are largely irrelevant for homebuilders because property taxes are paid by buyers, not developers.

Based upon AECOM models, adaptive reuse projects and significant rehabilitation projects typically require less tax abatement than new rental development projects. Our recommendation is to standardize a predictable level of abatement via RTA for adaptive reuse and rehabilitation projects, and to standardize a predictable level of abatement via PILOT agreements for new rental developments.

 **Recommendation:** Amend the Restoration Tax Abatement (RTA) to link to affordability expectations and recalibrate RTA levels to match current market realities.

The RTA program provides developers “who expand, restore, improve or develop an existing structure in a downtown development district, economic development district, or historic district the right to pay ad valorem taxes based on the assessed valuation of the property for the year prior to the commencement of the project for five years after completion of the work.”⁶ The abatement can be renewed for an additional five years for continued improvements to the property.

The RTA greatly reduces taxes for rehabilitation/reuse projects, conferring millions of dollars in benefit to developers without requiring affordable housing in return. The high-rise rehabilitation building modeled by AECOM would qualify for nearly 10 million dollars in public benefit over 10 years with an RTA. In order to implement the proposed Smart Housing Mix Policy, the RTA should be linked to affordability requirements and the abatement could be downsized, thereby saving significant public resources.

More research and analysis is needed to determine the level of RTA that should, under a Smart Housing Mix Policy, be provided to rehabilitation/reuse projects in New Orleans. This task requires support from City staff, such as the Tax Assessor’s Office and the Office of Economic Development. With knowledgeable City staff at the table, a consultant or City employee would create realistic model proformas, similar to the AECOM models but structured as multi-year cash flows allowing for a variety of profitability measures and more precise estimates of the annual tax benefits that might accrue to a private developer in exchange for providing some percentage of affordable housing. The AECOM

Land Economics

While inclusionary housing programs directly impact the cost of development, they indirectly impact the price of developable land. When we increase development costs, we decrease the amount that developers are willing to pay for land. Understanding how these requirements impact land values is vital for designing policies that appropriately allow communities to share in the benefits of new construction without stifling development.

The term “residual land value” refers to the idea that landowners end up capturing whatever is left over after the other costs of development. When the cost of construction rises, it might hurt developer profits in the short term, but higher costs will then cause all developers to bid less for development sites. As land prices fall (or rise more slowly), developer profits tend to return to “normal” levels.

When a city requires developers to provide affordable housing, they are likely to earn less than they would have if they had been able to sell or rent the affected units at market value. This forgone revenue represents the “opportunity cost” of complying with the affordable housing requirements. It is fairly easy to calculate this “cost” for any given mix of affordable housing units and, if these requirements are predictable in advance, they should roughly translate into corresponding reductions in land value over the longer term.

Most inclusionary housing programs don’t simply impose costs; rather, they also attempt to offset those costs (at least, in part) with various incentives for the developers. The most common incentive is the right to build increased density (e.g., building taller buildings, building more units in place of providing parking, etc.). When developers can build more units, the extra income can offset the costs of providing affordable units, and the result will be a smaller (if any) reduction in land value.

But incentives frequently don’t fully offset the cost of providing affordable housing. In these cases, there is a real net cost which exerts downward pressure on land prices. If the net cost is small relative to land values, and if it is applied consistently and predictably, landowners will have little choice but to accept reduced prices. But, if the net cost is too great, landowners may choose not to sell their properties, and the result will be that the program prevents development that would otherwise have happened. Inclusionary housing programs have to work hard to understand land markets in order to avoid this situation.

Land values don’t change overnight, and some communities have carefully phased in inclusionary requirements with the expectation that developers, when they can see changes coming, will be able to negotiate appropriate concessions from landowners before they commit to projects that will be impacted by the new requirements. Similarly, some program designs are likely to have a clearer and more predictable impact on land prices than others. More universal, widespread and stable rules may reduce land-prices more directly than requirements that are complex and changing.

⁶ City of New Orleans Business Services Website, accessed at <http://www.nola.gov/economic-development/business-services/tax-incentive-programs/restoration-tax-abatement/>

static proforma model looks at total return on investment at a single point in time in a stabilized year, and also only provides a general estimate of the capitalized value of a hypothetical property tax abatement.



Recommendation: Offer a standard Payments In Lieu of Taxes (PILOT) agreement to all new construction rental developments.

PILOT agreements are the only discretionary tax reductions offered by the City for new development. They may be provided by one of two entities: the Industrial Development Board (IDB) or Finance Authority of New Orleans. Grounded Solutions did not conduct interviews with the IDB, but we did speak with the Finance Authority's former and current executive directors. Both believed that the Finance Authority could play an appropriate role in granting PILOT agreements, on a well-researched formula basis, for mixed-income housing development.

The AECOM financial feasibility exercise indicates that new market-rate rental developments will likely need some form of tax abatement, at least in the near term, in order to accommodate a 12% set-aside of affordable units. Our rough initial estimate shows that a new rental development containing 264 market rate units and 32 affordable units would need a tax reduction of about \$500,000 per year over a 10 year timeframe. Although this is only a small portion (about 10%) of the total taxes that would be paid by our theoretical development, it also represents a substantial investment of public resources. Therefore, we strongly recommend that the City identifies an individual or firm to conduct additional analysis and recommend tax abatement levels with precision and confidence. The financial feasibility exercise provides a starting point but not a final answer to the question of how much tax reduction should be provided through the PILOT agreements.

Over a longer timeframe, inclusionary housing costs are absorbed into the value of land, thereby attenuating rising land costs. Thus, the costs of inclusionary housing are ultimately borne by landowners – not developers. This is generally true for any land-use restriction. However, in the first years of an inclusionary housing program, the requirements can impact project feasibility, especially for developers who have already purchased land and cannot negotiate a reduced price.

We recommend that the City pair the Smart Housing Mix Program with a standard by-right PILOT agreement that is predictable and fair to all program participants.

Term of Affordability:



Recommendation: Require 99-year terms of affordability.

The overwhelming trend has been for inclusionary housing programs to adopt very long-term affordability periods. A recent national study found that more than 80% of inclusionary housing programs require units to remain affordable for at least 30 years, and one-third of those require 99-year or perpetual affordability.

Lasting affordability requirements ensure housing opportunities for future generations and prevent units from being removed from the affordable housing stock during market pressure. Shorter control periods result in a loss of affordable units and thus a loss of the public investment for the jurisdiction. The public investment includes development incentives and monitoring expenses. A logical case for effective perpetuity follows that since the density bonus or other incentives are permanent, affordability should be too.

There are several ways to structure an affordability term that keeps units in the program. Some municipalities require affordability for the life of the building or 99 years to create lasting affordability. In states where there are legal restrictions on the term of affordability, programs may opt for a control period of 30 years with the legal obligation to renew the control period with each resale.

In the case of rental units, some developers may initially be concerned about permanent affordability for economic reasons. While it is true that an investor might pay more for a property with rent restrictions that expire after 15 years than one with a 99-year restriction, there's likely a slight difference. In other words, the length of affordability makes a big difference in the program's long-term impact, but only a small difference on the front end.

Developers who are unfamiliar with inclusionary housing programs may also have concerns about how to handle unit turnover and screening tenants for affordable units. In such cases, third-party monitoring may be beneficial to both developers and prospective occupants.



Recommendation: Hire staff in City Planning Commission and Office of Community Development to oversee program administration.

Monitoring is an essential component of any inclusionary program's success. Staffing is needed to ensure that the units are created in alignment with the policy, occupied by qualifying families, and maintained over time.

Most often, the local planning department monitors developments through planning and construction phases to ensure that quality affordable units get built. In New Orleans, the CPC is the logical home for this function. If developers are not compliant, they can be denied planning approvals, building permits, or certificates of occupancy. For example, this could be the case if a developer attempts to cluster all affordable units in the basement of the building or fails to comply with requirements for number of bedrooms.

The Smart Housing Mix Tiger Team recommends that primary administrative oversight and enforcement transition to OCD staff as the development approaches completion, although there will likely be a window of overlap between CPC staff and OCD staff in the months before the developer receives a certificate of occupancy.

Responsibilities for oversight and administration of the Smart Housing Mix program will need to be detailed in the program's administrative guidelines. In preparation for drafting those guidelines, the City will have a number of decisions to make. For instance, will OCD approach administrative responsibilities for the Smart Housing Units in the same way that they monitor compliance requirements for other affordable units subsidized with local, state, and federal funds? Specific recommendations for administration of the Smart Housing Mix Program are contained in the Street Level Advisors report on the New Orleans density bonus programs, please refer to that report for more discussion on the topic.

CONCLUSION AND NEXT STEPS

HousingNOLA led a robust and inclusive process for investigating and discussing a potential Smart Housing Mix Policy. This report is the result of input from dozens of local experts and real-estate developers. Although many hours of work are behind us, we are still at the beginning of a longer process. We, Grounded Solutions Network and HousingNOLA, hope that City leadership and department staff will see fit to build upon this work in 2017. We also hope that this summary report provides clear guidance on how to craft a Smart Housing Mix Policy that works for the New Orleans housing market and also meets local affordable housing needs.

In the coming months, we recommend that the City take the following steps toward implementation of the Smart Housing Mix Policy:

1. Determine levels of tax abatement to offer under a Smart Housing Mix policy. The City is currently in the process of reviewing all of its development incentives to create greater transparency, consistency, and efficiency and to better focus the incentives on achieving the City's goals, including the development of affordable housing. The Office of Economic Development is leading this effort with participation by several other departments including OCD. This working group is the logical home for future analysis of how the PILOT and RTA policies would operate with the Smart Housing Mix Policy.
2. Work with City Planning Commission staff and leadership to revise the current density bonus policies to align with the recommended Smart Housing Mix Policy.
3. Work with City Planning Commission staff and leadership to revise the proposed boundaries of the mandatory Smart Housing Mix Area.
4. Set in-lieu fee levels and determine a methodology for annually updating in-lieu fee levels.
5. Draft a Smart Housing Mix Ordinance based upon model inclusionary housing ordinances.
6. Initiate a working group with City Planning Commission staff and Office of Community Development Staff to draft and adopt detailed program guidelines and administrative procedures.
7. Create program summaries and online materials for developers, city staff and the public.
8. Identify staffing and resources for program monitoring and enforcement. Implement systems for coordination and information sharing between OCD, CPC, developers, and property managers.

