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## **Preserving Affordability in Expiring LIHTC Projects: The CLT Approach**

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May 2012

# Preserving Affordability in Expiring LIHTC Projects: The CLT Approach



University of New Orleans  
Department of Planning and Urban Studies  
Master of Urban and Regional Planning Program  
MURP 6720 Community Development Finance Practicum



THE UNIVERSITY *of*  
**NEW ORLEANS**



# Preserving Affordability in Expiring LIHTC Projects: The CLT Approach

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# Executive Summary

More than 1,150 affordable housing units in New Orleans, financed through the Low Income Housing Tax Credit (LIHTC) program, will complete their initial 15-year compliance period between 2012 and 2022. At year 15, the loss of affordability restrictions places these units at risk for conversion to market rate while the need to recapitalize projects forces owners to continually identify additional sources of public funds to keep the properties in good repair. New, innovative solutions are needed to ensure these units remain safe and affordable.

The University of New Orleans Department of Planning and Urban Studies (UNO-PLUS), on behalf of their client, the Crescent City Community Land Trust, Inc. (CCCLT), has created this report to determine the viability of bringing expiring LIHTC properties into a community land trust (CLT). While CLTs are a proven model for maintaining the long-term affordability of housing units, their role in preserving expiring LIHTC properties is untested.

In this report we: 1) examine the potential role of CLTs in preserving LIHTC properties; 2) evaluate the 20 expiring LIHTC projects within Orleans Parish to identify those best suited for conversion to tenant-ownership under a CLT model; 3) develop a recapitalization strategy for the selected projects; and 4) recommend modifications to the Louisiana Qualified Allocation Plan (QAP) that extend the affordability of LIHTC properties and incentivize conversion to tenant-ownership.

## Expiring LIHTC Projects for CCCLT to Consider

- ***Cabbage Alley Apartments***, 2103 Baronne Street, Central City neighborhood
  - Multifamily building with 10 2-bedroom units
  - End of 15-year affordability period: 2012
- ***Congress Square Apartments***, 1401 Congress Street, St. Claude neighborhood
  - Scattered-site buildings with a proposed conversion of 32 one-bedroom units to 16 two-bedroom units
  - End of 15-year affordability period: 2013
- ***Loyola Landmark Apartments***, 3309 Loyola Avenue, Central City neighborhood
  - Scattered-site buildings with a proposed conversion of 10 one-bedroom units, 21 two-bedroom units and 4 three-bedroom units into 15 owner-occupied doubles
  - End of 15-year affordability period: 2013

## Recapitalization Findings

- Recapitalizing through a CLT owned and operated rental model results in monthly charges that are affordable to current residents but does not eliminate the perpetual cycle of recapitalization.
- Recapitalizing through a CLT homeownership model creates permanently affordable units but will need significant homeowner subsidy to result in sales prices affordable to current low-income residents.

## Qualified Allocation Plan (QAP) Recommendations

### *Preservation*

- Require that all projects enter into a 15-year extended affordability period, increasing the total affordability period to 30 years.
- Incentivize long-term affordability beyond the minimum 30-year affordability period by increasing the points awarded for preservation.
- Allocate 5% of the total annual LIHTC allocation to projects made permanently affordable through shared equity ownership or rental opportunities.
- Allocate 10% of the total annual LIHTC allocation for the recapitalization and preservation of existing affordable housing units.

### *Tenant-ownership:*

- Require developers to ensure affordability for a full 30 years or offer homeownership opportunities to qualified residents in year 15.
- Extend existing 10 points available to lease purchase opportunities for Section 8 tenants to tenants in all LIHTC properties.

### *Superior Design:*

- Clarify how design standards can ensure the construction of quality-built LIHTC units that lend themselves to eventual homeownership.
- Create a minimum design threshold for developers looking to preserve long-term affordable housing or convert to tenant-ownership.
- Eliminate the points awarded in the QAP for design categories that are also incentivized within the Superior Design Scorecard. Allocate points “liberated” from repetitive design categories to strengthen incentives for permanent affordability.

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# I. Introduction

The primary mechanism for the creation of affordable rental housing in New Orleans and throughout the country is the Low Income Housing Tax Credit (LIHTC) program (Schwartz, 2010). Congress created the LIHTC program in 1986 with a 15-year affordability compliance period monitored by the Internal Revenue Service (IRS). In 1989 this compliance period was extended from 15 to 30 years. Despite these changes in the IRS code, preserving affordability of LIHTC units remains a challenge. After the initial 15-year compliance period the burden of monitoring affordability and programmatic compliance shifts from the IRS to individual states; however many states lack the capacity for effective monitoring. Meanwhile, the costly repairs and replacements typically needed after the 15-year mark create demand for the use of additional LIHTC funds to recapitalize existing rental stock. These stresses combined with a loophole in the IRS code allow, and even encourage, LIHTC property owners to sell projects in year 15 on the open market and opt out of all affordability restrictions.

The need for affordable housing is particularly great in New Orleans where the local economy remains dependent on low-wage workers and where post-Katrina housing costs remain stubbornly high, despite the large number of vacant homes (Plyer, Ortiz, Turner, & Pettit, 2009). At the same time, more than 1,150 affordable LIHTC units are at risk of being lost throughout the city over the next ten years as they come to the end of their 15-year IRS compliance period. New, innovative solutions are needed to ensure those units remain safe and affordable.

UNO-PLUS has created this report to address the issue of expiring LIHTC properties in New Orleans by helping the Crescent City Community Land Trust, Inc. (CCCLT) explore the viability of bringing expiring LIHTC projects into their inventory. While CLTs are a proven model for maintaining the long-term affordability of housing, their role in preserving expiring LIHTC properties is untested. This report consists of VI sections. In section II we examine the potential role of CLTs in preserving the affordability of LIHTC properties, discuss the opportunities and challenges of converting LIHTC rental units to tenant-ownership, and provide examples of LIHTC conversions to other forms of shared equity housing. In section III, we describe the 20 LIHTC projects in New Orleans due to expire between 2012 and 2022, and identify those best suited for conversion to tenant-ownership under a CLT model. Next, in section IV, we develop a recapitalization strategy to determine the viability of acquiring the selected LIHTC projects. Based on an analysis of Qualified Allocation Plans (QAPs) for all 50 states and Washington D.C., we recommend modifications to the LA QAP that extend the affordability of LIHTC properties and incentivize conversion to tenant-ownership. We conclude by discussing areas for future research.

## About the Client

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The Crescent City Community Land Trust (CCCLT) is helping New Orleans get back on its feet by partnering with trusted community groups. Its goal is to foster vibrant neighborhoods filled with high-quality homes that are affordable and businesses that provide desired goods, services and jobs. The CCCLT revitalizes neighborhoods in New Orleans through three interrelated stewardship initiatives:

- **Commercial** – The CCCLT secures properties for small businesses, providing residents with jobs and places to shop. They partner with neighborhood groups, developers and businesses to foster commercial initiatives, such as grocery stores.
- **Residential** – CCCLT homes are sold to families at prices well below market value, and the land is leased to them on a long-term basis. Families benefit by gaining a foothold into homeownership and by building assets and wealth. The CCCLT also maintains on-going relationships with their homeowners and residents to ensure continued success. Residential land trusts can be structured as ownership of homes or condominiums, or as long-term, affordable rentals.
- **Vacant Land** – The CCCLT also partners with neighborhood groups, community development corporations and others to promote well-managed use of vacant lots that contribute to healthy neighborhoods, while ensuring continued community benefit regardless of how the land may be used in the future. The CCCLT repurposes vacant land with uses such as urban forests, parks, pathways, green space and community gardening.

## About the Authors

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The University of New Orleans Department of Planning and Urban Studies (UNO-PLUS) has been an important regional institution helping to train leaders in urban issues for over 40 years. As New Orleans and the Gulf Region continue to rebuild after Hurricanes Katrina and Rita, program faculty and staff uphold this tradition of leadership by being at the forefront of recovery planning and research.

The department's Master of Urban and Regional Planning (MURP) program is currently the only accredited professional planning program in the state of Louisiana. The Community Development Finance Practicum provides advanced MURP students in the housing and community economic development specialization a practicum-based forum to apply their technical and analytical skills developed through their planning coursework. Students work in small teams, under the supervision of the course instructor and a professional "finance coach", to advance a community development finance project in collaboration with a client.

## II. Expiring LIHTCs and the Role of CLTs in Preservation

### About LIHTC and the Year 15 Issue

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Established by the Tax Reform Act of 1986, the Low Income Housing Tax Credit (LIHTC) program provides market incentives for the development or rehabilitation of rental housing affordable to households with incomes equal to or less than 60 percent of area median income (AMI). In its more than 25 year history, LIHTC has become the largest program in the United States for affordable rental housing production, having helped fund the development of more than 2.4 million housing units (Affordable Housing Finance, 2011).

The federal government issues tax credits to state housing finance agencies (HFAs) annually based upon the state population. Each state drafts a qualified allocation plan (QAP), the principle document used to determine which housing developments receive tax credits during a given allocation period (UNO-PLUS, 2011, p. 21). Developers sell tax credits to investors in exchange for equity, who in turn get ten years of tax credits based on the cost of construction (Schwartz, 2010).

Properties financed with tax credits must remain affordable to low-income individuals for 15 years from the date they are placed in service. Projects failing to remain affordable during this compliance period are subject to having their tax credits recaptured by the Internal Revenue Service (IRS). Despite changes to the LIHTC program in 1989 that extended the affordability period of these units from 15 to 30 years, year 15 remains a critical juncture in the life of LIHTC projects.

Projects reaching year 15 remain at risk of losing their affordability for a number of reasons. First, after year 15, monitoring responsibility shifts from the IRS to state HFAs, which can pursue legal action if projects fall out of compliance, but lack the authority to reclaim tax credits. Secondly, the limited partnerships managing tax credit projects expire at year 15, increasing the likelihood of an ownership change and conversion to market rate rentals. Finally, after 15 years, many properties require repairs and updates, such as new appliances, windows, or roofs and LIHTC properties commonly lack adequate reserves to address these issues. The limited cash flow these projects generate is often insufficient to refinance on the private market, creating a demand for the use of additional LIHTC funds to recapitalize and preserve existing LIHTC housing (Novogradac & Company, LLC., 2011; Schwartz and Melendez, 2008; Melendez, Schwartz, and De Montrichard, 2008). HFAs are left in the difficult position of having to decide how much LIHTC funding to allocate for the construction of new affordable rental housing versus the preservation of the existing LIHTC stock.



## About Community Land Trusts (CLTs)

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Community Land Trusts (CLTs) are an innovative means by which to preserve affordable housing. CLTs are a form of shared equity homeownership that preserves affordability in perpetuity by maintaining ownership of the land and requiring a limited resale formula on the home. The contemporary model for CLTs emerged in the United States in 1969 with the founding of New Communities, Inc. Designed with the goal of assisting and empowering disenfranchised sharecroppers in the South, the nonprofit organization sought to acquire and hold land in perpetuity on behalf of rural communities (White, 2011).

Today's CLTs continue to focus on individuals' access to transformative wealth building opportunities through a shared equity model. Community-based organizations purchase properties and legally separate the building from the land. The community-based organization retains ownership of the land and sells the home to an income eligible homebuyer. The ongoing relationship between the community-based organization and the homeowner (and the land and the home) is governed through a ground-lease (Davis, 2006). Those owning homes on CLT land have rights and privileges of note, including "privacy of use, equity on resale . . . a legacy for one's heirs, and the right to control and to change one's own living space according to personal preferences and needs" (Ibid., p.19). These rights are important, as they are integral to traditional homeownership ideals.

Beyond benefits to the individual, the ground lease model used by CLTs contributes to the stability of communities in a number of ways. First, the ground lease prohibits absenteeism, ensuring that CLT homeowners are present neighbors and therefore more likely to be invested in the surrounding community. Second, CLT homeowners have equity and contractual obligations related to maintenance, capital projects and repairs. This investment ensures CLT properties do not contribute to blight and other neighborhood depreciation, aiding in retention of property values for individuals and the community (Davis, 2006). Stable property values allow neighborhoods to stave off the impacts of gentrification and destabilization (Ibid.). Finally, CLTs preserve the public investment that originally created the affordable housing by restricting the sales price. The recaptured subsidy can then be used to assist another low-income family (Ibid.).

## The Potential Role of CLTs in Preserving LIHTC Properties

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As a proven model for maintaining the long-term affordability of housing units, CLTs are an interesting, though underexplored option for the preservation of expiring LIHTC properties. CLTs, with their dual emphasis on the long-term stewardship of affordable housing and commitment to its homeowners, are uniquely positioned to address the risks facing aging tax credit properties and provide benefits beyond those available to LIHTC renters.

First, CLTs take a long-term perspective on preserving affordable housing units. While there is no consensus within the sector as to the precise definition of "long-term," most CLTs seek to preserve affordability in perpetuity (Davis, 2010). The CLT's long-term perspective on affordability is enacted through the model's commitment to retain and recycle the public

subsidy invested in projects so as to ensure that housing is affordable generation after generation. As discussed above, LIHTC's short-term perspective means that projects need a new infusion of capital every 15 years, increasing demand for limited LIHTC funds. If a CLT were to take out the limited partnership of a LIHTC property in year 15, the initial public subsidy used to create the affordable LIHTC units would be preserved in perpetuity.

Second, CLTs have an ongoing and supportive relationship with their homeowners. They require, and often provide, pre- and post-purchase homeowner education, "oversight, and support to preserve affordability, promote sound maintenance, prevent foreclosures and ensure the longevity and success of the home ownership opportunity" (Thaden, 2011, p. 2). These backstopping measures have enabled low-income, first-time homebuyers to become and remain successful homeowners. A recent study conducted by the Urban Land Institute found that "over 91% of [CLT] buyers were still homeowners after five years, much higher than the national norm of 50 percent for first-time, low-income homeowners" (Temkin et al, p. V). CLT homeowners have lower rates of default and foreclosure compared with national, conventional mortgage loan holders, largely due to the security and investment provided by the CLT model (Thaden, 2011). These backstopping measures are especially important in transitioning LIHTC renters into homeowners.

It is important to note that CLTs can be mixed-purpose models, dedicating units to both homeownership and rental. This twin approach broadens the reach and impact of CLTs in low-income communities where some families are not yet ready or able to transition to homeownership. Some states require that LIHTC projects give local governments or nonprofits the right of first refusal in situations where the owner is seeking to sell properties financed with tax credits (Achtenberg & Norton, 2002). CLTs, as community-based nonprofits, are viable candidates for such a purchase. If a CLT were to convert an expiring LIHTC project to a CLT rental project, the initial LIHTC subsidy would be preserved and the CLT would provide ongoing affordable rental opportunities to low-income families. This model would not, however, eliminate the need for additional and ongoing public subsidy to recapitalize the project every 15-20 years. (For a more thorough discussion, see Section V).

The general public's unfamiliarity with how the CLT model works as well as existing municipal and state level reluctance to consider an unfamiliar system may limit LIHTC developers' ability to view CLTs as viable partners or buyers. There are also potential funding hurdles from the mortgage lender's position related to the specificity of the tenants and homeowners' income level, their consequent viability as mortgagees, foreclosure procedure (when necessary) and issues related to the separation of land and structure (White, 2011).

A strong messaging campaign on behalf of the CLT that actively involves community partners is an important step in clarifying the mission of the organization, and detailing the individual and community benefits of the CLT. The CLT model is no longer "new" and is expanding in communities across the United States. This increased visibility and practice provides data on CLTs related to homeownership demographics and default rates, all of which can be used to answer banks' and municipalities' questions related to viability and funding. The national

successes of CLTs can translate into broader community support and increase members' ability to access financing for purchasing CLT homes (White, 2011).