APPENDIX A: KEY INFORMANTS INTERVIEWED

Developers and Real Estate Experts

Amber Mays Beezley, Interim Assistant VP, University Planning, Tulane University
Amber Seely-Marks, Director of Development, Renaissance Property Group
Angela Morton, Associate Director, Mathes Brierre Architects
Angela O'Bryan, President, Perez, APC
Brian Lawlor, Special Counsel, Jones Walker
Christopher E. Johnson, Owner and Principal, Christopher E. Johnson, Architect, LLC
David Waggonner III, President, Waggonner & Ball
Drew Morock, Associate, Peiffer Rosca Wolf Abdullah Carr & Kane APLC
Hope Sherman, Vice President, Edwards Communities Development Company
Jason Richards, Senior Associate, Eskew+Dumez+Ripple
Joel Pominville, Executive Director, AIA New Orleans + the New Orleans Architecture Foundation
John T. Campo, Principal, Campo Architects
Jon Luther, Executive Vice President, Home Builders Association of Greater New Orleans
Julius E. Kimbrough, Jr., Executive Director Crescent City Community Land Trust
Marcel L. Wisznia, President, Wisznia
Matthew Schwartz, Principal, Domain Company
Nick Marshall, Design Director, Chase Marshall Architects
Paula Peer, Principal, Trapolin Peer Architects
Riki Espadron, Hacienda Works Inc.
Seung Hong, Consultant, STH Consulting
Tara Carter Hernandez, President, JCH Development
Tracy Lea, Principal, Eskew+Dumez+Ripple
Victor Smeltz, Executive Director, Renaissance Neighborhood Development Corporation
Wayne Troyer, Partner and Design Director, Studio WTA
Will Bradshaw, President, Green Coast Enterprises

City Staff

Ellen Lee, Director of Housing Policy and Community Development, City of New Orleans
John D. Pourciau, Chief of Staff, New Orleans City Council, Councilmember LaToya Cantrell
Kelly G. Butler, Senior City Planner, New Orleans City Planning Commission
Liana Elliot, Chief of Staff, City Council, Councilmember-At-Large Jason Williams
Paul Cramer, Planning Administrator, New Orleans City Planning Commission
Rachel M. Clayton, Legislative Aide and Staff Assistant, City Council, Councilmember James Gray
Rebecca Conwell, Office of Mayor Mitch Landrieu
Robert Rivers, Executive Director, New Orleans City Planning Commission

Other

Damon Burns, Finance Authority of New Orleans
Lucinda Flowers, Lucinda Flowers Consulting
Marcelle Beaulieu, Senior Policy Analyst, Office of Walter J. Leger III
Mtumishi St. Julien, Finance Authority of New Orleans

APPENDIX B: SMART HOUSING MIX TIGER TEAM MEMBERS

Alex Posorske, Executive Director, Ride New Orleans
Alexandra Miller, Principal, Asakura Robinson Company
Alice Riener, Chief Legal Officer, NO/AIDS Task Force
Ameca A. Reali, New Orleans Program Officer, Foundation for Louisiana
Andreanecia Morris, Executive Director, HousingNOLA
Brenda M. Breaux, Executive Director, New Orleans Redevelopment Authority
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Ellen M. Lee, Director of Housing Policy and Community Development, City of New Orleans
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John Sullivan, Senior Program Director for State and Local Policy, Enterprise Community Partners
Katie D. Hunter-Lowrey, Director of Community Relations, New Orleans City Council, Councilmember At-Large Jason Williams
Kelly G. Butler, Senior City Planner, New Orleans City Planning Commission
Kelsy Yeargain, Executive Director, Tulane/Canal Neighborhood Development Corporation
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Maxwell Ciardullo, Policy Analyst, Greater New Orleans Fair Housing Action Center
Monica Gonzalez, Senior Program Director, Enterprise Community Partners
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Nicole Heyman, Vice President and Director of Louisiana Initiatives, Center for Community Progress
Paul Cramer, Planning Administrator, New Orleans City Planning Commission
Rachel Diresto, Executive Vice President, Center for Planning Excellence
Robert Rivers, Executive Director, New Orleans City Planning Commission
Ross Hunter, Program Coordinator, Greater New Orleans Housing Alliance
Suzanne Blaum, Education and Outreach Program Director, Preservation Resource Center
Wayne Glapion, Director, The Village

APPENDIX C: NEW ORLEANS HOUSING PROTOTYPES



Prototype #1 Historic Rehab Low Rise - Rental

1 Base Units	41	
2 % of Affordable Housing	0%	
3 Density Increase (% DU/Acre)	No	0%
4 Parking Reduction (-%)	No	0%
5 Cash Incentive (\$/Unit)	No	\$0
6 Annual Tax Abatement Per Unit	No	\$0

1. PROJECT METRICS

Dwelling Units Per Acre	41
Base DU's per Acre	41
Floor Area Ratio	0.76
Development Cost Per Unit	(\$210,200)
Hard Costs (construction, offsite, parking)	(\$5,027,300)
Soft Costs	(\$754,100)
Total Development Cost	(\$8,619,600)
Rentable Feet	28,950
Hard Cost Per Rentable Foot	(\$174)
Average Unit Size	917
Average Market Rent	\$1,852
Market Rent Per Foot	\$2.02
Total Units	41
Market Rate Units	41
Affordable Units	0
Bonus Units	0
Parking Spaces	-
Operating Expenses	\$259,664
OpEX/Unit	\$6,333
NOI (Stabilized)	\$605,882
Estimated Value	\$10,537,070
Profit	\$1,917,475
Profit as a % of Cost	22%
Yield on Cost	7.03%
Value Capture Opportunity	\$624,536

2. UNIT MIX

Total Units	41				
Market Rate Units	100%				
Affordable units	0%				
	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	0%	71%	22%	7%	0%
Bonus Units	0%	71%	22%	7%	0%
80% of Median Income	0%	71%	22%	7%	0%
70% of Median Income	0%	71%	22%	7%	0%
60% of Median Income	0%	71%	22%	7%	0%
Market rate	0	29	9	3	0
Bonus Units	0	0	0	0	0
80% of Median Income	0	0	0	0	0
70% of Median Income	0	0	0	0	0
60% of Median Income	0	0	0	0	0
Unit Size (SqFt)	0	600	850	1,300	0
Parking Required	0				

3. UNIT SQFT MIX

	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	0	17,400	7,650	3,900	0
Bonus Units	0	0	0	0	0
80% of Median Income	0	0	0	0	0
70% of Median Income	0	0	0	0	0
60% of Median Income	0	0	0	0	0
Total Units	0	17,400	7,650	3,900	0
% unit types	0%	60%	26%	13%	0%
Residential BUA	28,950				
All BUA	33,293				

4. RENT SCHEDULE

	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	\$0	\$1,550	\$2,400	\$3,125	\$0
Bonus Units	\$0	\$1,550	\$2,400	\$3,125	\$0
80% of Median Income	\$735	\$840	\$945	\$1,050	\$1,134
70% of Median Income	\$630	\$720	\$810	\$900	\$972
60% of Median Income	\$525	\$600	\$675	\$750	\$810

5. ASSUMPTIONS

Project Type		
Project Name	Prototype #1	
Project Type	Historic Rehab Low Rise	
Tenure	Rental	
DEVELOPMENT COST ASSUMPTIONS		
Land		
Site Area	1.00	Acres
Land/Aquisition Costs	\$2,500,000	Per Acre
Building		
All Units	41	
Base units	41	
Bonus units	0	
Average Unit Size	917	Sqaure Feet
Common Area Percent	15%	% of Built area
Hard Costs		
Construction Cost (excluding parking)	\$148	Per Square Foot
On & Off-Site Improvements	\$100,000	Per Acre
Parking Ratio (spaces per unit)	0.00	Spaces Per Unit
Cost/Parking Space	\$20,000	Per Space
Soft Costs		
Other Soft Costs	15%	% of Hard Costs
Residential Impact Fees	\$0	Per Unit
Condo "Wrap" Insurance	\$0	Per Unit
Financing		
Construction Loan Interest Rate	4.0%	Annual %
Period of Initial Loan (Months)	24	Months
Initial Construction Loan Fee (Points)	1.00%	Points (% of loan total)
Average Outstanding Balance	60.00%	%
Loan to Value Ratio	65.00%	%
Profitability		
Cap Rate	5.75%	%
Required Profit	15.0%	% of Total Development Cost
Discount Rate	8.0%	
Revenue Scenario		
Vaccancy	5.00%	
Operating Expenses	30.0%	
AFFORDABILITY SUMMARY		
Affordability Summary		
Market Rate Units (%)	100.0%	
Bonus Units	0.0%	
Affordable Units (%)	0.0%	
Area Median Income	\$60,000	Dollars annually
80% AMI	0%	% of affordable units
70% AMI	0%	% of affordable units
60% AMI	0%	% of affordable units

6. RESULTS

RENTAL REVENUE	
Gross Potential Income (Annual)	\$911,100
Vacancy	(\$45,555)
Gross Rental Income	\$865,545
Operating Costs	(\$259,664)
Tax Abatement	\$0
Net Operating Income (NOI)	\$605,882
Estimated Project Value	\$10,537,070
COST ANALYSIS	
Construction Costs	(\$4,927,290)
On & Off-Site Improvements	(\$100,000)
Parking Costs	\$0
Residential Impact Fees	\$0
Condo "Wrap" Insurance	\$0
Other Soft Costs	(\$754,094)
SubTotal Hard and Soft Costs	(\$5,781,384)
Financing Costs	
Cash Subsidy for Affordable Housing	\$0
Construction Loan Amount	(\$3,757,899)
Interest on Construction Loan	(\$300,632)
Points on Construction Loan	(\$37,579)
Land Costs	(\$2,500,000)
Total Development Cost (TDC)	(\$8,619,594)
TDC Per Unit	(\$210,234)
PROFITABILITY	
Estimated Profit (\$)	\$1,917,475
Profit as % of Total Development Cost	22.2%
Yield on Cost (NOI/TDC)	7.03%
Leveraged IRR	16.21%



**Prototype #1
Historic Rehab Low Rise - Rental**

1 Base Units	41	
2 % of Affordable Housing	12%	
3 Density Increase (% DU/Acre)	No	0%
4 Parking Reduction (-%)	No	0%
5 Cash Incentive (\$/Unit)	No	\$0
6 Annual Tax Abatement Per Unit	Yes	\$550
7 Expedited Processing	Yes	6.00

1. PROJECT METRICS

Dwelling Units Per Acre	41
Base DU's per Acre	41
Floor Area Ratio	0.69
Development Cost Per Unit	(\$194,200)
Hard Costs (construction, offsite, parking)	(\$4,544,200)
Soft Costs	(\$681,600)
Total Development Cost	(\$7,963,600)
Rentable Feet	26,200
Hard Cost Per Rentable Foot	(\$173)
Average Unit Size	917
Average Market Rent	\$1,852
Market Rent Per Foot	\$2.02
Total Units	41
Market Rate Units	36
Affordable Units	4
Bonus Units	0
Parking Spaces	-
Operating Expenses	\$219,821
OpEX/Unit	\$5,361
NOI (Stabilized)	\$535,465
Estimated Value	\$9,312,426
Profit	\$1,348,851
Profit as a % of Cost	16.94%
Yield on Cost	6.72%
Value Capture Opportunity	\$154,315

2. UNIT MIX

Total Units	41				
Market Rate Units	88%				
Affordable units	12%				
	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	0%	71%	22%	7%	0%
Bonus Units	0%	71%	22%	7%	0%
80% of Median Income	0%	71%	22%	7%	0%
70% of Median Income	0%	71%	22%	7%	0%
60% of Median Income	0%	71%	22%	7%	0%
Market rate	0	25	7	2	0
Bonus Units	0	0	0	0	0
80% of Median Income	0	0	0	0	0
70% of Median Income	0	0	0	0	0
60% of Median Income	0	3	1	0	0
Unit Size (SqFt)	0	600	850	1,300	0
Parking Required	0				

3. UNIT SQFT MIX

	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	0	15,000	5,950	2,600	0
Bonus Units	0	0	0	0	0
80% of Median Income	0	0	0	0	0
70% of Median Income	0	0	0	0	0
60% of Median Income	0	1,800	850	0	0
Total Units	0	16,800	6,800	2,600	0
% unit types	0%	64%	26%	10%	0%
Residential BUA	26,200				
All BUA	30,130				

4. RENT SCHEDULE

	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	\$0	\$1,550	\$2,400	\$3,125	\$0
Bonus Units	\$0	\$1,550	\$2,400	\$3,125	\$0
80% of Median Income	\$735	\$840	\$945	\$1,050	\$1,134
70% of Median Income	\$630	\$720	\$810	\$900	\$972
60% of Median Income	\$525	\$600	\$675	\$750	\$810

5. ASSUMPTIONS

Project Type			
Project Name	Prototype #1		
Project Type	Historic Rehab Low Rise		
Tenure	Rental		
DEVELOPMENT COST ASSUMPTIONS			
Land			
Site Area	1.00	Acres	
Land/Aquisition Costs	\$2,500,000	Per Acre	
Building			
All Units	41		
Base units	41		
Bonus units	0		
Average Unit Size	917	Sqaure Feet	
Common Area Percent	15%	% of Built area	
Hard Costs			
Construction Cost (excluding parking)	\$148	Per Square Foot	
On & Off-Site Improvements	\$100,000	Per Acre	
Parking Ratio (spaces per unit)	0.00	Spaces Per Unit	
Cost/Parking Space	\$20,000	Per Space	
Soft Costs			
Other Soft Costs	15%	% of Hard Costs	
Residential Impact Fees	\$0	Per Unit	
Condo "Wrap" Insurance	\$0	Per Unit	
Financing			
Construction Loan Interest Rate	4.0%	Annual %	
Period of Initial Loan (Months)	24	Months	
Initial Construction Loan Fee (Points)	1.00%	Points (% of loan total)	
Average Outstanding Balance	60.00%	%	
Loan to Value Ratio	65.00%	%	
Profitability			
Cap Rate	5.75%	%	
Required Profit	15.0%	% of Total Development Cost	
Discount Rate	8.0%		
Revenue Scenario			
Vaccancy	5.00%		
Operating Expenses	30.0%		
AFFORDABILITY SUMMARY			
Affordability Summary			
Market Rate Units (%)	88.0%		
Bonus Units	0.0%		
Affordable Units (%)	12.0%		
Area Median Income	\$60,000	Dollars annually	
80% AMI	0%	% of affordable units	
70% AMI	0%	% of affordable units	
60% AMI	100%	% of affordable units	

6. RESULTS

RENTAL REVENUE			
Gross Potential Income (Annual)	\$771,300		
Vacancy	(\$38,565)		
Gross Rental Income	\$732,735		
Operating Costs	(\$219,821)		
Annual Tax Abatement	\$22,550		\$281,875
Net Operating Income (NOI)	\$535,465		
Estimated Project Value	\$9,312,426		
COST ANALYSIS			
Construction Costs	(\$4,444,175)		
On & Off-Site Improvements	(\$100,000)		
Parking Costs	\$0		
Residential Impact Fees	\$0		
Condo "Wrap" Insurance	\$0		
Other Soft Costs	(\$681,626)		
SubTotal Hard and Soft Costs	(\$5,225,801)		
Financing Costs			
Cash Subsidy for Affordable Housing	\$0		
Construction Loan Amount	(\$3,396,771)		
Interest on Construction Loan	(\$203,806)		
Points on Construction Loan	(\$33,968)		
Land Costs	(\$2,500,000)		
Total Development Cost (TDC)	(\$7,963,575)		
TDC Per Unit	(\$194,234)		
PROFITABILITY			
Estimated Profit (\$)	\$1,348,851		
Profit as % of Total Development Cost	16.9%		
Yield on Cost (NOI/TDC)	6.72%		
Leveraged IRR	14.57%		



Prototype #2 High Rise Rehab - Rental

1 Base Units	190	
2 % of Affordable Housing	0%	
3 Density Increase (% DU/Acre)	No	0%
4 Parking Reduction (-%)	No	0%
5 Cash Incentive (\$/Unit)	No	\$500
6 Annual Tax Abatement Per Unit	No	\$100

1. PROJECT METRICS

Dwelling Units Per Acre	190
Base DU's per Acre	190
Floor Area Ratio	3.82
Development Cost Per Unit	(\$230,800)
Hard Costs (construction, offsite, parking)	(\$31,337,900)
Soft Costs	(\$4,700,700)
Total Development Cost	(\$43,849,500)
Rentable Feet	144,600
Hard Cost Per Rentable Foot	(\$217)
Average Unit Size	1,000
Average Market Rent	\$2,004
Market Rent Per Foot	\$2.00
Total Units	190
Market Rate Units	190
Affordable Units	0
Bonus Units	0
Parking Spaces	190
Operating Expenses	\$1,290,366
OpEX/Unit	\$6,791
NOI (Stabilized)	\$3,010,854
Estimated Value	\$52,362,678
Profit	\$8,513,146
Profit as a % of Cost	19%
Yield on Cost	6.87%
Value Capture Opportunity	\$1,935,716

2. UNIT MIX

Total Units	190				
Market Rate Units	100%				
Affordable units	0%				
	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	0%	50%	47%	3%	0%
Bonus Units	0%	50%	47%	3%	0%
80% of Median Income	0%	0%	0%	0%	0%
70% of Median Income	0%	50%	47%	3%	0%
60% of Median Income	0%	0%	0%	0%	0%
Market rate	0	95	89	5	0
Bonus Units	0	0	0	0	0
80% of Median Income	0	0	0	0	0
70% of Median Income	0	0	0	0	0
60% of Median Income	0	0	0	0	0
Unit Size (SqFt)	0	600	900	1,500	0
Parking Required	190				

3. UNIT SQFT MIX

Total Units	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	0	57,000	80,100	7,500	0
Bonus Units	0	0	0	0	0
80% of Median Income	0	0	0	0	0
70% of Median Income	0	0	0	0	0
60% of Median Income	0	0	0	0	0
Total Units	0	57,000	80,100	7,500	0
% unit types	0%	39%	55%	5%	0%
Residential BUA	144,600				
All BUA	166,290				

4. RENT SCHEDULE

Total Units	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	\$0	\$1,700	\$2,200	\$4,000	\$0
Bonus Units	\$0	\$1,550	\$2,200	\$4,000	\$0
80% of Median Income	\$735	\$840	\$945	\$1,050	\$1,134
70% of Median Income	\$630	\$720	\$810	\$900	\$972
60% of Median Income	\$525	\$600	\$675	\$750	\$810