## Opportunities and Challenges of Converting Rental Units to Tenant-Ownership

While the CLT model can incorporate both homeownership and rental units, it is most commonly used to expand homeownership opportunities for low- and moderate-income households. Seeking to recapitalize, renovate, and convert occupied rental units to CLT homeownership units comes with a unique set of opportunities. First and foremost, offering homeownership opportunities to existing LIHTC residents allows low-income families to build transformational wealth that may not otherwise be available to them. Existing tenants have already committed to the neighborhood and their unit and may be eager to purchase the home in which they already live. Additionally, low-income families may need a year or more to become “mortgage ready”. To be “mortgage ready” means that the tenant has attended homebuyer education classes and acquired liquid assets for the down-payment, closing costs and escrows associated with purchasing a home, as well as at least two-months of mortgage payments in reserves. Starting to work with tenants in years 10 or 12 of the compliance period can help guarantee that residents will be ready and eligible to purchase their unit in year 15.

Converting to homeownership with tenants in place also brings unique challenges. First, if the project needs moderate or substantial renovations, the developer will need to temporarily relocate tenants either to comparable vacant units within the project or to comparable units in the surrounding neighborhood. Developers must comply with the federal Uniform Relocation Act, which “establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms” (HUD, 2010). Under this act, the developer must provide adequate relocation notice to tenants, help them find a suitable unit, and pay for all moving costs as well as any difference between their current rental payments and those charged in the new unit. Relocation is stressful for tenants and expensive for developers—especially if there are insufficient vacant units within the project for displaced tenants.

Second, the developer must be able to offer the units at a price that existing residents are able to afford. Table 1 includes estimates of affordable sales prices in New Orleans using 2012 allowable LIHTC rents.

**Table 1: Orleans Parish 2012 Purchase Prices Based on Affordable Monthly Payments**

<b>% AMI</b>	<b>Efficiency (1 person)</b>	<b>1BR (2 people)</b>	<b>2BR (3 people)</b>	<b>3BR (4 people)</b>	<b>4BR (5 people)</b>	<b>5BR (6 people)</b>
<b>120%</b>	\$211,571	\$248,280	\$284,990	\$321,107	\$350,711	\$380,315
<b>100%</b>	\$168,744	\$199,335	\$229,926	\$260,023	\$284,693	\$309,364
<b>80%</b>	\$125,916	\$150,389	\$174,862	\$198,940	\$218,676	\$238,412
<b>60%</b>	\$83,089	\$92,168	\$119,798	\$145,258	\$167,362	\$189,269
<b>50%</b>	\$61,675	\$76,971	\$92,266	\$107,315	\$124,584	\$131,985
<b>30%</b>	\$18,848	\$28,025	\$37,203	\$46,232	\$53,633	\$61,034

Note: Figures rounded to nearest dollar.

Source: Calculated by authors with data from Novogradac and Company, LLC, and the Providence Community Housing Soft-Second Calculator

In Table 1, we assume that the existing 2012 rental limits will be equal to the total monthly mortgage payment (principle, interest, taxes and insurance) upon sale. Since property insurance is high in New Orleans, homebuyers' borrowing capacity is severely limited. Consequently, affordable sales prices tend to be below market rate. Because the monthly mortgage payments would be comparable to what tenants are already paying in rent, it is safe to assume that they will be able to afford the payments. However, what these calculations do not account for is the amount of other debt that tenants manage on a monthly basis. Data on low-income, first-time homebuyers from a local non-profit developer found that families in a similar income range could only afford, on average, to borrow \$66,000 regardless of bedroom size (Providence Community Housing, 2012). In this case, the developer will either need to sell the units at a further loss or find additional subsidy to fill the gap between what the tenants can afford to pay on a monthly basis and what the developer needs to bring in as profit in order to exit out of the LIHTC program.

## Conversion of LIHTC Properties to Homeownership Through Other Mechanisms

While the role of CLTs in the preservation of expiring LIHTC properties is untested, there are examples of LIHTC conversion to other forms of shared equity housing as well as LIHTC lease purchase programs. These examples are instructive to CLTs interested in acquiring expiring LIHTC units as all of these mechanisms can be utilized in combination with a CLT model.

### LIHTC Lease Purchase Programs

The lease purchase model is relevant to this discussion as many affordable housing advocates in recent years have pushed state HFAs to include lease purchase programs in their QAPs. The inclusion of this mechanism helps to provide an alternative outcome for expiring LIHTC properties. Currently, nine states – AZ, DE, GA, IN, MS, NV, OH, TN and LA (Section 8 only) -- incentivize lease purchase agreement through their QAPs.

Lease purchase programs provide tenants with an option to buy their existing unit at some point in the future. Though the model can be designed a number of different ways, generally

the arrangement is structured in a manner which allocates a portion of the monthly rent toward a future down payment on the property's mortgage. Such an arrangement is usually employed with households that have credit issues or that lack the financial resources for a down payment.

The benefits of the lease purchase model are numerous. Instilled with a sense of ownership, lease purchase tenants are more likely than regular renters to take care of their property. Additionally, lease purchase models expand the homeownership market to a broader level of incomes, which allows lenders to assess a tenant's readiness to be a homeowner, and motivate potential homeowners to save money for a down payment or to improve their credit.

Though lease purchase can serve as a bridge between renting and owning, such an arrangement should not be entered into haphazardly as the model suffers from a number of drawbacks. First, the lease purchase model requires a substantial amount of effort to manage operations and to structure the finances; in order to manage operations a staff is needed to ensure that the homes are being taken care of and to provide homebuyer counseling to clients. Second, tenants unable to pay rent or to suitably maintain the property can often be difficult to evict, as they tend to see the unit as their own. Third, turnaround times for property owners looking to refill vacant units are usually quite long, primarily due to homebuyer screening and prep work. And lastly, depending on funding stipulations, this model may force the property manager to sell units during poor market conditions. Such a predicament could result in a property owner returning all or a portion of funding, should he or she be unable to find viable tenants (Levi, 2009).

The difficulty of operating a lease purchase program is made all the more challenging when the model incorporates scattered property sites. Decentralized properties make daily operations and property management extremely difficult. In his report on scattered site rental housing, *Stabilizing Neighborhoods Impacted by Concentrated Foreclosures*, Levi (2009, p. 28) offers the following suggestions for scattered site property owners:

- Aim for a geographic concentration of similar property types.
- Aim for standardized specifications when conducting rehabilitation of properties.
- Utilize new technology in the property management and rehabilitation process.
- Bundle multiple properties into a single LIHTC or mortgage deal.
- Balance your mission objective with your profit objective.

Though there are challenges to a lease purchase program, this model has been adopted and implemented with considerable success in many different communities. Two such places are Southern Cook County, with New Cities CDC, and Cleveland, with the Cleveland Housing Network (CHN).

In the case of New Cities CDC, the organization's evolution offers important lessons for other emerging lease purchase programs on how best to guard against the model's weaknesses. New Cities CDC was not an immediate success; only after ten years of setbacks and hard lessons did the organization begin to build its successful lease purchase program. According to Goldsmith and Holler (2010, p. 4), the experience of the New Cities CDC offers the following guidelines regarding lease purchase models:

- Develop strong systems infrastructure, including home buyer education and counseling programs, pre- and post-purchase counseling, strong lease and asset management, and good up-to-date accounting and document management systems.
- Create quality-housing stocks built for sustainable homeownership.
- Choose properties wisely and focus on markets with relative strengths.
- Focus on identifying candidates that are serious about homeownership.

The Cleveland Housing Network (CHN) is important in that it serves as an example of how to integrate the LIHTC program with a lease purchase program. Recognized as one of the most successful models, CHN's scattered site lease purchase program is currently the largest in the country. The program works as follows:

- Financing – Each year CHN establishes site control of 50-100 scattered site single-family homes and establishes a Limited Partnership. An application is then submitted to the Ohio Housing Finance Agency for tax credits.
- Development – Once the credits are awarded (typically 1-2 projects a year), and construction is completed, homes are turned over to CHN's property management for lease-up and 15-year management.
- Application – Families apply for the program through CHN or one of its CDC partners. Prospective tenants must not exceed income limits and must complete homeownership classes.
- Responsibilities – CHN handles large maintenance and mechanical repairs. Residents must provide basic "loving-care" maintenance of the home and yard.
- Preparation – CHN works with residents through counseling and classes to help them qualify for an affordable, fixed-rate mortgage. At the end of the 15-year compliance period, the home is sold for the outstanding debt, and the equity is granted to the homeowner (CHN, 2010).

The lease purchase model can be used in conjunction with a CLT. In this case, the CLT, like the CDC described above, retains permanent ownership of the land and temporary ownership of the home. During that time, tenant pays rent to the CLT until they are mortgage ready and purchase the home under the CLT model of homeownership.

### Limited Equity Cooperatives (LECs) and Affordable Condominiums

In a Limited Equity Cooperative (LEC), homebuyers purchase shares in the cooperative but do not receive a deed to the unit. The LEC limits the appreciation rate for a member's equity and restricts the resell price of their shares, thereby retaining affordability in perpetuity. In 2002 the Chicago Mutual Housing Network and Bickerdike Redevelopment Corporation entered into a limited partnership, and using LIHTC funds, developed a 31-unit cooperative called Nuestro Hogar. During the 15-year compliance period, the limited partners leased the property to the cooperative under a long-term master lease (Chicago Mutual Housing Network, 2004). While LIHTC program restrictions prohibited cooperators from realizing the financial benefits of cooperative homeownership during the 15-year compliance period, the leasehold cooperative allowed residents significant control over property management. The monthly charges paid by the leasehold co-op members were used to cover the property's debt service, operating expenses, and reserves. Also, a portion of the payments was set aside each month in a fund designated for the residents' eventual purchase in year 15. LECs are a useful mechanism for a CLT to utilize when handling multifamily housing. If layered with a CLT, the CLT would retain ownership of the land, the LEC would own the building and the residents would own shares in the LEC.

In an affordable multi-family condominium, condo-owners have title to their individual apartments but the condominium corporation retains ownership of the common systems and areas (like hallways, the roof and the plumbing inside the walls). In 1993 the national for-profit developer McCormack Baron Salazar built an 84-unit development called Quality Hill with LIHTC funding in Kansas City, MO. In 2006, with the approaching expiration of the LIHTC units, the developer wanted to convert the property to affordable condominium ownership. They requested a Private Letter Ruling (PLR) from the IRS. A PLR is the IRS's response to a request from an individual (or organization) seeking for a change to a particular set of facts or circumstances related to tax law; it is only binding between the individual and the IRS. This PLR enabled the state housing agency and the developer to extend affordability requirements in homeownership form at the end of the 15-year compliance period. The PLR was granted and acknowledged the tenant right of first refusal to purchase a unit as a part of the affordable condominium conversion plan (Bramlet, 2007).



### III. Expiring LIHTC Projects for Possible CLT Inclusion

#### LIHTC Property Summary

Between 2012 and 2022, 20 LIHTC projects in Orleans Parish will reach the end of their 15-year affordability period. These projects, which provide 1,169 units of affordable housing, are spread throughout the city (Table 2). The locations of the 20 properties are as follows: 4 in Central City, 4 on the West Bank, 3 in Mid-City, 1 in Treme, and 2 in each of the following neighborhoods--New Orleans East, St. Claude, Garden District, and Gentilly (Figure 1) (LA LIHTC Dataset). We include detailed descriptions of each project in Appendix 2.

Eight projects have for-profit sponsors and twelve have non-profit sponsors. Non-profit sponsors are more likely than their for-profit counterparts to preserve affordable units given their social mission to protect low- and moderate-income tenants from displacement (Achtenburg & Norton, 2002). Furthermore, Section 42 of the Internal Revenue code authorizes the LIHTC partnership to grant non-profits the right of first refusal to purchase properties at year 15, and at least 10 percent of all tax credits nation-wide are allocated to nonprofit developers each year (Achtenburg, et al., 2005). For-profit sponsors may lack a social mission mandating long-term affordability and may therefore be more likely to transition to market-rate rentals after the 15-year obligations expire.

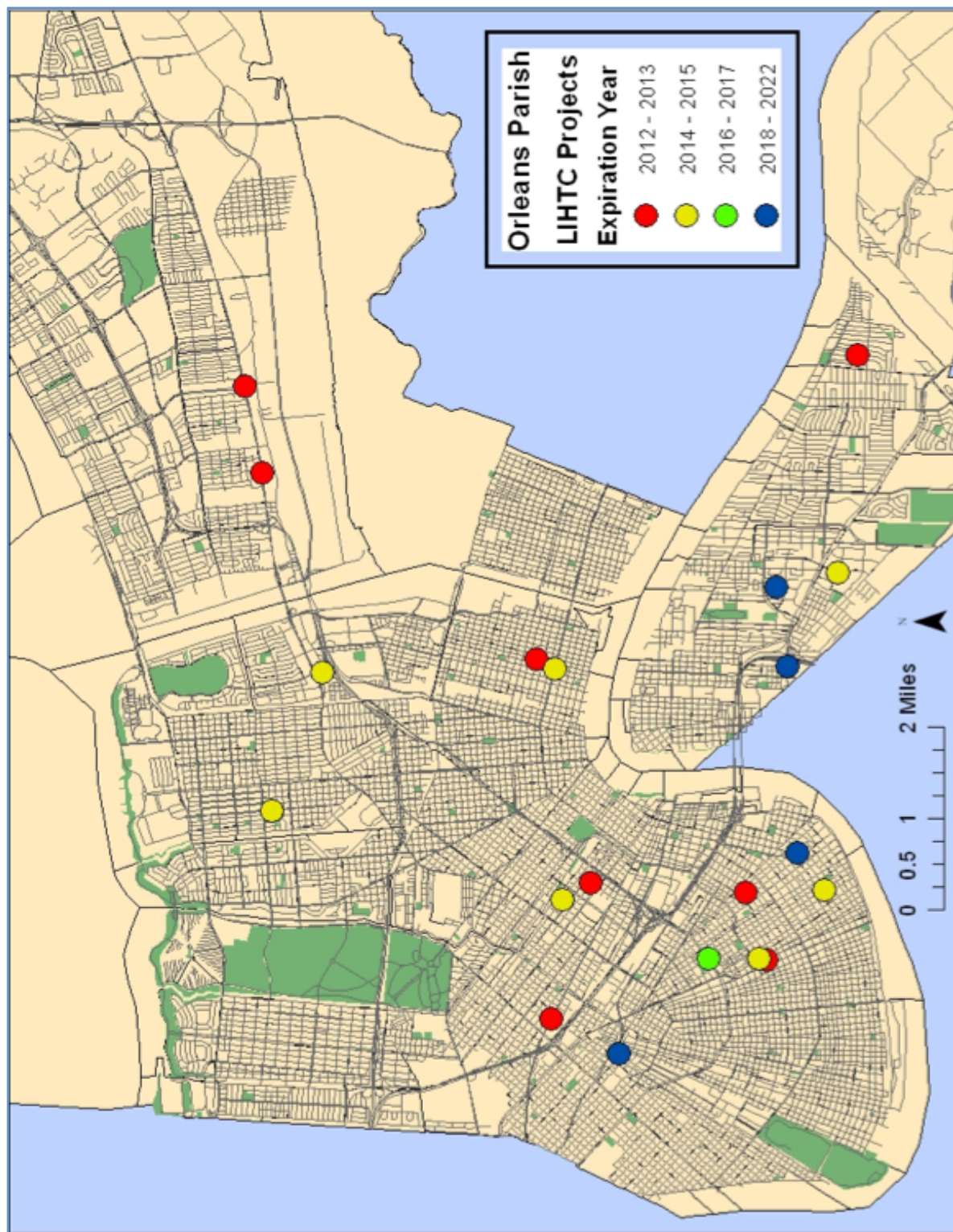
**Table 2: Number of Expiring LIHTC Projects and Units in Orleans Parish, 2012-2022**

	Total Number of Projects	Total Number of Units
2012 – 2013	8	457
2014 – 2015	7	544
2016 – 2017	1	30
2018 – 2022	4	138
<b>2012 – 2022</b>	<b>20</b>	<b>1,169</b>

Source: UNO-PLUS (2011). LA LIHTC Dataset.