5. ASSUMPTIONS

Project Type	
Project Name	Prototype #2
Project Type	High Rise Rehab
Tenure	Rental
DEVELOPMENT COST ASSUMPTIONS	
Land	
Site Area	1.00 Acres
Land Cost	\$5,000,000 Per Acre
Acquisition Cost	per Square Foot
Building	
All Units	190
Base units	190
Bonus units	0
Average Unit Size	1000 Square Feet
Common Area Percent	15% % of Built area
Hard Costs	
Construction Cost (excluding parking)	\$165 Per Square Foot
On & Off-Site Improvements	\$100,000 Per Acre
Parking Ratio (spaces per unit)	1.00 Spaces Per Unit
Cost/Parking Space	\$20,000 Per Space
Soft Costs	
Other Soft Costs	15% % of Hard Costs
Residential Impact Fees	\$0 Per Unit
Condo "Wrap" Insurance	\$0 Per Unit
Financing	
Construction Loan Interest Rate	4.0% Annual %
Period of Initial Loan (Months)	36 Months
Initial Construction Loan Fee (Points)	1.00% Points (% of loan total)
Average Outstanding Balance	60.00% %
Loan to Value Ratio	60.00% %
Profitability	
Cap Rate	5.75% %
Required Profit	15.0% % of Total Development Cost
Discount Rate	8.0%
Revenue Scenario	
Vacancy	5.00%
Operating Expenses	30.0%
AFFORDABILITY SUMMARY	
Affordability Summary	
Market Rate Units (%)	100.0%
Bonus Units	0.0%
Affordable Units (%)	0.0%
Area Median Income	\$60,000 Dollars annually
Primary AMI Level	60.0%
80% AMI	0% % of affordable units
70% AMI	0% % of affordable units
60% AMI	100% % of affordable units

6. RESULTS

RENTAL REVENUE	
Gross Potential Income (Annual)	\$4,527,600
Vacancy	(\$226,380)
Gross Rental Income	\$4,301,220
Operating Costs	(\$1,290,366)
Tax Abatement	\$0
Net Operating Income (NOI)	\$3,010,854
Estimated Project Value	\$52,362,678
COST ANALYSIS	
Construction Costs	(\$27,437,850)
On & Off-Site Improvements	(\$100,000)
Parking Costs	(\$3,800,000)
Residential Impact Fees	\$0
Condo "Wrap" Insurance	\$0
Other Soft Costs	(\$4,700,678)
SubTotal Hard and Soft Costs	(\$36,038,528)
Financing Costs	
Cash Subsidy for Affordable Housing	\$0
Construction Loan Amount	(\$21,623,117)
Interest on Construction Loan	(\$2,594,774)
Points on Construction Loan	(\$216,231)
Land Costs	(\$5,000,000)
Total Development Cost (TDC)	(\$43,849,533)
TDC Per Unit	(\$230,787)
PROFITABILITY	
Estimated Profit (\$)	\$8,513,146
Profit as % of Total Development Cost	19%
Yield on Cost (NOI/TDC)	6.87%
Leveraged IRR	16.87%



Prototype #2 High Rise Rehab - Rental

1 Base Units	190	
2 % of Affordable Housing	12%	
3 Density Increase (% DU/Acre)	No	0%
4 Parking Reduction (-%)	No	0%
5 Cash Incentive (\$/Unit)	No	\$0
6 Annual Tax Abatement Per Unit	Yes	\$550
7 Expedited Processing	Yes	6.00

1. PROJECT METRICS

Dwelling Units Per Acre	190
Base DU's per Acre	190
Floor Area Ratio	3.8
Development Cost Per Unit	(\$226,700)
Hard Costs (construction, offsite, parking)	(\$31,053,200)
Soft Costs	(\$4,658,000)
Total Development Cost	(\$43,068,100)
Rentable Feet	143,100
Hard Cost Per Rentable Foot	(\$217)
Average Unit Size	1,000
Average Market Rent	\$2,004
Market Rent Per Foot	\$2.00
Total Units	190
Market Rate Units	167
Affordable Units	20
Bonus Units	0
Parking Spaces	190
Operating Expenses	\$1,183,491
OpEX/Unit	\$6,229
NOI (Stabilized)	\$2,865,979
Estimated Value	\$49,843,113
Profit	\$6,774,965
Profit as a % of Cost	16%
Yield on Cost	6.65%
Value Capture Opportunity	\$314,742

2. UNIT MIX

Total Units	190				
Market Rate Units	88%				
Affordable units	12%				
	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	0%	50%	47%	3%	0%
Bonus Units	0%	50%	47%	3%	0%
80% of Median Income	0%	50%	47%	3%	0%
70% of Median Income	0%	50%	47%	3%	0%
60% of Median Income	0%	50%	47%	3%	0%
Market rate	0	83	78	5	0
Bonus Units	0	0	0	0	0
80% of Median Income	0	0	0	0	0
70% of Median Income	0	0	0	0	0
60% of Median Income	0	11	10	0	0
Unit Size (SqFt)	0	600	900	1,500	0
Parking Required	190				

3. UNIT SQFT MIX

Total Units					
	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	0	49,800	70,200	7,500	0
Bonus Units	0	0	0	0	0
80% of Median Income	0	0	0	0	0
70% of Median Income	0	0	0	0	0
60% of Median Income	0	6,600	9,000	0	0
Total Units	0	56,400	79,200	7,500	0
% unit types	0%	39%	55%	5%	0%
Residential BUA	143,100				
All BUA	164,565				

4. RENT SCHEDULE

Total Units					
	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	\$0	\$1,700	\$2,200	\$4,000	\$0
Bonus Units	\$0	\$1,600	\$2,200	\$4,000	\$0
80% of Median Income	\$735	\$840	\$945	\$1,050	\$1,134
70% of Median Income	\$630	\$720	\$810	\$900	\$972
60% of Median Income	\$525	\$600	\$675	\$750	\$810



5. ASSUMPTIONS

Project Type		
Project Name	Prototype #2	
Project Type	High Rise Rehab	
Tenure	Rental	
DEVELOPMENT COST ASSUMPTIONS		
Land		
Site Area	1.00	Acres
Land Cost	\$5,000,000	Per Acre
Acquisition Cost		per Sqaure Foot
Building		
All Units	190	
Base units	190	
Bonus units	0	
Average Unit Size	1,000	Sqaure Feet
Common Area Percent	15%	% of Built area
Hard Costs		
Construction Cost (excluding parking)	\$165	Per Square Foot
On & Off-Site Improvements	\$100,000	Per Acre
Parking Ratio (spaces per unit)	1.00	Spaces Per Unit
Cost/Parking Space	\$20,000	Per Space
Soft Costs		
Other Soft Costs	15%	% of Hard Costs
Residential Impact Fees	\$0	Per Unit
Condo "Wrap" Insurance	\$0	Per Unit
Financing		
Construction Loan Interest Rate	4.0%	Annual %
Period of Initial Loan (Months)	36	Months
Initial Construction Loan Fee (Points)	1.00%	Points (% of loan total)
Average Outstanding Balance	60.00%	%
Loan to Value Ratio	60.00%	%
Profitability		
Cap Rate	5.75%	%
Required Profit	15.0%	% of Total Development Cost
Discount Rate	8.0%	
Revenue Scenario		
Vaccancy	5.00%	
Operating Expenses	30.0%	
AFFORDABILITY SUMMARY		
Affordability Summary		
Market Rate Units (%)	88.0%	
Bonus Units	0.0%	
Affordable Units (%)	12.0%	
Area Median Income	\$60,000	Dollars annually
Primary AMI Level	60.0%	
80% AMI	0%	% of affordable units
70% AMI	0%	% of affordable units
60% AMI	100%	% of affordable units

6. RESULTS

RENTAL REVENUE	
Gross Potential Income (Annual)	\$4,152,600
Vacancy	(\$207,630)
Gross Rental Income	\$3,944,970
Operating Costs	(\$1,183,491)
Tax Abatement	\$104,500
Net Operating Income (NOI)	\$2,865,979
Estimated Project Value	\$49,843,113
COST ANALYSIS	
Construction Costs	(\$27,153,225)
On & Off-Site Improvements	(\$100,000)
Parking Costs	(\$3,800,000)
Residential Impact Fees	\$0
Condo "Wrap" Insurance	\$0
Other Soft Costs	(\$4,657,984)
SubTotal Hard and Soft Costs	(\$35,711,209)
Financing Costs	
Cash Subsidy for Affordable Housing	\$0
Construction Loan Amount	(\$21,426,725)
Interest on Construction Loan	(\$2,142,673)
Points on Construction Loan	(\$214,267)
Land Costs	(\$5,000,000)
Total Development Cost (TDC)	(\$43,068,149)
TDC Per Unit	(\$226,674)
PROFITABILITY	
Estimated Profit (\$)	\$6,774,965
Profit as % of Total Development Cost	16%
Yield on Cost (NOI/TDC)	6.65%
Leveraged IRR	15.75%



Prototype #3 New Construction - Rental

1 Base Units	300	
2 % of Affordable Housing	0%	
3 Density Increase (% DU/Acre)	Yes	0%
4 Parking Reduction (-%)	No	0%
5 Cash Incentive (\$/Unit)	No	\$0
6 Annual Tax Abatement Per Unit	No	\$1,000
7 Expedited Processing	No	6.00

1. PROJECT METRICS

Dwelling Units Per Acre	75
Base DU's per Acre	75
Floor Area Ratio	1.62
Development Cost Per Unit	(\$246,000)
Hard Costs (construction, offsite, parking)	(\$54,693,000)
Soft Costs	(\$8,204,000)
Total Development Cost	(\$73,802,900)
Rentable Feet	246,000
Hard Cost Per Rentable Foot	(\$222)
Average Unit Size	883
Average Market Rent	\$2,040
Market Rent Per Foot	\$2.31
Total Units	300
Market Rate Units	300
Affordable Units	0
Bonus Units	0
Parking Spaces	300
Operating Expenses	\$2,093,040
OpEX/Unit	\$6,977
NOI (Stabilized)	\$4,883,760
Estimated Value	\$84,934,957
Profit	\$11,132,044
Profit as a % of Cost	15%
Yield on Cost	6.62%
Value Capture Opportunity	\$61,608