Figure 1: Expiring LIHTC Properties in Orleans Parish, 2012-2013, 2014-2015, 2016-2017, and 2018-2022



Source: UNO-PLUS (2011), LA LIHTC Dataset, New Orleans, LA.

## Methodology for Evaluating LIHTC Projects

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To identify the expiring LIHTC projects most suitable for conversion from rental housing to tenant-owned homes (or a mix of rental and tenant owned units) under the CLT model, the UNO-PLUS team developed a database of all LIHTC projects in Orleans Parish set to expire between 2012 and 2022. We identified the expiring projects from the LA LIHTC Dataset, a dataset of all LIHTC projects placed in service in Louisiana between January 1987 and December 2010 created by the 2011 UNO-PLUS Community Development Finance Practicum team. The 2011 team developed the LA LIHTC Dataset for the Louisiana Housing Finance Agency (LHFA) from the HUD LIHTC User database, LHFA 2010 Pipeline reports and LHFA staff assistance.

To supplement the LA LIHTC Dataset, we conducted windshield surveys of each project to determine structure type and condition and identify neighborhood and project-based amenities. We obtained further information about the properties through the Orleans Parish Assessor's website and an online database of HUD LIHTC data --[www.lithc.findthedata.org](http://www.lithc.findthedata.org). Some of the information, was inaccurate or difficult to obtain. To verify secondary data and obtain information about occupancy and turnover, the income level of tenants, rehabilitation needs, debt levels, and owner intentions after year 15, we developed a brief questionnaire for the property manager or owner of each project (Appendix 1). We distributed the questionnaire via email and requested a brief in-person or telephone interview.

We encountered an unexpected number of difficulties in identifying and locating the owners of the projects. Of the twenty properties, at least 4 had fallen out of compliance, and 2 of the 4 had been reduced to concrete slabs. Most of the projects are no longer owned by the entity that developed them despite the fact that changes in the ownership of LIHTC projects before year 15 are rare (Smoot, 2012). This hindered our ability to obtain detailed information relevant to selecting the projects most suitable for the CCCLT and developing a recapitalization strategy. We suspect the difficulties we faced were due to insufficient record keeping procedures at the city and state level, exacerbated by the extreme difficulties getting affordable housing back online after Hurricane Katrina. Despite these setbacks, we were able to interview several local developers who had been involved with the projects and thus, we were able to obtain sufficient information to proceed with our analysis.

Relying upon secondary data, our interviews, and our windshield survey, we ranked the 20 projects according to their assessed level of suitability for inclusion in the CCCLT—good, average, and poor. Though no one property fit all of the criteria for a specific tier, the framework provided a mechanism for comparing and contrasting the projects. We evaluated neighborhood-level criteria independently of site-specific criteria. We determined that both sets of criteria were equally important, with the weight of each set varying, depending upon individual developers' priorities or concerns. Thus, a property that ranked good on site-specific criteria in an average neighborhood may or may not be preferred over an average property in a good neighborhood.

## Criteria to Evaluate Homeownership Conversion Potential

### Neighborhood Criteria

Physical location is an important consideration in determining how appealing a LIHTC conversion will be to potential homebuyers. According to Andreanecia Morris, Vice President of Homeownership and Community Development at Providence Community Housing, location is the single most important factor that determines the marketability of a house. In New Orleans, Morris contends, marketability is determined on a “block-by-block” basis given the variation in housing quality and amenities within neighborhoods. Because it was not feasible to conduct an objective, block-by-block analysis of the areas surrounding the expiring LIHTC projects, we chose factors we believe will give the CCCLT staff and board a good understanding of the amenities and planned public investments in the neighborhoods surrounding the LIHTC projects. We provide a list of the neighborhood criteria we used to evaluate the conversion potential of expiring LIHTC projects in Table 3.

**Table 3: Neighborhood Criteria Used to Evaluate Conversion Potential**

Neighborhood Criteria	Good	Average	Poor
Place-Based Strategy Area	Yes	No	-
Recovery Rate	80+	60-79	< 60
Walk Score	70+	50-69	< 50
Transit	Within 1/4 Mile	Within 1/2 Mile	>1/2 mile
Grocery Stores	Within 1/2 Mile	Within 1 Mile	> 1 mi away
Schools	Within 1/2 Mile	Within 1 Mile	> 1 mi away
Neighborhood Org.	Yes	No	-

**Place-Based Strategy Area:** The City of New Orleans defines Place-Based Strategy Areas as areas with concentrated public investment in infrastructure and amenities such as schools, parks and libraries (City of New Orleans, 2012). Currently there are 11 place-based strategy areas in the city. Targeting projects in these areas would enable the CCCLT to leverage its investments and have a greater impact on neighborhood revitalization.

**Neighborhood Recovery Rate:** The neighborhood recovery rate indicates the percentage of pre-Hurricane Katrina population that has returned to each neighborhood as of June, 2010 (Plyer, 2010). CCCLT investment in strong neighborhoods with high rates of repopulation and healthy market demand can preserve affordability for the neighborhood's low-income residents. Meanwhile, CCCLT investment can help stabilize neighborhoods with moderate levels of recovery.

**Walk Score:** Walk Score measures the walkability of a particular address. In locations with high Walk Scores, goods and services are easily accessible by foot necessitating less driving (Walk Score, n.d.). We ranked projects in walkable neighborhoods higher than those located in car dependent areas.

**Proximity to Amenities:** Living in close proximity to neighborhood amenities leads to a greater quality of life and eases the accommodation of day-to-day necessities. We ranked properties based on their proximity to full-service grocery stores,<sup>1</sup> public transportation (streetcar and bus stops) and schools.

**Neighborhood association:** An active neighborhood organization speaks to the strength of the neighborhood and can serve as a development partner. They are often helpful in maneuvering the political and social landscape of the community, making them beneficial partners and allies in affordable housing development projects (White, 2011).

### Site Criteria

To evaluate the physical aspects of the LIHTC projects, we considered factors such as building style and condition based on our windshield surveys of the 20 properties (Table 4). We also considered the presence of site- and unit-specific amenities that contribute to the desirability of the housing stock.

**Table 4: Site Criteria Used to Evaluate Conversion Potential**

Site Criteria	Good	Average	Poor
Building Style	Single-Family or Duplex	Fourplex or Apt. Building	SRO
Façade	Variety	Monolithic	-
Condition	No Visible	Minor Repairs	Serious Repairs
Predominant Unit Type	2 BR +	1 BR	Efficiency
Entrances	Private	Common	-
Air-Conditioning	Central	Window Units	None
Laundry	In-Unit	Common	None
Outdoor Space	Private	Common	None
Parking	Off-Street	On-Street	-
Tenant Organization	Yes	No	-

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<sup>1</sup> We included the following stores: Breaux Mart, Canseco's, Ideal Food Market, Langenstein's, Mardi Gras Zone, Robert's, Rouse's, Terranova Bros. Superette, Wal-Mart, Whole Foods, Winn-Dixie and Zara's.

### **Building Style (in order of desirability):**

- **Single-Family Detached & Duplex:** Most prevalent among homeowners, single-family detached and duplex properties provide the greatest sense of privacy and individual ownership (Britsch, McCune & Moore, 2007).
- **Fourplex & Apartment Buildings:** Fourplexes and apartments offer the opportunity to experience city living without the maintenance responsibilities of a single-family home and may appeal to select demographics (elderly, artists, young couples, etc.).
- **Single Room Occupancy:** These are generally not suitable for conversion to homeownership.

**Façade:** The exterior architectural features of a property are important to the curb appeal that attracts homebuyers. A mixture of texture and colors adds excitement and makes a property more visually interesting (Britsch et al., 2007).

**Condition:** Since we were unable to access the interiors of any of the projects or obtain capital needs assessments, we used the exterior condition of buildings to estimate the level of rehab a project may need. We defined minor rehab needs to be more cosmetic in nature: a fresh coat of paint, new windows or shutters. Major rehab needs include structural issues such as an unstable foundation or dilapidated roof. Put simply, properties that appear to be in good physical condition based on our windshield surveys are more desirable than those with obvious and severe maintenance issues.

**Predominant Unit Type:** We ranked projects according to their *predominant* unit type because most projects contain a mix of units. Larger units are more desirable to potential homeowners and provide greater flexibility for any necessary reconfiguration and thus, are given preference in our ranking system. Most of the homeownership units developed by area affordable housing providers are 3 bedroom units.

**Outdoor space:** Light-filled spaces are important to homebuyers (Britsch et al., 2007). Private outdoor space provides a greater sense of individual ownership than communal outdoor space.

**Parking:** Dedicated parking spaces are more convenient than street parking especially in higher-density neighborhoods and developments.

**Table 5: Breakdown of Projects based on Survey Results**

<b>Neighborhood Criteria</b>	<b>Good</b>	<b>Average</b>	<b>Poor</b>
Place-Based Strategy Area	6	14	-
Recovery Rate	9	11	-
Walk Score	5	9	6
Transit	8	12	-
Grocery	1	15	5
Schools	15	3	2
Neighborhood Organization	15	5	-
<b>Site Criteria*</b>			
Building Style*	8	9	1
Façade*	10	8	
Condition	5	10	3
Unit Types	6	10	2
Entrances*	8	10	
Outdoor Space	4	11	3
Parking*	12	6	

\* 2 Properties are slabs and therefore N/A, totals will be 18



## Properties for Possible Inclusion

To determine which LIHTC projects are most suitable for homeownership conversion and inclusion in the CCCLT inventory, we identified the properties that scored the highest on the greatest number of criteria (i.e. – received a “good” score in the most categories). In doing so, we found that the “best” projects are subject to long-term affordability restrictions and/or are age-restricted and thus are not suited for conversion to tenant-ownership in a CLT. For example, two projects that scored very high – Holy Angels and Louisiana Freedman Homes – both have long-term affordability restrictions and the former is age restricted.

The next step in our evaluation process was to eliminate from consideration those projects that could not be converted for the aforementioned reasons and re-evaluate the properties in the smaller list based on the neighborhood and site criteria. We selected three candidates based on their high rankings in both categories.

Two of the projects are located in Central City and one is located in the St. Claude neighborhood. All three are located in Place-Based Strategy Areas. The projects represent three distinct housing types (fourplexes, shotgun doubles and multifamily units) that may appeal to different segments of the homeownership market. All three may be suitable for a mixture of rental and homeownership opportunities.

### Cabbage Alley Apartments, Building at 2103 Baronne Street

Cabbage Alley is a scattered-site development in Central City consisting of three multi-unit buildings on Baronne Street and one on 2nd Street. Two of the four structures are apartment-style buildings restricted to residents over 55 years of age (35 1-bedroom units total). The third building is a 4-unit Greek Revival style duplex. The fourth building, located at 2103 Baronne Street, consists of 10-units (all 2-bedroom) with an appealing architectural style characteristic of New Orleans. We recommend that the CCCLT examine this last property for acquisition using a co-op or condominium model of ownership. While the 4-unit

building would also potentially work for these purposes, it may not have sufficient economies of scale on the operating side. Additionally, the windshield survey indicated a higher level of rehabilitation would be required for the 4-unit building. Placed in service in 1997, Cabbage Alley will reach the end of its 15-year affordability period this year.

**Figure 2: Cabbage Alley Apartments**



### Congress Square Apartments

Congress Square is located in the St. Claude neighborhood, a few blocks from St. Claude Avenue, and is composed of 31 1-bedroom units (plus a rental office) located in townhouse style buildings. Because the development is contained on a single site, common-area maintenance and other management expenses would be lower compared to scattered-site projects. To increase the marketability of these units there is the potential to convert the 32 rental units into 16 larger 2-bedroom, 2-bathroom units and build individual entrances. Doing so, however, requires the reduction of affordable rental units and the permanent relocation of tenants, both of which could conflict with the CCCLT's preservation mission. Congress Square was placed in service in 1998 and will reach the 15-year mark in 2013.

**Figure 3: Congress Square Apartments**



### Loyola Landmark Apartments

Loyola Landmark is located in Central City, between St. Charles and Claiborne Avenues, and is composed of 35 scattered-site units in 15 buildings (10 1-bedroom, 21 2-bedroom and 4 3-bedroom units). The units are shotgun doubles, a style that best exemplifies New Orleans' unique architecture and blends in well with the surrounding neighborhood. We were unable to determine whether the units are contiguous or scattered throughout the neighborhood. Depending on the breakdown of the units within the buildings, this project may present an opportunity to do a mix of rental and homeownership. It is possible that the units could be configured to accommodate a homeowner with an additional attached 1-bedroom unit that the homeowner could rent out. A total homeownership conversion would result in a project of 15 homeownership units and another 15- 20 rental units. We believe that this project type is the best model for conversion due to the number of units, the structure type (shotgun doubles) and the possibility it presents for diversifying the CCCLT portfolio by acquiring a combination of homeownership and rental units. As with Congress Square, however, reconfiguring the units may reduce the number of affordable rentals and require the permanent relocation of tenants. Loyola Landmark will also reach the end of its 15-year affordability period in 2013.

**Figure 4: Loyola Landmark Apartments**





## IV. Recapitalization

### The Recapitalization Challenge

The acquisition and rehabilitation of a LIHTC project coming out of a 15-year affordability period is likely to involve repairs or substantial rehabilitation of major mechanical systems. Many LIHTC projects operate on very thin margins and lack the reserves necessary to fund major systems repairs (Achtenberg et. al, 2005). Thus, these repairs are deferred and must be addressed by a new owner upon acquisition of the project.

The properties we examined were not developed with the idea of eventual conversion to homeownership in mind. It is reasonable to assume that the amount of rehabilitation required to make these properties marketable to potential homeowners will be substantial. This is especially true given the high quality of affordable homes currently on the market in Orleans Parish (Figure 5).

**Figure 5: New Affordable Construction in Orleans Parish**



### Recapitalization Funding Sources

The UNO-PLUS team identified a variety of funding sources that the CCCLT can access to acquire and rehab an expiring LIHTC project (Appendix 3). However, there are challenges inherent in layering funding from various sources. For example, each source has specific restrictions related to how the funds can be used: such as for acquisition, rehabilitation and/or new construction. Additionally, each source is designed to help finance a specific type of affordable housing project. Some government program funds are only eligible for rental, homeownership or mixed-use developments.

Most programs target tenants or homeowners with incomes between 50 and 120 percent of AMI and preference may be given to projects undertaken in combination with other community or economic development initiatives. Community Development Block Grants (CDBG), the HOME Investment Partnership Program (HOME), Historic Tax Credits, LIHTC and the Federal Home Loan Bank's Affordable Housing Program (AHP) are all subject to additional restrictions when they are used in combination with each other or federal programs. The UNO-PLUS team chose to consider these five sources for the recapitalization model because they: 1) are targeted at the income levels of current LIHTC residents (60% of AMI) as well as at the income ranges that CLTs generally serve (50-80% of AMI); 2) are flexible in the sense that they can be used for a wide range of housing development activities; and 3) are commonly used in combination with one another which should simplify the underwriting approval of a complex

deal as much as possible. Due to programmatic restrictions, LIHTC and historic tax credits can only be used in financing CLT rental projects. CLT homeownership projects, thus, need additional homeownership subsidy to fill the equity gap.<sup>2</sup>

Subsidies from the federal government are limited and highly sought after because they can be used to leverage state and local sources of funds, and negotiate favorable terms on conventional mortgages. Access to these funding sources is in no way guaranteed; often non-profits or local municipalities are in direct competition for these funds. Supplemental funding from foundations and state or local government programs is available to cover gaps in financing and may be tailored to meet specific or local needs (such as energy efficiency). It should be noted that all sources of funding have their challenges related to uses, types of projects and combining subsidies.