2. UNIT MIX

Total Units	300				
Market Rate Units	100%				
Affordable units	0%				
	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	0%	40%	40%	20%	0%
Bonus Units	0%	40%	40%	20%	0%
80% of Median Income	0%	40%	40%	20%	0%
70% of Median Income	0%	40%	40%	20%	0%
50% of Median Income	0%	40%	40%	20%	0%
Market rate	0	120	120	60	0
Bonus Units	0	0	0	0	0
80% of Median Income	0	0	0	0	0
70% of Median Income	0	0	0	0	0
50% of Median Income	0	0	0	0	0
Unit Size (SqFt)	0	600	850	1,200	0
Parking Required	300				

3. UNIT SQFT MIX

Total Units	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	0	72,000	102,000	72,000	0
Bonus Units	0	0	0	0	0
80% of Median Income	0	0	0	0	0
70% of Median Income	0	0	0	0	0
50% of Median Income	0	0	0	0	0
Total Units	0	72,000	102,000	72,000	0
% unit types	0%	29%	41%	29%	0%
Residential BUA	246,000				
All BUA	282,900				

4. RENT SCHEDULE

Total Units	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	\$0	\$1,550	\$2,050	\$3,000	\$0
Bonus Units	\$0	\$1,550	\$2,200	\$3,000	\$0
80% of Median Income	\$735	\$840	\$945	\$1,050	\$1,134
70% of Median Income	\$630	\$720	\$810	\$900	\$972
50% of Median Income	\$525	\$600	\$675	\$750	\$810



5. ASSUMPTIONS

Project Type			
Project Name	Prototype #3		
Project Type	New Construction		
Tenure	Rental		
DEVELOPMENT COST ASSUMPTIONS			
Land			
Site Area	4.00	Acres	
Land Cost	\$1,500,000	Per Acre	
Acquisition Cost		per Square Foot	
Building			
All Units	300		
Base units	300		
Bonus units	0		
Average Unit Size	883	Sqaure Feet	
Common Area Percent	15%	% of Built area	
Hard Costs			
Construction Cost (excluding parking)	\$170,000	Per Square Foot	
On & Off-Site Improvements	\$150,000	Per Acre	
Parking Ratio (spaces per unit)	1.00	Spaces Per Unit	
Cost/Parking Space	\$20,000	Per Space	
Soft Costs			
Other Soft Costs	15%	% of Hard Costs	
Residential Impact Fees	\$0	Per Unit	
Condo "Wrap" Insurance	\$0	Per Unit	
Financing			
Construction Loan Interest Rate	4.0%	Annual %	
Period of Initial Loan (Months)	36	Months	
Initial Construction Loan Fee (Points)	1.00%	Points (% of loan total)	
Average Outstanding Balance	60.00%	%	
Loan to Value Ratio	60.00%	%	
Profitability			
Cap Rate	5.75%	%	
Required Profit	15.0%	% of Total Development Cost	
Discount Rate	8.0%		
Revenue Scenario			
Vaccancy	5.00%		
Operating Expenses	30.0%		
AFFORDABILITY SUMMARY			
Affordability Summary			
Market Rate Units (%)	100.0%		
Bonus Units	0.0%		
Affordable Units (%)	0.0%		
Area Median Income	\$60,000	Dollars annually	
Primary AMI Level	60.0%		
80% AMI	0%	% of affordable units	
70% AMI	0%	% of affordable units	
60% AMI	100%	% of affordable units	

6. RESULTS

RENTAL REVENUE	
Gross Potential Income (Annual)	\$7,344,000
Vacancy	(\$367,200)
Gross Rental Income	\$6,976,800
Operating Costs	(\$2,093,040)
Tax Abatement	\$0
Net Operating Income (NOI)	\$4,883,760
Estimated Project Value	\$84,934,957
COST ANALYSIS	
Construction Costs	(\$48,093,000)
On & Off-Site Improvements	(\$600,000)
Parking Costs	(\$6,000,000)
Residential Impact Fees	\$0
Condo "Wrap" Insurance	\$0
Other Soft Costs	(\$8,203,950)
SubTotal Hard and Soft Costs	(\$62,896,950)
Financing Costs	
Cash Subsidy for Affordable Housing	\$0
Construction Loan Amount	(\$37,738,170)
Interest on Construction Loan	(\$4,528,580)
Points on Construction Loan	(\$377,382)
Land Costs	(\$6,000,000)
Total Development Cost (TDC)	(\$73,802,912)
TDC Per Unit	(\$246,010)
PROFITABILITY	
Estimated Profit (\$)	\$11,132,044
Profit as % of Total Development Cost	15.1%
Yield on Cost (NOI/TDC)	6.62%
Leveraged IRR	16.58%



Prototype #3 New Construction - Rental

1 Base Units	300
2 % of Affordable Housing	12.0%
3 Density Increase (% DU/Acre)	Yes 30%
4 Parking Reduction (-%)	No 0%
5 Cash Incentive (\$/Unit)	No \$0
6 Annual Tax Abatement Per Unit	Yes \$825
7 Expedited Processing	Yes 6.00

1. PROJECT METRICS

Dwelling Units Per Acre	98
Base DU's per Acre	75
Floor Area Ratio	2.08
Development Cost Per Unit	(\$235,100)
Hard Costs (construction, offsite, parking)	(\$69,884,800)
Soft Costs	(\$10,482,700)
Total Development Cost	(\$91,671,700)
Rentable Feet	314,500
Hard Cost Per Rentable Foot	(\$222)
Average Unit Size	883
Average Market Rent	\$2,040
Market Rent Per Foot	\$2.31
Total Units	390
Market Rate Units	264
Affordable Units	32
Bonus Units	90
Parking Spaces	390
Operating Expenses	\$2,460,245
OpEX/Unit	\$6,308
NOI (Stabilized)	\$6,062,323
Estimated Value	\$105,431,697
Profit	\$13,759,982
Profit as a % of Cost	15%
Yield on Cost	6.61%
Value Capture Opportunity	\$9,225

2. UNIT MIX

Total Units	390				
Market Rate Units	88%				
Affordable units	12%				
	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	0%	40%	40%	20%	0%
Bonus Units	0%	40%	40%	20%	0%
80% of Median Income	0%	40%	40%	20%	0%
70% of Median Income	0%	40%	40%	20%	0%
60% of Median Income	0%	40%	40%	20%	0%
Market rate	0	105	105	52	0
Bonus Units	0	31	31	15	0
80% of Median Income	0	0	0	0	0
70% of Median Income	0	0	0	0	0
60% of Median Income	0	18	18	9	0
Unit Size (SqFt)	0	600	850	1,200	0
Parking Required	390				

3. UNIT SQFT MIX

Total Units	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	0	63,000	89,250	62,400	0
Bonus Units	0	18,600	26,350	18,000	0
80% of Median Income	0	0	0	0	0
70% of Median Income	0	0	0	0	0
60% of Median Income	0	10,800	15,300	10,800	0
Total Units	0	92,400	130,900	91,200	0
% unit types	0%	29%	42%	29%	0%
Residential BUA	314,500				
All BUA	361,675				

4. RENT SCHEDULE

Total Units	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	\$0	\$1,550	\$2,050	\$3,000	\$0
Bonus Units	\$0	\$1,550	\$2,020	\$3,000	\$0
80% of Median Income	\$735	\$840	\$945	\$1,050	\$1,134
70% of Median Income	\$630	\$720	\$810	\$900	\$972
60% of Median Income	\$525	\$600	\$675	\$750	\$810



5. ASSUMPTIONS

Project Type		
Project Name	Prototype #3	
Project Type	New Construction	
Tenure	Rental	
DEVELOPMENT COST ASSUMPTIONS		
Land		
Site Area	4.00	Acres
Land Cost	\$1,500,000	Per Acre
Acquisition Cost		per Square Foot
Building		
All Units	390	
Base units	300	
Bonus units	90	
Average Unit Size	883	Sqaure Feet
Common Area Percent	15%	% of Built area
Hard Costs		
Construction Cost (excluding parking)	\$170,000	Per Square Foot
On & Off-Site Improvements	\$150,000	Per Acre
Parking Ratio (spaces per unit)	1.00	Spaces Per Unit
Cost/Parking Space	\$20,000	Per Space
Soft Costs		
Other Soft Costs	15%	% of Hard Costs
Residential Impact Fees	\$0	Per Unit
Condo "Wrap" Insurance	\$0	Per Unit
Financing		
Construction Loan Interest Rate	4.0%	Annual %
Period of Initial Loan (Months)	36	Months
Initial Construction Loan Fee (Points)	1.00%	Points (% of loan total)
Average Outstanding Balance	60.00%	%
Loan to Value Ratio	60.00%	%
Profitability		
Cap Rate	5.75%	%
Required Profit	15.0%	% of Total Development Cost
Discount Rate	8.0%	
Revenue Scenario		
Vaccancy	5.00%	
Operating Expenses	30.0%	
AFFORDABILITY SUMMARY		
Affordability Summary		
Market Rate Units (%)	88.0%	
Bonus Units	23.1%	
Affordable Units (%)	12.0%	
Area Median Income	\$60,000	Dollars annually
Primary AMI Level	60.0%	
80% AMI	0%	% of affordable units
70% AMI	0%	% of affordable units
60% AMI	100%	% of affordable units