We evaluated the use of tax-exempt bonds as a means to finance a LIHTC conversion as tax-exempt bonds provide a substantial source of equity capital and pair well with the use of LIHTC. However, due to high transaction costs, bond financing is typically feasible only on larger scale projects. None of the projects we examined meet the threshold to justify a bond issue.<sup>3</sup> Limited political support at the state level for the use of tax-exempt bonds to fund affordable housing in New Orleans further restricts the viability of bond financing in this scenario.<sup>4</sup>

## Modeling CCCLT Recapitalization Scenarios

To estimate the viability of the CCCLT acquiring and rehabilitating the projects we identified in Section 3, we constructed operating pro forma for each project. In each pro forma we developed two scenarios. In the first scenario, the CCCLT acquires the project with LIHTC and continues to operate it as an affordable rental property. In the second, the CCCLT acquires the property and converts the rental units to homeownership units. The first scenario serves as the control in this comparison as it approximates the costs of maintaining the status quo of rental affordability, while introducing the CCCLT as the permanent steward of the underlying land.

Because we faced significant challenges in obtaining all of the information necessary for our analysis, our assumptions of funding sources and cost estimates are based on local and national standards (Table 6). In both scenarios we assumed substantial rehabilitation would be required and funded through a construction loan. We also assumed the CCCLT would use common sources of affordable housing funds to finance the development. Our models are

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<sup>2</sup> For an excellent resource on combining funding sources in affordable housing projects see Landes, 2005.

<sup>3</sup> Projects must cost at least \$5M to justify a bond issue (Burns, 2012).

<sup>4</sup> In 2009, the State Bond Commission imposed a moratorium on bond financing for affordable housing projects in New Orleans.

not designed to estimate costs down to the dollar, but rather to serve as a tool that the CCCLT can build upon and use to guide investment decisions.

**Table 6: Explanation of Assumptions Used in Recapitalization Modeling**

<b>Uses of Funds*</b>	<b>Explanation or Basis of Assumption</b>
Acquisition Costs	Orleans Parish Assessor's website
Construction Costs	\$120 per square foot for homeownership; \$75 per square foot for rental
Site Work	\$5,000 per unit
Contingency	10% of total hard costs
<b>Sources of Funds</b>	
Permanent Mortgage (Rental)	Calculated maximum monthly mortgage payment based on rental net operating income. Terms: 7.0% interest, 15-year term, 1.10 Debt Coverage Ratio in year 15.
LIHTC	Calculated according to IRS rules for "eligible basis"
Historic Tax Credits	Applied federal and state tax credits based on program requirements.
HOME Funds	State maximum of \$500,000 per project; city maximum of \$30,000 per unit.
FHLB Affordable Housing Program	Average of last 2 years of awards in Orleans Parish = \$7,000 per unit.
Developer Contribution	Developers defer up to 25% in development fee to closing project gap.
Proceeds from Unit Sales	Units must be sold at prices with monthly payments affordable to residents at 60% of AMI
<b>Other</b>	
Construction Loan	7.0% interest, 2 year term, 0.65 draw

\* A complete breakdown of uses of funds can be found in the accompanying pro forma

We also determined that in a homeownership scenario, the monthly costs to residents would need to remain the same as their current monthly rents. Any increase in this amount could result in the units being unaffordable to current residents. Thus, the total project gap indicates the subsidy required to make the project affordable to homeowners at 60% of AMI.

## Recapitalization Modeling Results

The output of our recapitalization model allows the CCCLT to compare the costs of each project's rental and homeownership scenarios and to compare the projects to one another. The results are summarized in Table 7. Based on our model, Cabbage Alley emerges as the

project with the lowest total development costs, lowest project gap and works out, on paper, to be the best candidate for acquisition by the CCCLT. This deserves some explanation.

All of Cabbage Alley's 10 units are contained in one structure whereas the units in Congress Square and Loyola Landmark are spread throughout multiple structures. Cabbage Alley's 2-bedroom units are 864 square feet each, while Congress Square's are 1,250 square feet each.<sup>5</sup> Since our model estimates construction costs at \$120 per square foot (for homeownership) and factors in additional expenses for scattered-site development, larger units in scattered-site projects are significantly more expensive in the model.

For all three projects we used the assessed values published on the Orleans Parish Assessor's website for the cost of acquisition. It is possible that the assessed values of Congress Square and Loyola Landmark are higher than the actual debt outstanding and that the true cost of acquisition would be lower than our estimates. At year 15, LIHTC projects can often be acquired for the debt outstanding on the project (Schwartz & Melendez, 2008). In the case of Cabbage Alley, we may have underestimated acquisition costs. Based on our interviews we learned that the outstanding debt on all four buildings amounted to approximately \$62,500 per unit. From this figure we could calculate the cost of acquiring 2103 Baronne Street at \$625,000, which is considerably higher than the assessed value of this property.

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<sup>5</sup> Square footage for Congress Square obtained from project developer HRI's website; Cabbage Alley based on survey of the project's limited partner.

Table 7: Summary of Recapitalization Modeling Results

Cabbage Alley				Congress Square				Loyola Landmark			
	CLT Rental	CLT Homeownership (by cost)	CLT Homeownership (for current occupants)	CLT Rental	CLT Homeownership (by cost)	CLT Homeownership (for current occupants)	CLT Rental	CLT Homeownership (by cost)	CLT Homeownership (for current occupants)		
Average % AMI Affordability	60%	92%	60%	60%	138%	60%	51%	131%	60%		
# of Structures	1	1	1	8	8	8	15	15	15		
# of Units	10	10	10	16	16	16	35	15	15		
Average monthly cost to resident	\$833	\$1,289	\$837	\$833	\$1,925	\$837	\$649	\$2,187	\$1,078		
Average sales price	NA	\$151,322	\$151,322	NA	\$324,695	\$184,798	NA	\$376,395	\$232,362		
Total Development Cost	\$1,718,719	\$2,325,295	\$2,325,295	\$4,945,023	\$6,355,876	\$6,355,876	\$5,020,933	\$6,794,965	\$6,794,965		
Total Development Cost Per Unit	\$171,872	\$232,530	\$232,530	\$309,064	\$397,242	\$397,242	\$143,455	\$452,998	\$452,998		
Permanent Mortgage	\$182,652	\$0	\$0	\$407,773	\$0	\$0	\$592,541	\$0	\$0		
LIHTC	\$973,181	NA	NA	\$2,891,215	NA	NA	\$3,911,136	NA	NA		
Historic Tax Credits	\$484,547	NA	NA	\$1,107,337	NA	NA	\$0	NA	NA		
HOME	\$61,008	\$281,350	\$281,350	\$507,358	\$480,000	\$480,000	\$468,606	\$450,000	\$450,000		
FHLLB Affordable Housing Program	\$0	\$0	\$0	\$0	\$112,000	\$112,000	\$0	\$105,000	\$105,000		
Developer Contribution	\$17,331	\$30,727	\$30,727	\$31,340	\$68,761	\$68,761	\$48,650	\$94,040	\$94,040		
Proceeds from Unit Sales	NA	\$1,513,219	\$1,513,219	NA	\$5,195,115	\$2,956,772	NA	\$5,645,925	\$3,485,434		
Total Project Gap	\$0	\$0	\$0	\$0	\$0	-\$2,238,344	\$48,650	\$0	-\$2,160,491		
		*Soft second funds can be used to make the sales prices affordable to 60% of AMI.	*Sales prices are calculated to be affordable to 60% AMI. \$65,000 soft-second funds are then added on top.		*Soft second funds cannot be used to make the sales prices more affordable.	*Sales prices are calculated to be affordable to 60% AMI. \$65,000 soft-second funds are then added on top.		*Soft second funds cannot be used.	*Sales prices are increased by \$65,000 in soft second subsidy.		

## Modeling Limitations and Conclusion

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As our results indicate, all three of the projects we have identified as candidates for acquisition by the CCCLT have high development costs which may make it difficult to justify the expenditure of public subsidies or private grant funds to develop these projects. However as noted earlier in this section, we faced significant challenges in obtaining detailed information necessary for our analysis. Further research is necessary to determine if we have overestimated development costs and identify other potential financing sources.

The most important aspect of CLT homeownership conversion that our model does not capture is the potential long-run cost savings that might be realized. A high up-front public subsidy for homeownership conversion could be justified if we could show that it would result in a substantial reduction in the amount of public subsidy required to perpetually recapitalize rental projects. The model does not demonstrate the wealth-building benefit of homeownership or the inherent preservation of public subsidy provided by the CLT model nor does it account for the fact that the rental projects may have higher than estimated levels of reserves available to undertake recapitalization or lower than estimated recapitalization needs.

Based on the results of our models we are able to conclude the following:

- Before the CCCLT moves forward on any of the projects discussed in this report, we recommend obtaining pertinent financial documents including (but not limited to) a capital needs assessment, past and current rental reports and documents pertaining to land use or affordability restrictions (such as those imposed by the use of a certain type of funding).
- Recapitalizing through a CLT owned and operated rental model results in monthly charges that are affordable to a population similar to current unit occupants but does not eliminate the perpetual cycle of recapitalization.
- Recapitalizing through a CLT homeownership model creates permanently affordable units but will need significant homeowner subsidy to result in sales prices affordable to current unit occupants.
- Conversion of Congress Square, as we have proposed, requires the reduction of affordable rental units in order to create units large enough to be suitable for homeownership. This would require the permanent relocation of tenants and could conflict with the CCCLT's preservation mission.
- Because LIHTC projects are not conceived with eventual tenant-ownership in mind, the costs associated with reconfiguring units for homeownership may be prohibitively

expensive. Advocating for the development of homeownership-ready units at the policy level may be a better use of the CCCLT's resources. A cost-benefit analysis of a permanent LIHTC rental development versus a development planned for conversion to homeownership can be developed in support of this advocacy.

## V. Qualified Allocation Plan Analysis

Most investors and developers of LIHTC properties do not concern themselves with preserving affordability beyond the IRS mandated 15-year compliance period unless individual states incentivize longer-term affordability (Schwartz, 2006; Schwartz, 2010). When homes are built with a 15-year lifespan in mind, the owner must recapitalize the project to raise money for needed system replacements by either: selling the project on the open market at the end of the compliance period, therefore transferring system replacements to a new owner; or applying for additional LIHTC funds. In the first case, when a unit converts to market rate, there is a double impact—there is one less affordable unit in the statewide inventory and the family who used to occupy the unit needs a new affordable home. In the second case, when a unit already subsidized by LIHTC funds returns to the program for recapitalization dollars, there are less resources available for the provision of new affordable units. Thus, as more and more properties reach the end of their compliance periods, there exists a real concern for providing long-term affordable housing through the LIHTC program. In an effort to address these issues, states have turned to the Qualified Allocation Plan (QAP) as a tool for incentivizing the creation and preservation of affordable housing (Kaufman, 2011).

The QAP is the principle document used by state housing finance agencies to determine which housing developments receive tax credits during a given allocation period (UNO-PLUS 2011, p. 21). The allocation of credits is based on mechanisms within the QAPs that encourage (or discourage) certain types of affordable housing development. Though QAPs differ from state to state, these mechanisms generally take the form of funding set-asides, threshold requirements, basis boosts, and most commonly, point-based scoring criteria. Through the QAP, policy makers can incentive developers to provide affordability beyond the minimum 15-year compliance period. Thus the QAP is the primary avenue for implementing preservation strategies at the state level. (See Appendix 4 for a glossary of QAP terms).

In addition to incentivizing the preservation of expiring LIHTC properties, the QAP can also promote policies that encourage subsidy retention through conversions to shared-equity ownership as a way to avoid the perpetual need to re-subsidize projects. These policies incentivize homeownership both directly, by rewarding developers who provide conversion plans, and indirectly, by awarding points to developers who implement superior design standards that ensure the construction of quality-built LIHTC units that readily lend themselves to eventual homeownership.

The following section contains an analysis of state QAPs as well as a review of current literature about preserving the affordability of expiring LIHTC properties. The purpose of our analysis is threefold: 1) to determine what constitutes a strong preservation policy; 2) to identify policies that promote tenant-ownership of expiring LIHTC properties; and 3) to establish a better understanding of how states encourage superior design standards through QAPs. Together,



these three elements form the platform for robust preservation policies that create and maintain sustainable and long-term affordable housing. We use these findings to develop QAP recommendations for Louisiana that promote preservation of affordability—especially through the conversion of LIHTC units to tenant-owned, shared equity properties.

## Methodology of QAP Review

To comprehend how Louisiana currently prioritizes long-term affordability, the UNO-PLUS team examined the 2011/2012 Louisiana Qualified Allocation Plan (LA QAP). In particular, we examined how the QAP promotes subsidy preservation, tenant-ownership, and superior design standards. In this way we identify the current strengths and weaknesses of the state's preservation policy.

To determine what constitutes a strong preservation policy, the UNO-PLUS team reviewed the work of the 2011 UNO-PLUS Capstone team. Their report, *Preserving Louisiana's Low-Income Housing Tax Credit Investments: Project Profiles and Policy Recommendations*, offers a current review of national practices for the preservation of “at-risk” LIHTC properties. Additionally, we referenced the National Housing Trust's *Preservation Incentives in State Qualified Allocation Plans* (Kaufman, 2011) to learn about the components of successful preservation strategies.

To identify policies that promote tenant-ownership of expiring LIHTC properties, the UNO-PLUS team reviewed QAPs from all 50 states and Washington, DC. Using the most recent QAPs made available, we examined these documents with two specific concerns in mind:

- If and how the plans incentivized transfer of LIHTC properties to tenant-ownership
- If the plans incentivized conversion under a specific shared equity model

Finally, the UNO-PLUS team recognizes that in order for a long-term preservation strategy to be successful—especially one that incentivizes transitions to tenant-ownership—building design and construction must be high quality. With this in mind, the UNO-PLUS team reviewed QAPs to gain a better understanding of how states incentivize superior design standards and determine:

- If and how the plans incentivized the use of designs that facilitated the conversion to tenant- ownership
- If there are common design themes that should be incorporated into Louisiana's QAP

We compiled our findings into a comprehensive database that allowed us to compare and contrast QAP policies from state to state. We then selected specific QAP mechanisms that addressed the aforementioned concerns and incorporated them into our final recommendations.

## Preservation Policy Recommendations

### What Strong Preservation Policies Look Like

Many states use the QAP to incentivize the recapitalization and preservation of existing affordable housing units. The National Housing Trust (NHT) determined that in 2010, 7 states plus New York City dedicated more than 50% of their total LIHTC allocation towards the preservation of existing units (Kaufman, 2011). States prioritize and incentivize preservation in a number of ways:

1. **Threshold Requirements:** At least three states require affordability restrictions that go beyond the 15-year IRS compliance period as a threshold requirement for projects to be considered for funding (Kaufman, 2011). Utah requires that projects enter into an “extended use period” that lengthens affordability restrictions to a full 99 years. Michigan requires a “waiver of qualified contract” which prohibits the sponsor from opting-out of the affordability restrictions in year 15 and extends affordability covenants for a total of 30 years. California also requires developers to ensure that their units are affordable to low-income families for a minimum of 55 years (Pitcoff, 2003).
2. **Set-Asides:** Seventeen states set aside funding pools specifically for existing affordable housing projects that need recapitalization to make necessary repairs and improvements. Recapitalizing with additional LIHTC funds extends the affordability restrictions another 15 years. Nine states dedicate between 20 and 50% of their total allocation to a preservation oriented set aside (Oregon, Michigan, Indiana, Ohio and Florida are the most generous) and another 5 states dedicate between 10 and 19% (Kaufman, 2011).
3. **Points:** Most commonly, states incentivize preservation by allocating points in their QAP scoring section. Thirty states used a point based preservation strategy in 2010 (Kaufman, 2011). The percentage of total points dedicated to preservation varies among states but the UNO-PLUS 2011 capstone team identified Colorado, West Virginia and Connecticut as the three states that are leading the field in incentivizing preservation through points (UNO-PLUS, 2011).
4. **Basis Boosts:** Four states (Indiana, Michigan, Missouri and Oregon) further incentivize preservation strategies by allowing preservation projects to access a 30% basis boost (Kaufman, 2011). Basis boosts are valuable because they allow the developer to increase their eligible basis and access additional financial resources for their project. Typically, basis boosts are used to encourage development in challenging census tracts.

### Louisiana's Current Preservation Policy

Louisiana's 2011/2012 QAP makes moderate concessions for long-term affordability. The state uses points to incentivize longer-term preservation through an extended affordability period (EAP). The LA QAP has a total of 100 points, of which some points are allotted to the EAP. This mechanism allows the developer to earn 2 points if the project remains affordable until the

25<sup>th</sup> year, 3 points if the project remains affordable until the 30<sup>th</sup> year and a maximum of 4 points if the project remains affordable until the 35<sup>th</sup> year.

Although this incentive encourages ongoing affordability, it does not address the recapitalization needs and rehabilitation costs that are often required after the initial compliance period. Furthermore, as the threat of credit recapture expires after the 15-year IRS compliance period, the Louisiana Housing Corporation (LHC) would need to assume ongoing programmatic compliance monitoring responsibilities. While it is unclear at this time whether or not the LHC would be willing or able to take on such a time-intensive role, the 2011 UNO-PLUS Capstone team noted that the LHC could contract out monitoring services to a group, such as a CLT, that specializes in long-term relationships with homeowners and compliance with affordability mechanisms (UNO-PLUS, 2011).

### Preservation Recommendations for the Louisiana QAP

Using the 2011 UNO-PLUS and NHT reports as guiding documents, we crafted a series of recommendations for the Louisiana QAP that, if adopted, will strengthen its preservation policy and promote the transition to tenant-ownership. The preservation-oriented recommendations include:

1. **Threshold Requirements:** We recommend that the Louisiana QAP require that all projects enter into a 15-year extended affordability period. Doing so will increase the total affordability period to 30 years. Right now, only three states include extended affordability agreements as a threshold requirement. If Louisiana adopts this recommendation, it will join a short list of states that are most serious about preserving ongoing affordability. Alternatively, developers could opt out of the 30-year affordability period by offering tenant-ownership opportunities to eligible residents in year 15. (See the tenant-ownership recommendations for further discussion).
2. **Set-Asides:** The 2011 UNO-PLUS team determined that “set-asides of 15% or greater were generally a good indicator of the level of commitment to the issue of preservation specifically” (UNO-PLUS 2011, p. 36). We recommend that the LHC create two preservation set aside pools:
  - a. **Permanent Affordability:** Allocate 5% of total annual tax credits to projects made permanently affordable through shared equity ownership or rental opportunities. Louisiana currently allocates about \$9.9 million in LIHTC awards per year. A 5% set aside amounting to \$494,574 will preserve 37 units per year. Over ten years, this set-aside will create 370 permanently affordable units that will never need tax credits again. Assuming 4% annual inflation, this small set aside will amount to savings of approximately \$6 million.<sup>6</sup>

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<sup>6</sup> Projected savings are based on the average state LIHTC PUPA subsidy (\$13,500). The 5% set aside is based on annual LIHTC funding (\$9.9 million) and average annual number of units subsidized (732 units/year) calculated by (footnote continued)

- b. **Preserve Existing Affordable Housing:** Allocate 10% of total annual tax credits for the recapitalization and preservation of existing affordable housing units. This set aside, approximately \$989,147, will preserve about 73 units per year and about 730 units over the next 10 years.<sup>7</sup>
3. **Points:** As most states incentivize preservation through point allocations, the UNO-PLUS team recommends that the LHC adjust the current points allocated for ongoing affordability (Table 8).

**Table 8: Current and Suggested Point Allocations for Preservation, Louisiana QAP**

Affordability Period	Current QAP Points	Suggested QAP Points
25 years	2	0
30 years	3	0
35 years	4	2
Permanent affordability	0	4

Following our recommendation that the LHC increase the minimum affordability period to 30 years, we suggest removing the points associated with preserving affordability for 25 and 30 years, reducing the points for a 35 year period of affordability from 4 to 2 and awarding 4 points to projects made affordable in perpetuity. Based on our evaluation of the Louisiana 2011/2012 LIHTC Funding Round Awards, we determined that there was a 2.52 average overall score difference between LIHTC applications. Thus, while 4 points for permanent affordability seems diminutive, they could be the difference between a project being approved and a project being approved and funded. Our recommendation could be implemented immediately because it does not require either taking or adding points from the allotted point total of the LA QAP. Going forward, we recommend that the LHC reduce point redundancies (see the Superior Design recommendations) and that the “liberated” points be put towards further strengthening the permanent affordability incentive.

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the 2012 UNO-PLUS team as per Louisiana Housing Finance Agency awards for LIHTC between 2009 and 2012.  
 $494,574/13,500 = 36.6$  permanent affordable units/year.

<sup>7</sup> Projected savings are based on the average state LIHTC PUPA subsidy (\$13,500). The 10% set aside is based on annual LIHTC funding (\$9.9 million) and average annual number of units subsidized (732 units/year) calculated by the 2012 UNO-PLUS team as per Louisiana Housing Finance Agency awards for LIHTC between 2009 and 2012.  
 $989,147/13,500 = 73.2$  units preserved/year.

## Tenant-Ownership Policy Recommendations

### What Strong Tenant-Ownership Policies Look Like

Many state QAPs incentivize the conversion of rental units to homeownership. The 2012 UNO-PLUS team examined QAPs for all 50 states and Washington D.C. to determine if and how they incentivize transitions to tenant-ownership at the end of the 15-year compliance period. Thirty states and the District of Columbia (62% of our sample) incentivized conversions to tenant-ownership while 19 states (37%) did not. Those that incentivized conversion did so through: threshold requirements (1); set-asides (2); points (26); and tiebreakers (4) (Table 9).

**Table 9: QAP Incentives for Conversion to Tenant-Ownership, All States and Washington D.C.**

Mechanism	Number of States*	Percentage of States*	Participating States*
Threshold Requirement	1	2%	PA
Set-Aside	2	4%	DC, PA
Points	26	51%	AK, AR, AZ, CO, DC, DE, GA, HI, IA, ID, IN, KS, LA, MN, MT, ND, NJ, NM, OK, SD, TN, UT, VA, WA, WI, WV
Tiebreaker	4	10%	AL, IL, NC, UT
None	19	37%	CA, CT, FL, KY, MA, ME, MI, MO, MS, NE, NH, NV, NY, OR, RI, SC, TX, VT, WY

\*Numbers and percentages are greater than 51 and 100% due to some states utilizing multiple types of incentives

To determine what a strong tenant-ownership policy looks like we examined each mechanism individually.

1. **Threshold Requirements:** Pennsylvania requires that developers create projects that serve low-income residents for a period of not less than 30 years or, in the alternative, offer homeownership opportunities to qualified residents after the initial 15-year compliance period (PA QAP, 2012).
2. **Set-Asides:** Utah's QAP sets aside 5% of its total LIHTC credit allocation for government and non-profit sponsored projects that offer homeownership opportunities to tenants in year 15 (UT QAP, 2012). Within the New Jersey QAP, tenant-ownership projects are eligible through the Family Cycle set-aside; within this set aside 10 points are awarded for conversion to tenant-ownership (NJ QAP, 2012).<sup>8</sup>

<sup>8</sup> Each year the New Jersey Housing Authority establishes funding cycles. The Family Cycle is one of 4 categories allotted a certain percentage of LIHTC funding. When applying, a developer must choose from 1 of the 4 (footnote continued)

3. **Points:** Points are the most utilized mechanism for promoting conversions to tenant-ownership. The percentage range of points given to tenant-ownership policies varies from the high end with New Jersey (11%), Louisiana (10%), and Mississippi (9%) to the low end with Arkansas (.08%), Tennessee (.08%) and Wisconsin (.07%). The rest of the states fall between these percentage ranges. It is important to note that the points in the Louisiana QAP for tenant-ownership are restricted to lease purchase opportunities created through the Section 8 program.
4. **Tiebreakers:** For North Carolina, Illinois, and Alabama, the only time that tenant-ownership is mentioned is as a tiebreaker. Utah utilizes tenant-ownership as a tiebreaker but also includes this strategy elsewhere in its QAP.

As aforementioned, the majority of states incentivize tenant-ownership through points. Expanding tenant-ownership incentives beyond a single mechanism would lead to a strong tenant-ownership policy. Utah, for example, incentivizes tenant-ownership through more than one mechanism—set-asides and tiebreakers.

### Louisiana's Current Tenant-Ownership Policy

Louisiana currently allots ten points for conversions to tenant-ownership under the “Lease to Own” category. The percentage of total QAP points allocated to tenant-ownership in the LA QAP ranks high compared to other QAPs in the nation. However, as noted earlier, the tenant-ownership option is only available to Section 8 recipients. Furthermore, it does not provide guidelines and regulations on how the conversion process will occur.

### Tenant-Ownership Recommendations for Louisiana QAP

To strengthen conversion to tenant-ownership in Louisiana, the UNO-PLUS team developed the following recommendations based on the actions of other states.

1. **Threshold Requirement:** As seen in Pennsylvania, the Louisiana QAP should require developers to either ensure affordability for a full 30 years or, in the alternative, offer homeownership opportunities to qualified residents in year 15.
2. **Points:** The team recommends the Louisiana QAP extend the existing 10 points available to lease purchase opportunities for Section 8 tenants to tenants in all LIHTC properties.
3. **Threshold Requirement:** Ten states require a homeownership conversion plan if the developer intends to offer tenant-ownership opportunities. We recommend that Louisiana require developers who choose the lease purchase option to submit a homeownership plan as part of their initial LIHTC application. The plan should include: homeownership education and counseling services, a plan to set-aside a portion of the

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categories (or cycles). The different cycles are: family, senior, supportive housing, and final cycle. Thus in this case if a developer chooses the family cycle there is an option to gain 10 points for conversion to tenant-ownership.

rent for a future down payment, a marketing and unit pricing strategy for conversion, and provisions for repair and replacement of housing elements.

## Design Policy Recommendations

### QAP National Design Standards

Strong design standards can ensure the construction of high-quality LIHTC units built to last beyond the 15-year IRS compliance period that are desirable to LIHTC tenants considering homeownership. We reviewed the QAPs from all 50 states and Washington D.C. to identify and categorize design elements through which states ensure the construction of quality-built LIHTC housing. We identified four design categories:

1. **Site Plan Design:** streetscape, parking, landscaping, natural areas, project entrances, lighting, accessible walkways, and amenities such as parks, swimming pools and exercise rooms
2. **Building Design:** architectural elements such as entrances, porches, courtyards, and anything else that contributes to the visual appeal of the building and the property
3. **Contextual and Spatial Design:** an architectural style and scale that fits into the surrounding area
4. **Floor Plan Design:** multiple floor plan arrangements for different family types

Design standards factored heavily in the QAPs. More than half (53%) of the QAPs we examined awarded points for site plan design, nearly half incentivized floor plan (45%) and building design (41%) and over a quarter (29%) allocated points for contextual and spatial design elements. Nine states— CT, DE, FL, GA, MS, NM, NY, NC and SC —awarded points for design elements in all four of the design categories.

**Table 10: Percentage of States Utilizing Identified Design Categories**

	Number of QAPs	Percentage of QAPs	States*
<b>Site Plan Considerations</b>	27	53%	AL, AZ, CA, CT, DE, FL, GA, IL, IN, KY, ME, MA, MS, MO, NE, NV, NJ, NY, NC, ND, OH, SC, SD, TX, UT, VT, WA
<b>Building Design</b>	21	41%	AL, AZ, CA, CT, DE, FL, GA, IL, IN, MS, NJ, NY, NC, ND, PA, SC, TX, UT, VA, WI, WY
<b>Contextual and Spatial Design</b>	15	29%	CT, DE, FL, GA, IL, IN, KS, MA, MS, NY, NC, OR, SC, SD, UT
<b>Floor Plan Design</b>	23	45%	AL, AZ, CO, CT, D.C., DE, FL, GA, IL, IN, KY, MS, NV, NJ, NM, NY, NC, OH, PA, SC, SD, VA, WV

\*For the purpose of this chart Washington D.C. is considered a state



## Louisiana's QAP Design Standards

To incentivize well-designed LIHTC projects, the LA QAP allocates up to 10 points for projects that meet "Superior Design" standards. Projects are evaluated using the "Superior Design Scorecard", a separate document from the QAP. The scorecard consists of ten subcategories totaling 100 points. The overall score calculated on the scorecard corresponds with the points awarded for Superior Design in the LA QAP. For instance, a development receiving an 80 on the scorecard will receive 8 points for Superior Design. Table 11 provides an overview of the subcategories found within the scorecard and the amount of points awarded per subcategory.

**Table 11: Louisiana Superior Design Scorecard Subcategories and Available Points**

LA Superior Design Scorecard	Available Points
Sustainable Sites (LEED)/Location + Neighborhood Fabric	0-20
Water Efficiency (LEED) / Water Conservation (EGC)	0-5
Energy Efficiency & Atmosphere (LEED) / Energy Efficiency (EGC)	0-15
Materials & Resources (LEED) / Material Beneficial to the Environment (EGC)	0-10
Indoor Environmental Quality (LEED) / Healthy Living Environment (EGC)	0-5
Site Design & Master Planning	0-10
Building Design & Architecture	0-10
Excellence and Innovative Design	0-5
Affordable Housing Design Advisor	0-10
Smart Growth Principles	0-10
<b>Maximum Available Points:</b>	<b>100</b>

The Superior Design Scorecard encourages the creation of energy efficient and sustainable housing units. Although these standards are important to quality housing design and construction, further clarification of aesthetics, functionality, scale and amenities is necessary.

Of the ten subcategories listed in the Superior Design Scorecard, the UNO-PLUS team suggests improving the clarity of two subcategories: Site Design & Master Planning, and Building Design & Architecture. Currently, these subcategories provide little guidance to developers:

**Site Design & Master Planning:** Design conscious effort to create a community that is both functional and aesthetically pleasing, an opportunity to create memorable places. It is more than meeting the functional, technical and financial criteria established at the outset.

**Building Design & Architecture:** Design conscious effort to create a home that is both functional and aesthetically pleasing. This is an opportunity to create memorable places. It is more than meeting the functional, technical and financial criteria established at the outset.



## Recommendations for Improving Louisiana's Superior Design Criteria

Based on numerous comments from the March 2011 LHFA Stakeholder Meeting expressing concern about current Superior Design, and our review of QAP design standards, we recommend the following:

### Site Design & Master Planning Recommendations:

1. Propose a site plan that contributes to a public streetscape and minimizes the visibility of parking. Propose a pedestrian friendly building layout focusing on privacy. Create accessible walks linking buildings to each other, to common areas and to parking.
2. Include a well-designed entry to the site with attractive signage, lighting and landscaping, and outside mail collection.
3. Propose site amenities including playgrounds, gazebos, garden spots, walking trails, picnic areas, ball fields, basketball/tennis courts and exercise rooms.

### Building Design & Architecture Recommendations:

1. Provide a "Construction Features and Amenities" section and check list for both new construction and rehab. This section could be located within the QAP or provided as another document and should include: a commitment to Universal Design; a checklist of optional general unit features and amenities for all new construction units and rehab units regardless of the development category selected; and a detailed checklist of what "green building" entails.
2. Propose that the architectural style and planning design themes and massing support the area. Consider shade, light, natural heating and cooling, and privacy.
3. Propose an attractive building focusing on visual appeal. Keep in mind qualities of massing, proportion, space, architectural style, textures, color tone and articulations.
4. Highlight broken roof lines, front gables, dormers or front extended facades, set backs, wide banding and vertical and horizontal siding applications, creative use of materials, masonry accents, front porches, courtyards, portals, attractive deck rail patterns and building and window placement.

### Comprehensive, Long-Term Recommendations for Louisiana Superior Design

The UNO-PLUS team believes that long-term structural changes to the scorecard should incorporate a better balance between LEED certification/ Enterprise Green Community (EGC) standards and architectural design. Recommendations include:

1. **Consolidating LEED/EGC Categories:** There is the overwhelming emphasis on LEED/EGC certification in the Superior Design Scorecard, with 55 of 100 possible points going towards green building standards. It is recommended that LEED subcategories in the

Superior Design Scorecard be consolidated. Doing so would allow for an increase in points available for architectural design.