6. RESULTS

RENTAL REVENUE		
Gross Potential Income (Annual)	\$8,632,440	
Vacancy	(\$431,622)	
Gross Rental Income	\$8,200,818	
Operating Costs	(\$2,460,245)	
Tax Abatement	\$321,750	\$5,595,652.17
Net Operating Income (NOI)	\$6,062,323	
Estimated Project Value	\$105,431,697	
COST ANALYSIS		
Construction Costs	(\$61,484,750)	
On & Off-Site Improvements	(\$600,000)	
Parking Costs	(\$7,800,000)	
Residential Impact Fees	\$0	
Condo "Wrap" Insurance	\$0	
Other Soft Costs	(\$10,482,713)	
SubTotal Hard and Soft Costs	(\$80,367,463)	
Financing Costs		
Cash Subsidy for Affordable Housing	\$0	
Construction Loan Amount	(\$48,220,478)	
Interest on Construction Loan	(\$4,822,048)	
Points on Construction Loan	(\$482,205)	
Land Costs	(\$6,000,000)	
Total Development Cost (TDC)	(\$91,671,715)	
TDC Per Unit	(\$235,056)	
PROFITABILITY		
Estimated Profit (\$)	\$13,759,982	
Profit as % of Total Development Cost	15.0%	
Yield on Cost (NOI/TDC)	6.61%	
Leveraged IRR	15.89%	



Prototype #4 New Construction Condos - Ownership

1 Base Units	10	
2 % of Affordable Housing	0%	
3 Density Increase (% DU/Acre)	No	0%
4 Parking Reduction (-%)	No	0%
5 Cash Incentive (\$/Unit)	No	\$0
6 Annual Tax Abatement Per Unit	Yes	\$0
7 Expedited Processing	No	-

1. PROJECT METRICS

Dwelling Units Per Acre	14
Floor Area Ratio	0.39
Development Cost Per Unit	(\$343,200)
Hard Costs (construction, offsite, parking)	(\$2,235,000)
Soft Costs	(\$335,300)
Total Development Cost	(\$3,431,600)
Hard Cost Per Sq. Ft.	12,000 (\$186)
Average Unit Size	1,200
Average Sale Price	\$450,000
Market Price Per Sq. Ft.	\$375
Parking Spaces	10
Operating Expenses	\$0
OpEX/Unit	\$0.00
Net Sales Proceeds	\$4,275,000
Profit	\$843,383
Profit as a % of Cost	25%
Value Capture Opportunity	\$328,640

2. PROJECT METRICS

UNIT MIX					
Total Units	10				
Market Rate Units	100%				
Affordable units	0%				
	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	0%	0%	100%	0%	0%
Bonus Units	0%	0%	100%	0%	0%
110% of Median Income	0%	0%	100%	0%	0%
100% of Median Income	0%	0%	100%	0%	0%
80% of Median Income	0%	0%	100%	0%	0%
Market rate	0	0	10	0	0
Bonus Units	0	0	0	0	0
110% of Median Income	0	0	0	0	0
100% of Median Income	0	0	0	0	0
80% of Median Income	0	0	0	0	0
Unit Size (SqFt)	0	0	1,200	0	0
Parking Required	10	0	0	0	0

3. UNIT SQFT MIX

UNIT MIX					
Total Units	10				
Market Rate Units	100%				
Affordable units	0%				
	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	0	0	12,000	0	0
Bonus Units	0	0	0	0	0
110% of Median Income	0	0	0	0	0
100% of Median Income	0	0	0	0	0
80% of Median Income	0	0	0	0	0
Total Units	0	0	12,000	0	0
% unit types	0%	0%	100%	0%	0%
Residential BUA	12,000				
All BUA	12,000				

4. UNIT PRICES

UNIT MIX					
Total Units	10				
Market Rate Units	100%				
Affordable units	0%				
	Studio	1 BR	2 BR	3 BR	4 BR
Market rate	\$0	\$0	\$450,000	\$0	\$350,000
Bonus Units	\$0	\$0	\$450,000	\$0	\$350,000
110% of Median Income	\$140,438	\$161,485	\$179,705	\$193,684	\$213,913
100% of Median Income	\$119,849	\$137,955	\$153,233	\$164,271	\$182,147
80% of Median Income	\$58,082	\$67,364	\$73,818	\$76,032	\$86,850

5. ASSUMPTIONS

Project Type		
Project Name	Prototype #4	
Project Type	New Construction Condos	
Tenure	Ownership	
DEVELOPMENT COST ASSUMPTIONS		
Land		
Site Area	0.70	Acres
Land Cost	\$1,000,000	Per Acre
Acquisition Cost		per Square Foot
Building		
All Units	10	
Base units	10	
Bonus units	0	
Average Unit Size	1,200	Sqaure Feet
Common Area Percent	0%	% of Built area
Hard Costs		
Construction Cost (excluding parking)	\$175	Per Square Foot
On & Off-Site Improvements	\$50,000	Per Acre
Parking Ratio (spaces per unit)	1.00	Spaces Per Unit
Cost/Parking Space	\$10,000	Per Space
Soft Costs		
Other Soft Costs	15%	% of Hard Costs
Residential Impact Fees	\$0	Per Unit
Condo "Wrap" Insurance	\$250	Per Unit
Financing		
Construction Loan Interest Rate	4.5%	Annual %
Period of Initial Loan (Months)	24	Months
Initial Construction Loan Fee (Points)	0.50%	Points (% of loan total)
Average Outstanding Balance	60.0%	%
Loan to Value Ratio	65.0%	%
Profitability		
Cap Rate	5.75%	%
Required Profit	15.0%	% of Total Development Cost
Revenue Scenario		
Vaccancy	5.0%	
Sales Marketing Costs	5.0%	
AFFORDABILITY SUMMARY		
Affordability Summary		
Market Rate Units (%)	100.0%	
Bonus Units	0.0%	
Affordable Units (%)	0.0%	
Area Median Income	\$60,000	Dollars annually
Primary AMI Level	80%	
	110% AMI	0% % of affordable units
	100% AMI	0% % of affordable units
	80% AMI	100% % of affordable units
Incentive Summary		
Streamlined Processing (months)	-	Months
Fee Reduction (\$/Unit)	\$ -	\$/Unit
Density Increase (% DU/Acre)	10%	% DU/Acre
Parking Reduction (-%)	0%	%
Cash Incentive (\$/Unit)	\$ -	\$/Unit
Annual Tax Abatement Per Unit	\$ -	Per Unit
Discount Rate	8%	

6. PRO FORMA

RENTAL REVENUE	
Gross Sales Proceeds	\$4,500,000
Sales Marketing Cost	(\$225,000)
Net Proceeds	\$4,275,000
Tax Abatement	\$0
Estimated Project Value	\$4,275,000
COST ANALYSIS	
Construction Costs	(\$2,100,000)
On & Off-Site Improvements	(\$35,000)
Parking Costs	(\$100,000)
Residential Impact Fees	\$0
Condo "Wrap" Insurance	(\$2,500)
Other Soft Costs	(\$335,250)
SubTotal Hard and Soft Costs	(\$2,572,750)
Financing Costs	
Cash Subsidy for Affordable Housing	\$0
Construction Loan Amount	(\$1,672,288)
Interest on Construction Loan	(\$150,506)
Points on Construction Loan	(\$8,361)
Land Costs	(\$700,000)
Total Development Cost (TDC)	(\$3,431,617)
TDC Per Unit	(\$343,162)
PROFITABILITY	
Estimated Profit (\$)	\$843,383
Profit as % of Total Development Cost	24.58%
Required Profit	15.00%



Prototype #4 New Construction Condos - Ownership

1 Base Units	10	
2 % of Affordable Housing	0%	
3 Density Increase (% DU/Acre)	No	0%
4 Parking Reduction (-%)	No	0%
5 Cash Incentive (\$/Unit)	No	\$0
6 Annual Tax Abatement Per Unit	Yes	\$0
7 Expedited Processing	No	-

1. PROJECT METRICS

Dwelling Units Per Acre	14
Floor Area Ratio	0.41
Development Cost Per Unit	(\$353,800)
Hard Costs (construction, offsite, parking)	(\$2,322,500)
Soft Costs	(\$348,400)
Total Development Cost	(\$3,538,500)
	12,500
Hard Cost Per Sq. Ft.	(\$186)
Average Unit Size	1,250
Average Sale Price	\$450,000
Market Price Per Sq. Ft.	\$360
Parking Spaces	10
Operating Expenses	\$0
OpEX/Unit	\$0.00
Net Sales Proceeds	\$4,275,000
Profit	\$736,544
Profit as a % of Cost	21%
Value Capture Opportunity	\$205,776

2. PROJECT METRICS

UNIT MIX						
Total Units	10					
Market Rate Units	100%					
Affordable units	0%					
	Studio	1 BR	2 BR	3 BR	4 BR	
Market rate	0%	0%	100%	0%	0%	
Bonus Units	0%	0%	100%	0%	0%	
110% of Median Income	0%	0%	100%	0%	0%	
100% of Median Income	0%	0%	100%	0%	0%	
80% of Median Income	0%	0%	100%	0%	0%	
Market rate	0	0	10	0	0	
Bonus Units	0	0	0	0	0	
110% of Median Income	0	0	0	0	0	
100% of Median Income	0	0	0	0	0	
80% of Median Income	0	0	0	0	0	
Unit Size (SqFt)	0	0	1,250	0	0	
Parking Required	10	0	0	0	0	

3. UNIT SQFT MIX

UNIT MIX						
Total Units	10					
Market Rate Units	100%					
Affordable units	0%					
	Studio	1 BR	2 BR	3 BR	4 BR	
Market rate	0	0	12,500	0	0	
Bonus Units	0	0	0	0	0	
110% of Median Income	0	0	0	0	0	
100% of Median Income	0	0	0	0	0	
80% of Median Income	0	0	0	0	0	
Total Units	0	0	12,500	0	0	
% unit types	0%	0%	100%	0%	0%	
Residential BUA	12,500					
All BUA	12,500					