2. **Creating a Minimum Design Threshold:** Create a minimum design threshold for developments looking to preserve long term affordable housing or convert to tenant-ownership.
3. **Eliminating Redundancy:** Remove all repetitive point categories from Superior Design that also receive points within the body of the QAP. A major redundancy is how points are awarded for green building. Both Superior Design and the body of the QAP award points for green building. The points that are “liberated” from the redundancy should be added to the four points currently allocated for permanent affordability to strengthen that incentive (see the earlier preservation point recommendation).

## VI. Conclusion and Next Steps

The Low-Income Housing Tax Credit (LIHTC) program remains the most important tool for the production of affordable housing in the United States. As the program ages, and LIHTC properties reach the end of their initial 15 year compliance period, however, the loss of affordability restrictions and the need for recapitalization threaten the sustainability of the nation's affordable housing stock.

As a proven model for maintaining the long-term affordability of housing units, CLTs are an innovative option for the preservation of expiring LIHTC properties. CLTs, with their long-term stewardship of affordable housing and commitment to their homeowners, are uniquely positioned to address the risks facing aging tax credit properties and help LIHTC renters become homeowners.

In this report we examined the potential role of CLTs in preserving LIHTC properties, identified three projects best suited for conversion to tenant-ownership, developed a recapitalization model to examine the viability of including these projects in the CCCLT portfolio, and provided recommendations to incentivize long-term affordability and the conversion of LIHTC units to tenant-ownership in the LA QAP.

Our findings indicate that:

- Between 2012 and 2022, 1,169 units of affordable housing will come to the end of their compliance period in Orleans Parish and are at risk of losing affordability.
- More accurate, comprehensive, and timely data on Louisiana's LIHTC properties is needed. We supplemented the LA LIHTC Dataset created by the 2011 UNO-PLUS Capstone team for the LHFA with data from the Orleans Parish Assessor's website, an online database of HUD LIHTC data and windshield surveys. Despite our attempts to combine and verify data from multiple sources, some of the information we obtained was inaccurate. It was particularly difficult to identify project owners and verify the number of units in each project.
- Recapitalizing through a CLT homeownership model creates permanently affordable units and reduces demand for tax credits to recapitalize aging properties. However, significant homeowner subsidy is needed to make homes affordable to current low-income residents.
- Conversions that require the reduction of affordable rental units in order to create units large enough for homeownership would require the permanent relocation of tenants and could conflict with the CCCLT's preservation mission.

- Because most LIHTC projects are not conceived with eventual tenant-ownership in mind, the costs associated with reconfiguring units for homeownership may be prohibitively expensive. In light of this, the CCCLT should advocate for changes to the LA QAP that incentivize conversions to shared equity homeownership as a way to avoid the perpetual need to resubsidize projects. These policies can incentivize homeownership directly, by rewarding developers who provide conversion plans, and indirectly, by awarding points to developers who implement superior design standards that ensure the construction of quality-built LIHTC units with design elements that lend themselves to eventual homeownership.

It is clear that while the conversion of expiring LIHTC properties into homeownership units within a CLT model has potential for success, it is new territory. The possibilities outlined in this study are tempered by the study's limitations. As noted above, information regarding the properties' addresses, ownership structures and post-year 15 plans was difficult to obtain and inconsistent due to the lack of a comprehensive database. Hurricane Katrina has added to the chaos of the city's affordable housing stock, resulting in the recapturing of tax credits, early recapitalization and other exceptional cases the team encountered, such as leveling and abandonment of projects. The UNO-PLUS Capstone team suggests the following recommendations for further study:

- Conduct a complete and detailed survey of all expiring LIHTC properties in Orleans Parish, to include updated ownership structure, project addresses, occupancy rate and tenant profiles. If possible, information related to the owners' post-year 15 plans and a capital needs assessment would be beneficial. This would allow for a more detailed investigation into the viability of bringing the recommended properties--Cabbage Alley, Congress Square and Loyola Landmark--into the CCCLT portfolio.
- Continue building out the recapitalization model so that it better reflects the long-term advantages of the CLT model such as wealth creation for CLT homeowners and reduced dependence on public subsidy.
- Continue QAP research as a mechanism that can incentivize long-term affordability and preserve subsidy of affordable LIHTC units. In conjunction with this further research, examine how CLTs can work with states and localities to strengthen these goals for QAPs. The CCCLT can serve as a partner in providing useful data to the state of Louisiana about applicable research and local information regarding housing stock, successes, challenges and opportunities.
- Conduct a cost-benefit analysis of a permanent LIHTC rental development versus a development planned for conversion to homeownership can be developed in support of this advocacy.

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# Appendices

## Appendix 1: Interview Questions

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1. Can you verify the following information about your property?
 

Number of units	Scattered site or contiguous?
Year placed in service	Non-profit or For-profit ownership?
2. How many different floor plans are available?
3. What types of amenities are included in the units? In common areas?
4. What is the occupancy rate? Turnover rate?
5. Is there a tenant association in place?
6. Is there a long-term strategy in place for affordability beyond the compliance period?  
If so, can you describe it?
7. What income level did you elect for the tax credits: 50% of AMI or 60% of AMI?
8. Other than tax credits, what types of financing were used in the project? (Examples might include HOME funds, Project-based Section 8 funds, grants, etc.)
9. What kinds of rehab do you think the property would benefit from most? (Examples might include a new roof, plumbing, HVAC, or simply cosmetic improvements.)
10. What kinds of improvements or rehab have been done since the units were built or acquired?

## Appendix 2: Profile Property Pages

The property profiles offer a snapshot of each of the twenty expiring LIHTC properties that the teams evaluated, integrating data collected from initial windshield surveys with additional information gathered from primary and secondary sources. Each profile page describes a specific property and includes the physical address, two photographs and a small-scale map. Three charts describe property details, amenities, and unit types.

### Details

The majority of the basic information, including property name, address, construction type, year placed in service, and tax credit type were obtained from the HUD LIHTC Database, which can be accessed from their webpage: <http://lihtc.huduser.org>. Other information in this section includes:

*Owner:* Obtained from the City of New Orleans Assessors Office.

*Neighborhood:* Obtained from a map published by the Greater New Orleans Community Data Center based on information they obtained from the City Planning Commission of New Orleans (Bonaguro, 2004).

*Neighborhood Recovery Rate:* A figure derived by the Greater New Orleans Community Data Center indicating the percentage of pre-Hurricane Katrina population that has returned to each neighborhood as of June, 2010 (Plyer, 2010).

*Building Condition:* Primary data collected from windshield surveys. We used the exterior condition of buildings to estimate the level of rehab a project might need.

### Amenities

This table includes property and neighborhood amenities. A checkmark indicates the existence of a specific amenity, including:

*Place-Based Strategy Area:* Targeted development districts as defined by the City of New Orleans (City of New Orleans, 2012).

*Walk Score:* A numerical index for a location that reflects the number of businesses and local amenities accessible by foot. A Walk Score of 70 or over is considered "Very Walkable" or a "Walker's Paradise," indicating that most or all daily errands can be accomplished without an automobile (Walk Score, n.d.)

*Proximity to Public Transportation:* Proximity to streetcar and bus stops based on the website for the New Orleans Regional Transit Authority.

*Proximity to Grocery Stores:* Using Google Maps, based on the proximity to the following full-service grocery stores: Breaux Mart, Canseco's, Ideal Food Market, Langenstein's, Mardi Gras Zone, Robert's, Rouse's, Terranova Bros. Superette, Wal-Mart, Whole Foods, Winn-Dixie and Zara's.

*Proximity to Schools:* Based on proximity to public and private elementary, middle and high schools, according to Google Maps.

*Neighborhood association:* Obtained from the website of the Neighborhoods Partnership Network (n.d.)

*Façade:* Primary data collected from windshield surveys, based on whether or not the exterior architectural features of the property included a mixture of texture and colors.

*Outdoor space:* Primary data collected from windshield surveys, based on whether or not the property had private or communal outdoor space.

*Parking:* Primary data collected from windshield surveys, based on whether or not the property had off-street parking spaces.

### **Unit types**

This table includes the number of units by type including efficiencies and units with one bedroom, two bedrooms and three or more bedrooms. The information was obtained from the HUD LIHTC Database and verified, where possible, from owner interviews.

# Cabbage Alley Apartments

2005 Baronne St  
New Orleans, LA 70113



## Amenities

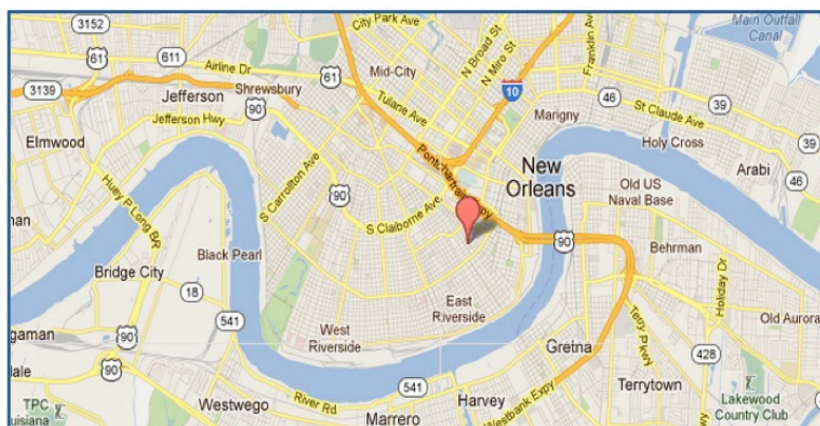
Located in Place-Based Strategy Area	
Walk Score > 70	✓
Transit within ¼ mile	✓
Grocery within 1 mile	✓
School within ½ mile	✓
Neighborhood Organization	✓
Facade with Architectural Variety	✓
Outdoor Space	✓
Parking	✓

## Unit Types

3+ BR	1
2 BR	14
1 BR	35
Efficiency	0

## Details

Owner:	Cabbage Alley Partnership
Neighborhood:	Central City
Neighborhood Recovery Rate:	78%
Construction Type:	Acquisition and Rehab
Year Placed in Service:	1997
Tax Credit Type:	9%
Building Condition:	Average





# Congress Square Apartments

1401 Congress St,  
New Orleans, LA 70117



## Amenities

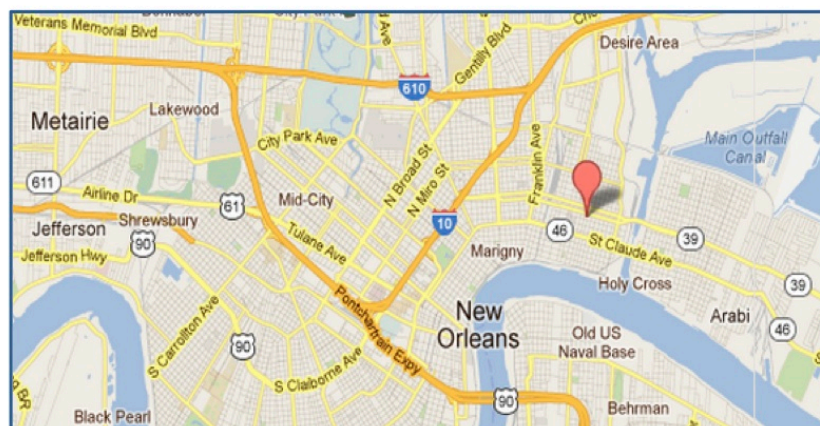
Located in Place-Based Strategy Area	✓
Walk Score > 70	
Transit within ¼ mile	✓
Grocery within 1 mile	✓
School within ½ mile	✓
Neighborhood Organization	✓
Facade with Architectural Variety	
Outdoor Space	✓
Parking	✓

## Unit Types

3+ BR	0
2 BR	0
1 BR	31
Efficiency	0

## Details

Owner:	Congress Square LP
Neighborhood:	St. Claude
Neighborhood Recovery Rate:	77%
Construction Type:	Acquisition and Rehab
Year Placed in Service:	1998
Tax Credit Type:	Mix of 4% and 9%
Building Condition:	Average



# Cornerstone Homes of New Orleans

2616 S. Claiborne Ave  
New Orleans, LA 70125



## Amenities

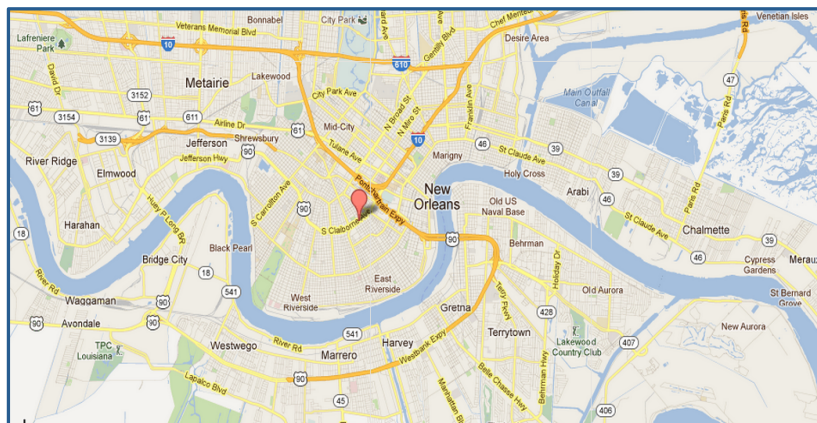
Located in Place-Based Strategy Area	✓
Walk Score > 70	
Transit within ¼ mile	✓
Grocery within 1 mile	✓
School within ½ mile	✓
Neighborhood Organization	✓
Facade with Architectural Variety	✓
Outdoor Space	
Parking	✓

## Unit Types

3+ BR	0
2 BR	0
1 BR	5
Efficiency	25

## Details

Owner:	Cornerstone Homes of N.O.
Neighborhood:	Central City
Neighborhood Recovery Rate:	78%
Construction Type:	New Construction
Year Placed in Service:	2002
Tax Credit Type:	9%
Building Condition:	Poor





# Fillmore Parc Apartments

5168 Saint Anthony Ave  
New Orleans, LA 70122



## Amenities

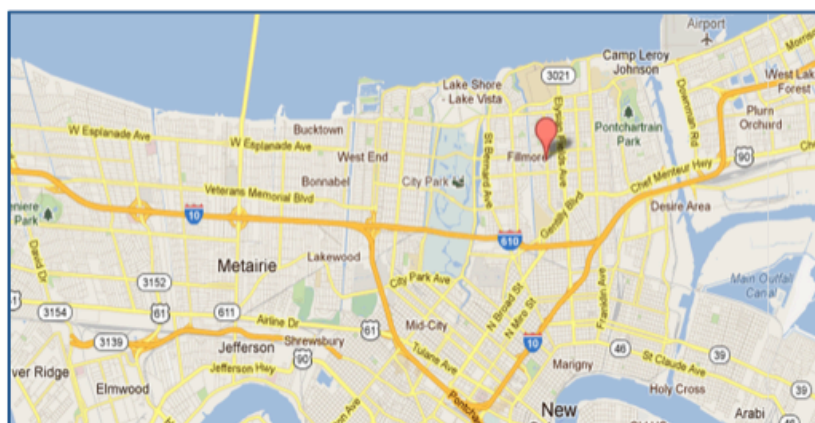
Located in Place-Based Strategy Area	
Walk Score > 70	
Transit within ¼ mile	
Grocery within 1 mile	
School within ½ mile	✓
Neighborhood Organization	✓
Facade with Architectural Variety	✓
Outdoor Space	✓
Parking	✓

## Unit Types

3+ BR	0
2 BR	108
1 BR	0
Efficiency	0

## Details

Owner:	MFLC Partners, ALPIC
Neighborhood:	Dillard
Neighborhood Recovery Rate:	78%
Construction Type:	New Construction
Year Placed in Service:	2000
Tax Credit Type:	9%
Building Condition:	Good