4. UNIT PRICES

UNIT MIX						
Total Units	10					
Market Rate Units	100%					
Affordable units	0%					
	Studio	1 BR	2 BR	3 BR	4 BR	
Market rate	\$0	\$0	\$450,000	\$0	\$350,000	
Bonus Units	\$0	\$0	\$450,000	\$0	\$350,000	
110% of Median Income	\$140,438	\$161,485	\$179,705	\$193,684	\$213,913	
100% of Median Income	\$119,849	\$137,955	\$153,233	\$164,271	\$182,147	
80% of Median Income	\$58,082	\$67,364	\$73,818	\$76,032	\$86,850	

5. ASSUMPTIONS

Project Type

Project Name	Prototype #4
Project Type	New Construction Condos
Tenure	Ownership

DEVELOPMENT COST ASSUMPTIONS

Land

Site Area	0.70	Acres
Land Cost	\$1,000,000	Per Acre
Acquisition Cost		per Square Foot

Building

All Units	10	
Base units	10	
Bonus units	0	
Average Unit Size	1,250	Sqaure Feet
Common Area Percent	0%	% of Built area

Hard Costs

Construction Cost (excluding parking)	\$175	Per Square Foot
On & Off-Site Improvements	\$50,000	Per Acre
Parking Ratio (spaces per unit)	1.00	Spaces Per Unit
Cost/Parking Space	\$10,000	Per Space

Soft Costs

Other Soft Costs	15%	% of Hard Costs
Residential Impact Fees	\$0	Per Unit
Condo "Wrap" Insurance	\$250	Per Unit

Financing

Construction Loan Interest Rate	4.5%	Annual %
Period of Initial Loan (Months)	24	Months
Initial Construction Loan Fee (Points)	0.50%	Points (% of loan total)
Average Outstanding Balance	60.0%	%
Loan to Value Ratio	65.0%	%

Profitability

Cap Rate	5.75%	%
Required Profit	15.0%	% of Total Development Cost

Revenue Scenario

Vaccancy	5.0%
Sales Marketing Costs	5.0%

AFFORDABILITY SUMMARY

Affordability Summary

Market Rate Units (%)	100.0%	
Bonus Units	0.0%	
Affordable Units (%)	0.0%	
Area Median Income	\$60,000	Dollars annually
Primary AMI Level	80%	
110% AMI	0%	% of affordable units
100% AMI	0%	% of affordable units
80% AMI	100%	% of affordable units

Incentive Summary

Streamlined Processing (months)	-	Months
Fee Reduction (\$/Unit)	\$-	\$/Unit
Density Increase (% DU/Acre)	10%	% DU/Acre
Parking Reduction (-%)	0%	%
Cash Incentive (\$/Unit)	\$-	\$/Unit
Annual Tax Abatement Per Unit	\$-	Per Unit
Discount Rate	8%	

6. PRO FORMA

RENTAL REVENUE

Gross Sales Proceeds	\$4,500,000
Sales Marketing Cost	(\$225,000)
Net Proceeds	\$4,275,000
Tax Abatement	\$0

Estimated Project Value \$4,275,000

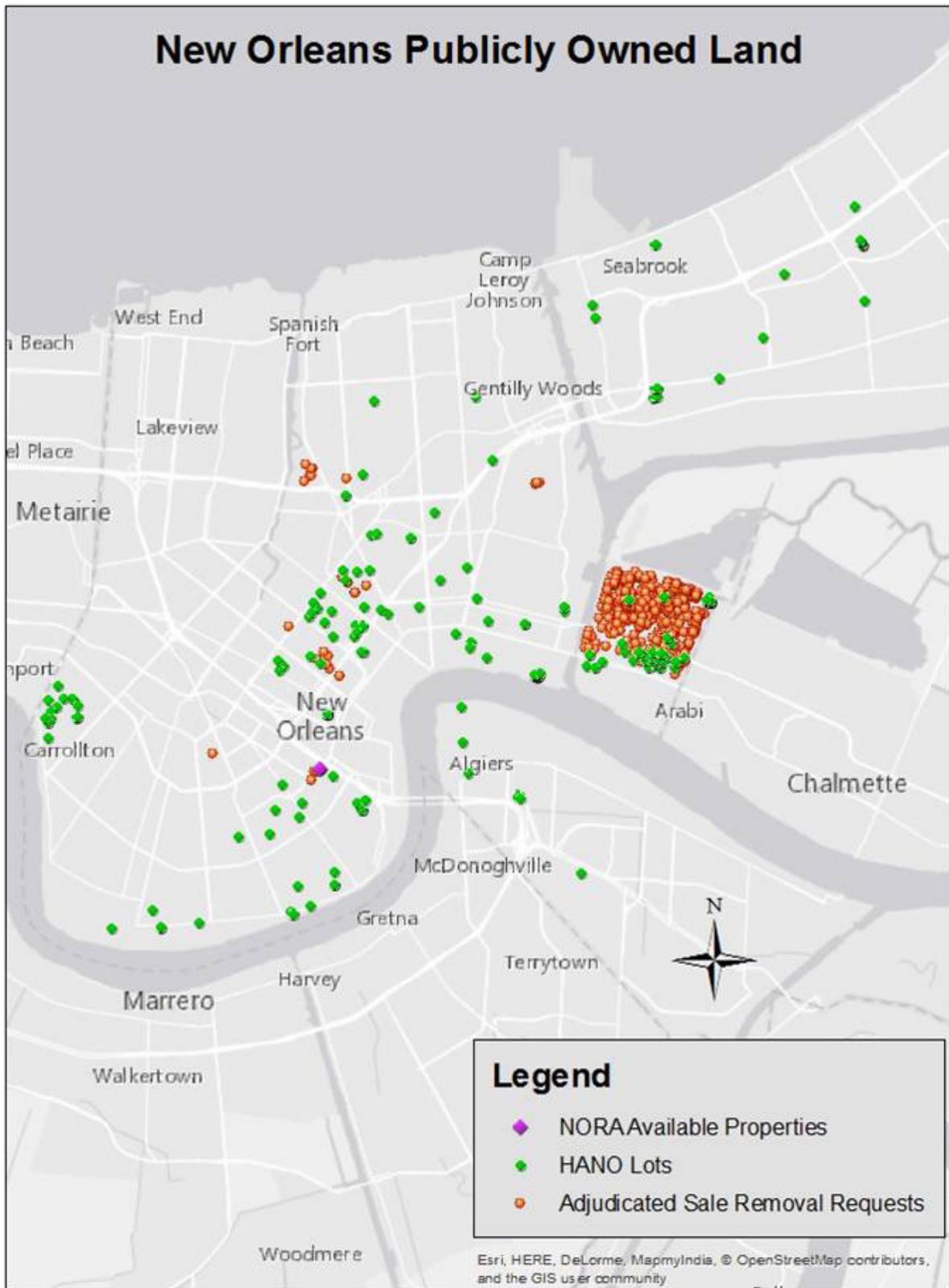
COST ANALYSIS

Construction Costs	(\$2,187,500)
On & Off-Site Improvements	(\$35,000)
Parking Costs	(\$100,000)
Residential Impact Fees	\$0
Condo "Wrap" Insurance	(\$2,500)
Other Soft Costs	(\$348,375)
SubTotal Hard and Soft Costs	(\$2,673,375)
Financing Costs	
Cash Subsidy for Affordable Housing	\$0
Construction Loan Amount	(\$1,737,694)
Interest on Construction Loan	(\$156,392)
Points on Construction Loan	(\$8,688)
Land Costs	(\$700,000)
Total Development Cost (TDC)	(\$3,538,456)
TDC Per Unit	(\$353,846)