# First Emanuel Homes

912 4<sup>th</sup> St

New Orleans, LA 70130



## Amenities

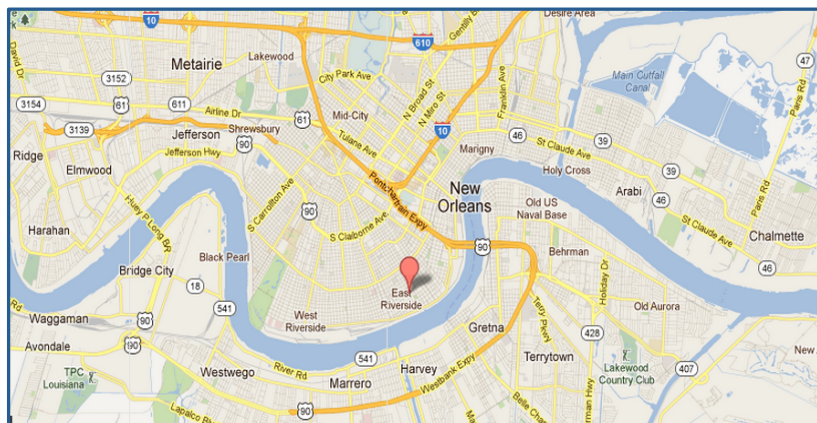
Located in Place-Based Strategy Area	
Walk Score > 70	✓
Transit within ¼ mile	
Grocery within 1 mile	✓
School within ½ mile	✓
Neighborhood Organization	✓
Facade with Architectural Variety	
Outdoor Space	
Parking	✓

## Unit Types

3+ BR	0
2 BR	0
1 BR	8
Efficiency	0

## Details

Owner:	First Emanuel of N.O.
Neighborhood:	Irish Channel
Neighborhood Recovery Rate:	97%
Construction Type:	Acquisition and Rehab
Year Placed in Service:	1999
Tax Credit Type:	4%
Building Condition:	Average



# Fischer I

1900 Hendee St  
New Orleans, LA 70114



## Amenities

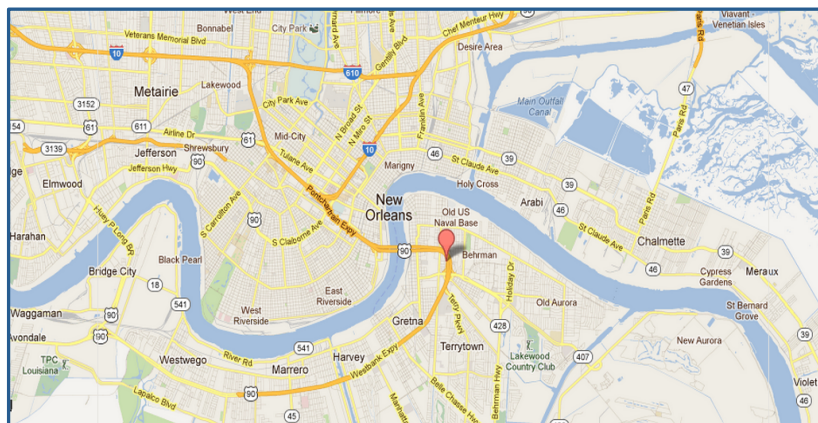
Located in Place-Based Strategy Area	
Walk Score > 70	
Transit within ¼ mile	
Grocery within 1 mile	✓
School within ½ mile	✓
Neighborhood Organization	
Facade with Architectural Variety	✓
Outdoor Space	✓
Parking	✓

## Unit Types

3+ BR	23
2 BR	2
1 BR	0
Efficiency	0

## Details

Owner:	Fischer I, LLC
Neighborhood:	Fischer Development
Neighborhood Recovery Rate:	97%
Construction Type:	Acquisition and Rehab
Year Placed in Service:	2006
Tax Credit Type:	9%
Building Condition:	Good





# The Heritage House Apartments

8520 Chef Menteur HWY  
New Orleans, LA 70127



## Amenities

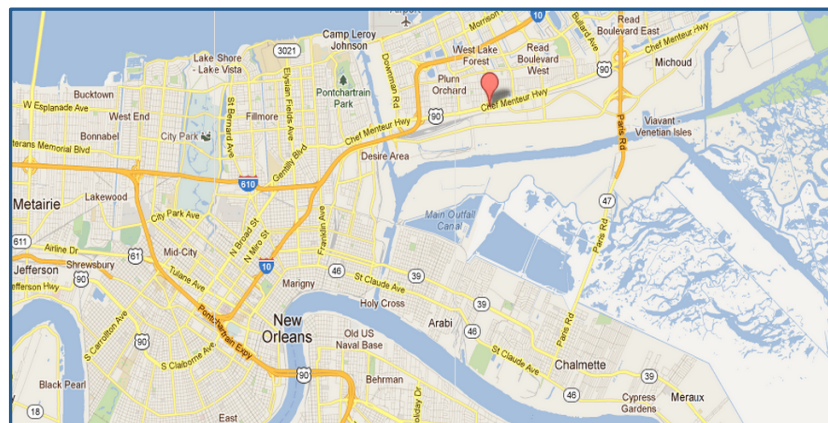
Located in Place-Based Strategy Area	
Walk Score > 70	
Transit within ¼ mile	
Grocery within 1 mile	
School within ½ mile	✓
Neighborhood Organization	
Facade with Architectural Variety	
Outdoor Space	✓
Parking	✓

## Unit Types

3+ BR	0
2 BR	46
1 BR	0
Efficiency	0

## Details

Owner:	The Commercial Network
Neighborhood:	Plum Orchard
Neighborhood Recovery Rate:	61%
Construction Type:	Acquisition and Rehab
Year Placed in Service:	1997
Tax Credit Type:	Mix of 4% and 9%
Building Condition:	Average



# Holly Park Apartments

3300 Preston Pl.  
New Orleans, LA 70131



## Amenities

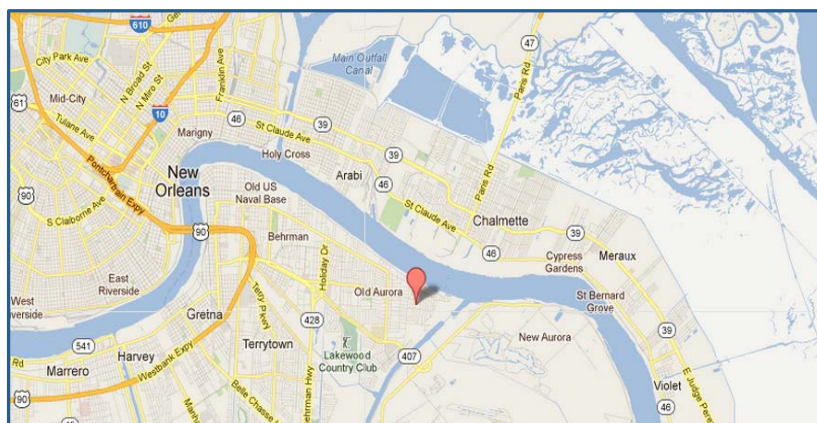
Located in Place-Based Strategy Area	
Walk Score > 70	
Transit within ¼ mile	
Grocery within 1 mile	✓
School within ½ mile	✓
Neighborhood Organization	
Facade with Architectural Variety	
Outdoor Space	✓
Parking	✓

## Unit Types

3+ BR	16
2 BR	49
1 BR	16
Efficiency	0

## Details

Owner:	Will Woods Foundation
Neighborhood:	Old Aurora
Neighborhood Recovery Rate:	98%
Construction Type:	Acquisition and Rehab
Year Placed in Service:	1997
Tax Credit Type:	Mix of 4% and 9%
Building Condition:	Good





# Holy Angels

3500 Saint Claude Ave  
New Orleans, LA 70117



## Amenities

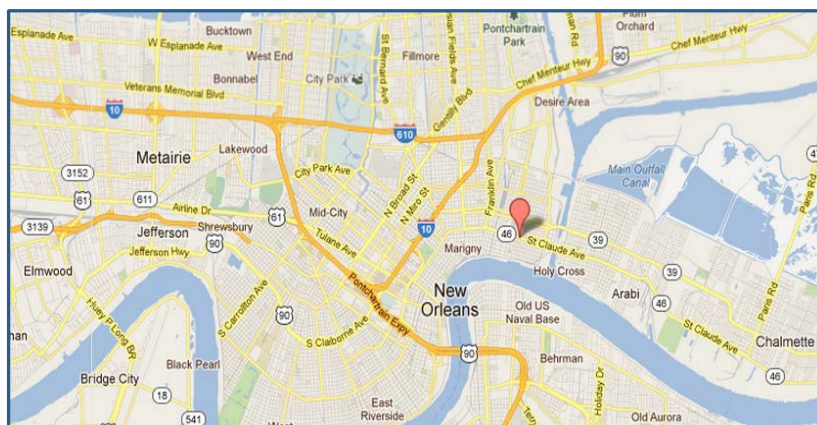
Located in Place-Based Strategy Area	✓
Walk Score > 70	✓
Transit within ¼ mile	✓
Grocery within 1 mile	✓
School within ½ mile	✓
Neighborhood Organization	✓
Facade with Architectural Variety	✓
Outdoor Space	✓
Parking	✓

## Unit Types

3+ BR	0
2 BR	0
1 BR	26
Efficiency	6

## Details

Owner:	Holy Angles, LP
Neighborhood:	St. Claude
Neighborhood Recovery Rate:	77%
Construction Type:	Acquisition and Rehab
Year Placed in Service:	2000
Tax Credit Type:	Mix of 4% and 9%
Building Condition:	Good



# JoAnn Place

JoAnn Place  
New Orleans, LA 70114



## Amenities

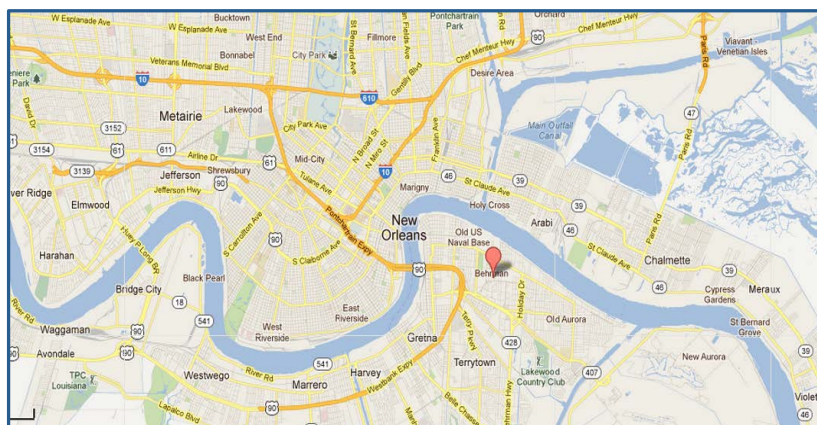
Located in Place-Based Strategy Area	
Walk Score > 70	
Transit within ¼ mile	
Grocery within 1 mile	
School within ½ mile	✓
Neighborhood Organization	✓
Facade with Architectural Variety	✓
Outdoor Space	✓
Parking	✓

## Unit Types

3+ BR	32
2 BR	0
1 BR	0
Efficiency	0

## Details

Owner:	JoAnn Place, LLC
Neighborhood:	Behrman
Neighborhood Recovery Rate:	95%
Construction Type:	New Construction
Year Placed in Service:	2005
Tax Credit Type:	9%
Building Condition:	Average





# LeParc Apartments of New Orleans

7246 Chef Menteur HWY  
New Orleans, LA 70126



## Amenities

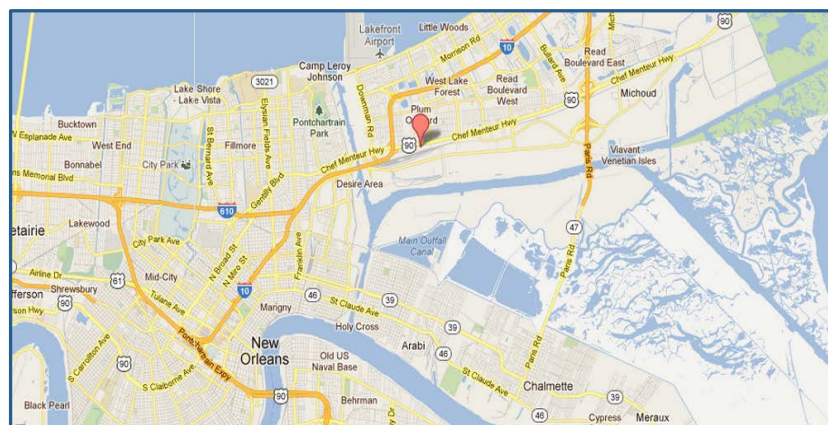
Located in Place-Based Strategy Area	
Walk Score > 70	
Transit within ¼ mile	
Grocery within 1 mile	✓
School within ½ mile	
Neighborhood Organization	
Facade with Architectural Variety	
Outdoor Space	
Parking	

## Unit Types

3+ BR	0
2 BR	0
1 BR	0
Efficiency	0

## Details

Owner:	LeParc Apartments of N.O.
Neighborhood:	New Orleans East
Neighborhood Recovery Rate:	61%
Construction Type:	New Construction
Year Placed in Service:	1998
Tax Credit Type:	4%
Building Condition:	N/A



# Louisiana Freedman Homes

3133 Audubon St  
New Orleans, LA 70125



## Amenities

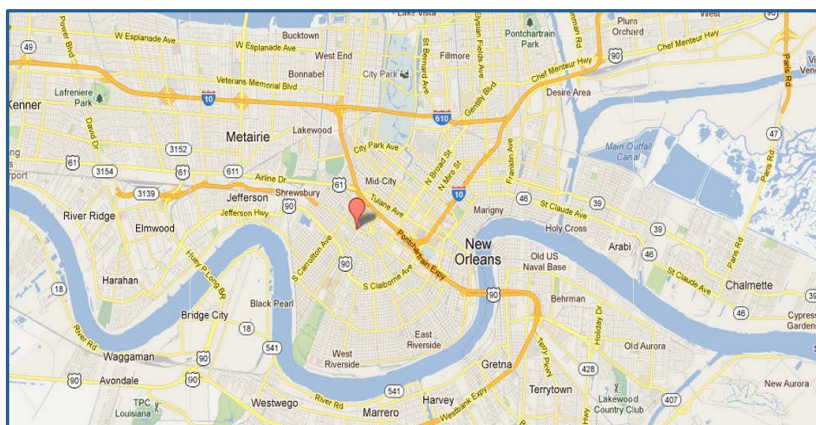
Located in Place-Based Strategy Area	
Walk Score > 70	
Transit within ¼ mile	
Grocery within 1 mile	✓
School within ½ mile	✓
Neighborhood Organization	✓
Facade with Architectural Variety	✓
Outdoor Space	✓
Parking	✓

## Unit Types

3+ BR	28
2 BR	0
1 BR	1
Efficiency	0

## Details

Owner:	LA Freedman Homes
Neighborhood:	Gert Town
Neighborhood Recovery Rate:	102%
Construction Type:	New Construction
Year Placed in Service:	2007
Tax Credit Type:	9%
Building Condition:	Good





# Loyola Landmark Apartments

3309 Loyola Ave  
New Orleans, LA 70115



## Amenities

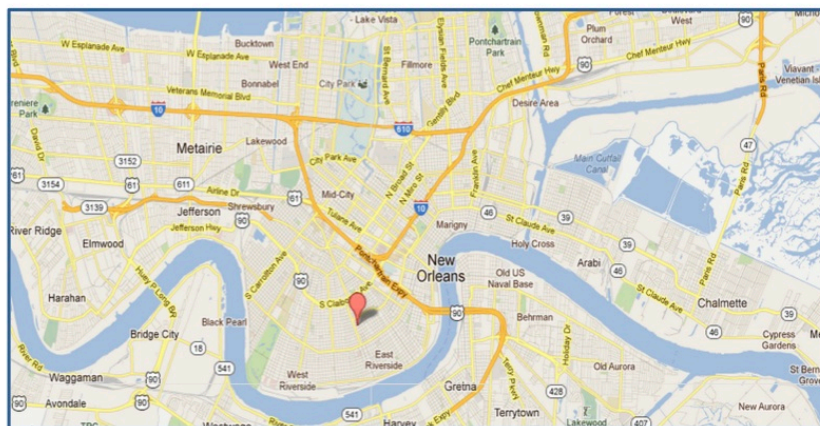
Located in Place-Based Strategy Area	✓
Walk Score > 70	
Transit within ¼ mile	✓
Grocery within 1 mile	✓
School within ½ mile	✓
Neighborhood Organization	✓
Facade with Architectural Variety	✓
Outdoor Space	✓
Parking	