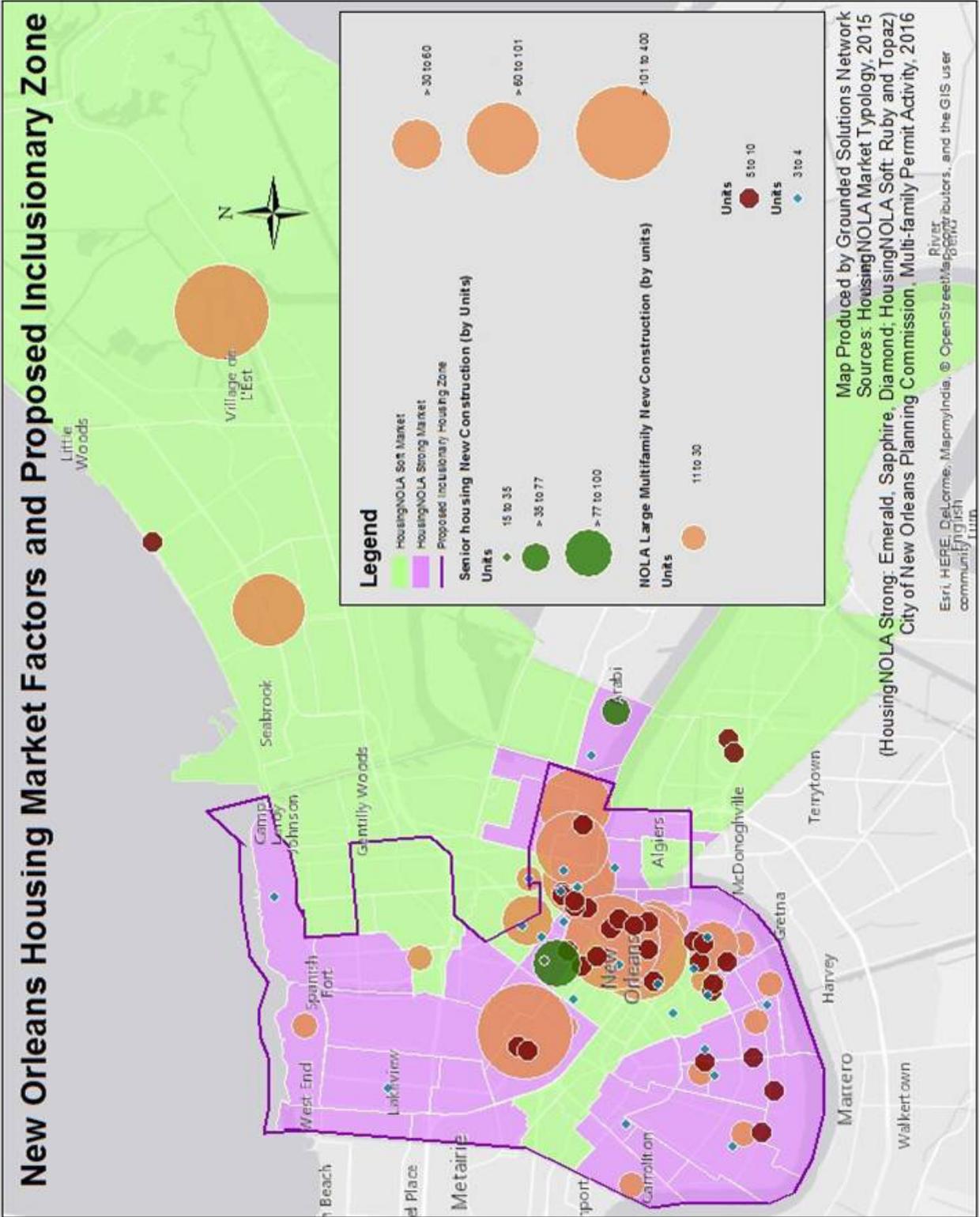
PROFITABILITY

Estimated Profit (\$)	\$736,544
Profit as % of Total Development Cost	20.82%
Required Profit	15.00%

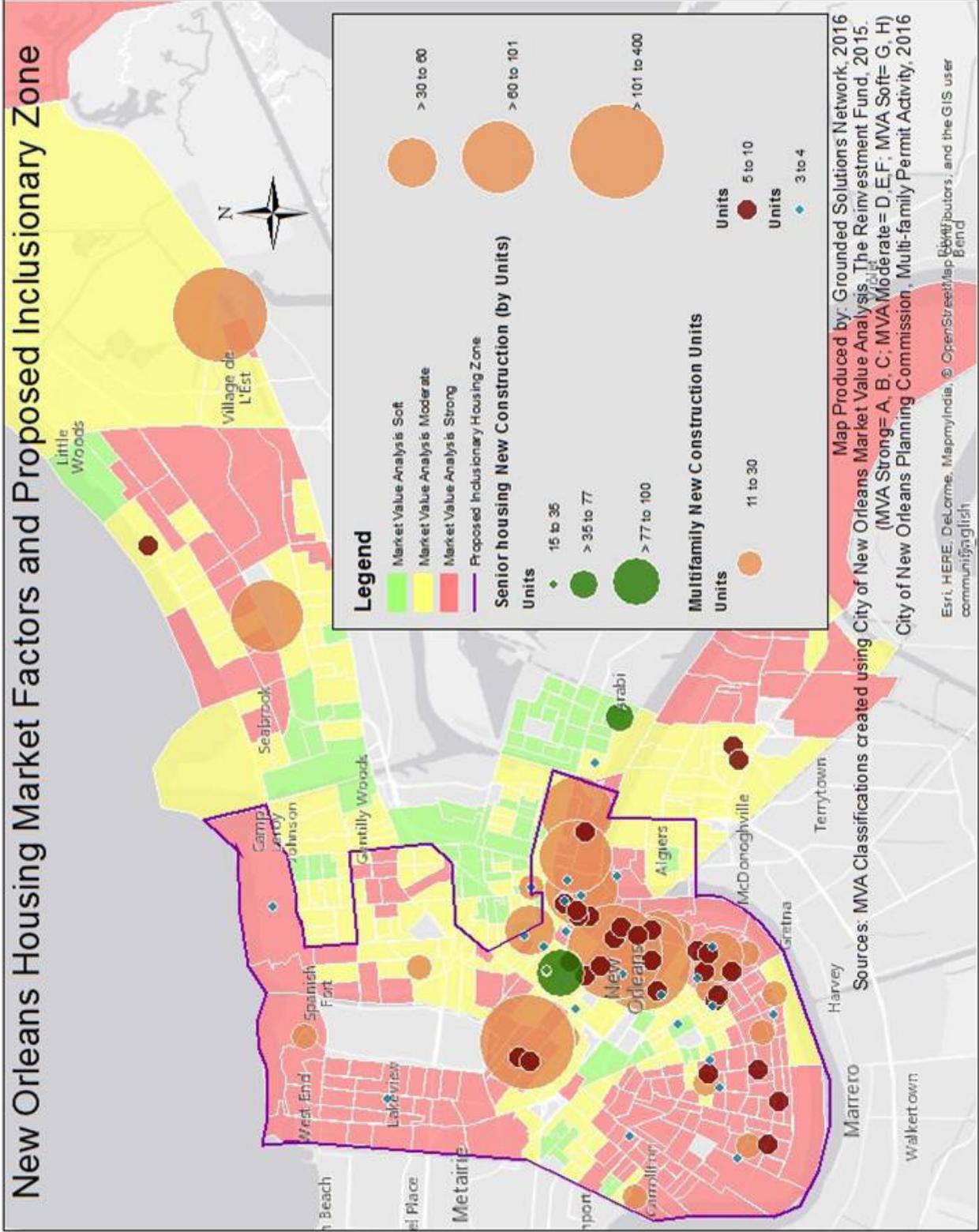
APPENDIX D: MAP OF PUBLICALLY OWNED LANDS



APPENDIX E: MAP OF NEW ORLEANS HOUSING FACTORS AND PROPOSED INCLUSIONARY ZONE



New Orleans Housing Market Factors and Proposed Inclusionary Zone



APPENDIX F: AIA NEW ORLEANS INCLUSIONARY HOUSING PROGRAM DESIGN FEEDBACK

THE AMERICAN INSTITUTE OF ARCHITECTS



AIA
New Orleans

INCLUSIONARY HOUSING PROGRAM DESIGN – NEW ORLEANS
[MEETING SUMMARY]

DATE / TIME:

12 October, 2016 / 11am

OVERVIEW:

Discussion of upcoming municipal policies that will incorporate Inclusionary Housing in new residential developments within New Orleans. A draft of the Inclusionary Housing Program Design was reviewed and participants commented.

PARTICIPANTS:

AIA New Orleans Zoning Committee, HousingNOLA, Grounded Solutions

[AIA comments in brackets / bold]:

POINTS ADDRESSED:

- 1) Inclusionary Housing [IZ hereafter] goals vary by neighborhood.
 - a. Mandatory IZ requirements may work best in high demand neighborhoods.
 - b. Voluntary IZ options with bonuses may work best in neighborhoods with less development activity.
 - c. HousingNOLA developed a map of “neighborhood typology,” which may serve as (or help determine) boundaries for IZ overlays in the Zoning Ordinance, to show where best to use Mandatory and where best to use Voluntary policies.

2) INCENTIVIZING INCLUSIONARY ZONING

a. Density bonuses:

i. Bonus may vary by neighborhood.

[Some neighborhoods have invariable development limits regarding height or F.A.R., such as Historic Marigny and Lafayette Square. Density bonuses won't be an effective incentive for developments in these areas as the extra

height or density afforded by the bonus may not actually be able to be built if the new size of the building would exceed the neighborhood development limits.]

ii. There may need to be a modification to the IZ overlay map showing where density bonuses are not to be used.

b. Expedited Permitting

i. Permit review duration may be reduced (to 6 months?)

[This may not be an effective incentive because:

1. Developments not seeking waivers or exemptions, and not located within control districts [HDLC, Overlay Corridors, etc.] are typically permitted efficiently.

2. Developments within control districts or are seeking to avoid strict compliance to code requirements and are seeking waivers are subject to many additional steps in the permit review process that are not able to be expedited.]

3. There are many different departments that review a permit application. An expediting bonus should clearly identify how each department review will be expedited.
 - c. Fee-in -Lieu and Off-Site / Scatter Site options
 - i. Could ... has potential, but New Orleans goals for Inclusionary Zoning are to grow diversity within neighborhoods where new development is taking place, not just add more affordable units to the market. Fee-in- Lieu and Scatter Site options increase the overall number of affordable units, but may not be equitably distributed around city.
[Could lead to concentrating poverty away from asset-rich neighborhoods]
 - ii. [No self-policing developers. It would be most effective if fees were paid to qualified pre-determined 3rd party agency.]
 - iii. [Off-site options could be limited to renovating existing blighted properties instead of improving vacant lots.]
 - iv. [Off-site development locations could be pre-determined by City, and developer would produce IZ units within ½ mile of development, and be consistent with the HousingNOLA “Neighborhood Typology” map.]
 - d. Parking offsets [encouraged by AIA as an incentive]
 - i. It would be acceptable if the resident in the affordable unit does not have a car
 - ii. If the resident in the affordable unit does have a car, they would need to have access to the same options for a parking space as other residents.
- 3) Design Considerations:
 - a. No discriminatory design, such as having an entry for ‘market rate’ residents, and a separate entry for IZ / affordable housing residents.
 - b. Interior finishes used in market rate units may be different used in IZ units, but exteriors should be similar
 - c. IZ units should be dispersed throughout development, not clustered or grouped to the same floor level, etc.
 - d. Mix of unit types used as IZ units should be similar to the mix of unit types throughout the development.

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The Smart Housing Mix Study was made possible due to the support of Enterprise Community Partners, the Foundation for Louisiana and the Ford Foundation.