## Unit Types

3+ BR	4
2 BR	21
1 BR	10
Efficiency	0

## Details

Owner:	Loyola Landmark Partners
Neighborhood:	Central City
Neighborhood Recovery Rate:	78%
Construction Type:	Acquisition and Rehab
Year Placed in Service:	1998
Tax Credit Type:	9%
Building Condition:	Good



# Oak Place Homes

2401 Conti St  
New Orleans, LA 70119



## Amenities

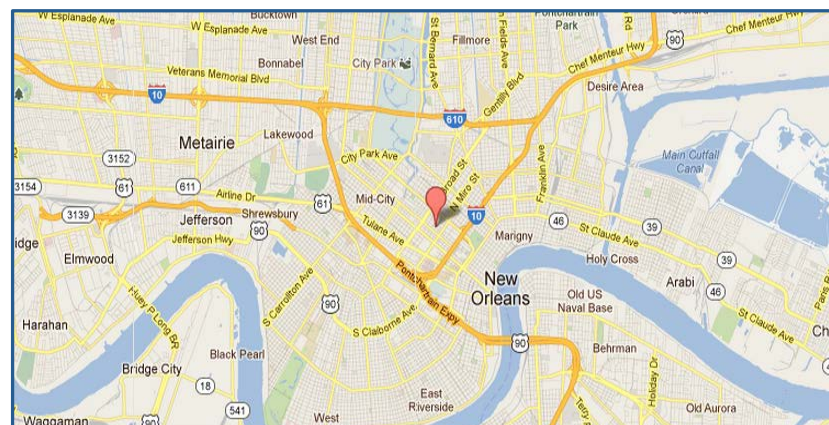
Located in Place-Based Strategy Area	
Walk Score > 70	
Transit within ¼ mile	✓
Grocery within 1 mile	
School within ½ mile	
Neighborhood Organization	✓
Facade with Architectural Variety	✓
Outdoor Space	✓
Parking	

## Unit Types

3+ BR	8
2 BR	8
1 BR	5
Efficiency	0

## Details

Owner:	Oak Place, LP
Neighborhood:	Seventh Ward
Neighborhood Recovery Rate:	79%
Construction Type:	Acquisition and Rehab
Year Placed in Service:	2000
Tax Credit Type:	Mix of 4% and 9%
Building Condition:	Poor





# Olympus Apartments

4170 Old Gentilly Rd.  
New Orleans, LA 70126



## Amenities

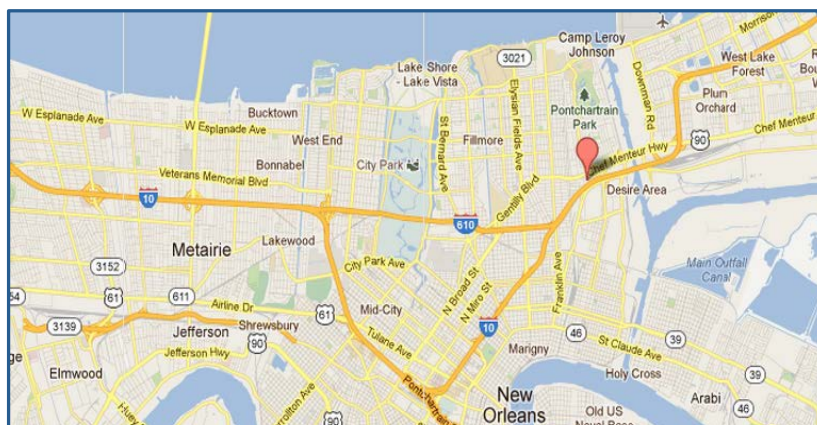
Located in Place-Based Strategy Area	
Walk Score > 70	
Transit within ¼ mile	
Grocery within 1 mile	
School within ½ mile	
Neighborhood Organization	✓
Facade with Architectural Variety	
Outdoor Space	
Parking	

## Unit Types

3+ BR	0
2 BR	0
1 BR	0
Efficiency	0

## Details

Owner:	Olympus Ltd. Partnership
Neighborhood:	St. Claude
Neighborhood Recovery Rate:	77%
Construction Type:	Acquisition and Rehab
Year Placed in Service:	1999
Tax Credit Type:	9%
Building Condition:	Poor



## Putnam Plaza

2313 Harmony St  
New Orleans, LA 70115



### Amenities

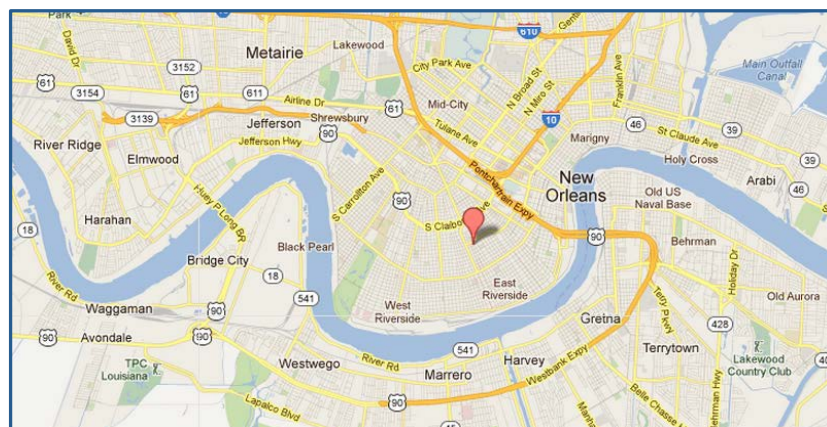
Located in Place-Based Strategy Area	✓
Walk Score > 70	
Transit within ¼ mile	✓
Grocery within ¼ mile	✓
School within ½ mile	
Neighborhood Organization	✓
Facade with Architectural Variety	
Outdoor Space	✓
Parking	

### Unit Types

3+ BR	0
2 BR	38
1 BR	0
Efficiency	0

### Details

Owner:	Putnam Plaza Apts., LLC
Neighborhood:	Central City
Neighborhood Recovery Rate:	78%
Construction Type:	Acquisition and Rehab
Year Placed in Service:	1999
Tax Credit Type:	9%
Building Condition:	Average





# River Garden Elderly Apts.

2017 Laurel St.  
New Orleans, LA 70130



## Amenities

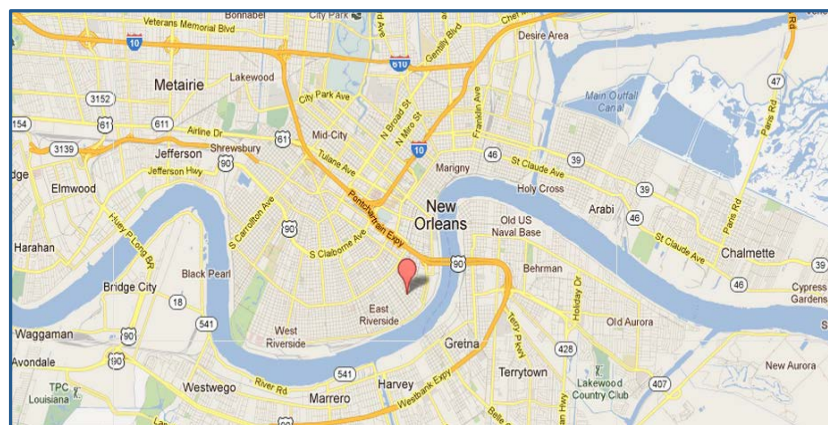
Located in Place-Based Strategy Area	
Walk Score > 70	✓
Transit within ¼ mile	✓
Grocery within 1 mile	✓
School within ½ mile	✓
Neighborhood Organization	✓
Facade with Architectural Variety	
Outdoor Space	✓
Parking	

## Unit Types

3+ BR	0
2 BR	0
1 BR	57
Efficiency	0

## Details

Owner:	HRI Properties
Neighborhood:	St. Thomas Development
Neighborhood Recovery Rate:	283%
Construction Type:	New Construction
Year Placed in Service:	2007
Tax Credit Type:	9%
Building Condition:	Good





# St. James A.M.E Homes

201 N Roman St  
New Orleans, LA 70112



## Amenities

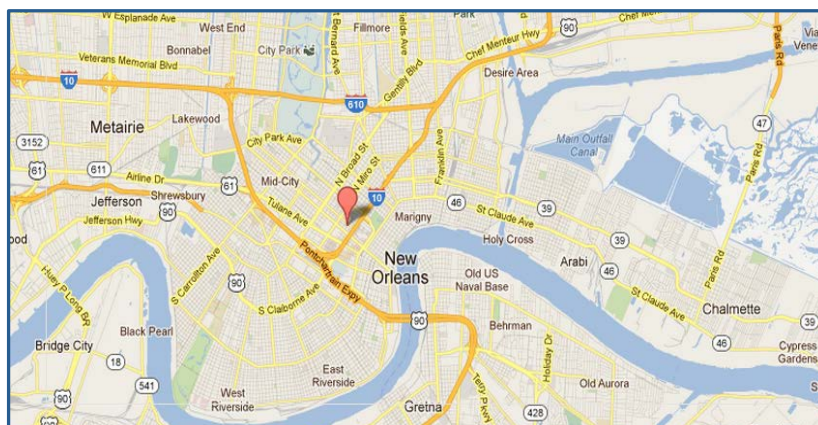
Located in Place-Based Strategy Area	
Walk Score > 70	
Transit within ¼ mile	✓
Grocery within 1 mile	✓
School within ½ mile	✓
Neighborhood Organization	
Facade with Architectural Variety	✓
Outdoor Space	✓
Parking	

## Unit Types

3+ BR	4
2 BR	41
1 BR	4
Efficiency	0

## Details

Owner:	First Trust CDC
Neighborhood:	Treme
Neighborhood Recovery Rate:	63%
Construction Type:	New and Rehab
Year Placed in Service:	1997
Tax Credit Type:	Mix of 4% and 9%
Building Condition:	Average



# Skyview Terrace

3301 Garden Oaks Dr  
New Orleans, LA 70114



## Amenities

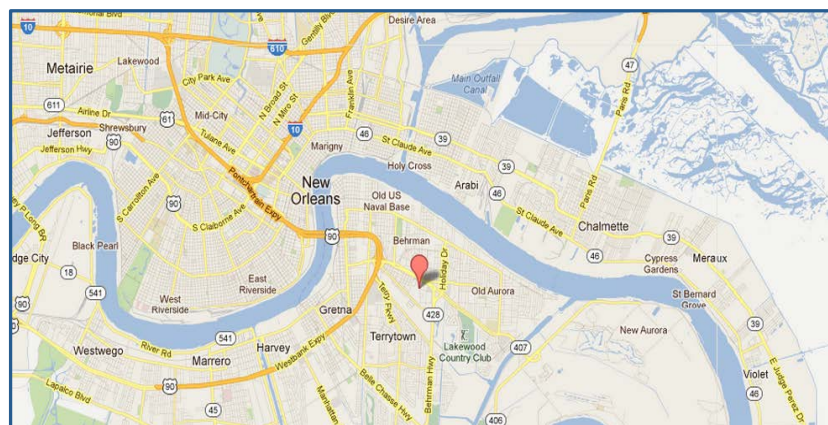
Located in Place-Based Strategy Area	
Walk Score > 70	
Transit within ¼ mile	
Grocery within 1 mile	✓
School within ½ mile	✓
Neighborhood Organization	✓
Facade with Architectural Variety	
Outdoor Space	
Parking	✓

## Unit Types

3+ BR	11
2 BR	3
1 BR	84
Efficiency	32

## Details

Owner:	Skyview Terrace Apts.
Neighborhood:	Behrman
Neighborhood Recovery Rate:	95%
Construction Type:	Acquisition and Rehab
Year Placed in Service:	2000
Tax Credit Type:	Mix of 4% and 9%
Building Condition:	Poor





# Tulane Avenue SRO

3901 Tulane Ave  
New Orleans, LA 70119



## Amenities

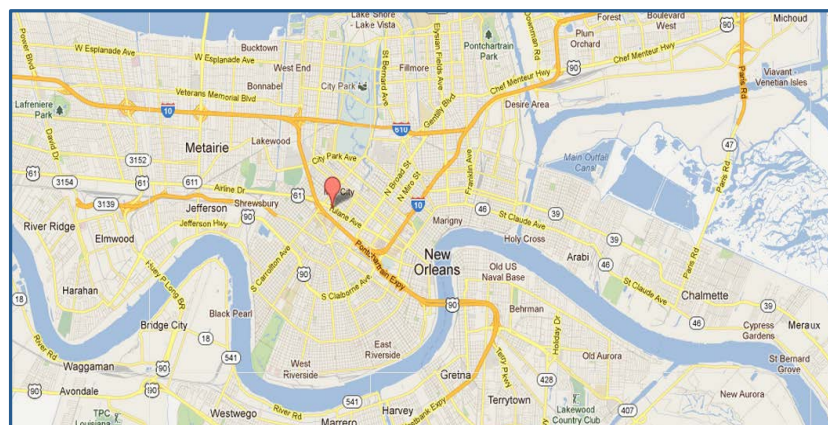
Located in Place-Based Strategy Area	✓
Walk Score > 70	✓
Transit within ¼ mile	
Grocery within 1 mile	✓
School within ½ mile	✓
Neighborhood Organization	✓
Facade with Architectural Variety	
Outdoor Space	✓
Parking	

## Unit Types

3+ BR	0
2 BR	0
1 BR	0
Efficiency	80

## Details

Owner:	Tulane Ave SRO Partner
Neighborhood:	Mid-City
Neighborhood Recovery Rate:	94%
Construction Type:	Acquisition and Rehab
Year Placed in Service:	1997
Tax Credit Type:	9%
Building Condition:	Average



## Appendix 3: Sources of Recapitalization Funds

### Federal Sources of Recapitalization Funds

Federal Sources	Uses	Strengths	Weaknesses	Source
<b>Community Development Block Grant</b>	-Acquisition -Rehab -Site Clearance -Infrastructure	-Can be used for community and economic development projects	-Rental housing projects must be at least 51% low- or moderate-income	National Housing & Rehabilitation Association, 2009
<b>FHA 223(f) Loans -</b>	-Permanent financing -Refinancing	-Pilot program targets LIHTC projects	-Substantial rehab ineligible -Intended for rental projects	Fireison, Carmody & Schreiber, 2012
<b>FHLB Affordable Housing Program (AHP)</b>	-Construction -Acquisition -Rehab -Loans -Downpayment Assistance -Interest Rate Buydown	-Flexibility -Designed for use with LIHTC or CDBG funds	-Highly competitive program -Funds only 1 in 3 applicants	Landes, 2005
<b>FHLB Community Investment Program (CIP)</b>	-Below market rate loans	-Doesn't negatively impact tax credit basis	-Applicants must partner with members of Federal Home Loan institutions	Landes, 2005
<b>Federal Historic Rehabilitation Tax Credit</b>	-Rehab of historic properties	-Attracts same kind of investors/partners as LIHTC program	-Property must be "income-producing" -Additional reporting and compliance requirements	Louisiana Office of Cultural Development, 2012
<b>HOME Funds</b>	-Grants -Below market rate loans	-Flexible use of funds -Easily coupled with LIHTC	-Can reduce amount of LIHTC equity -May trigger additional requirements (NEPA, URA, etc.) when used with LIHTC	HUD, 2010 & Landes, 2005
<b>4% Low Income Housing Tax Credits</b>	-Acquisition -Rehab	-4% credits are considered "as of right" when recapitalizing an expiring LIHTC project with private activity bonds	-Project would remain rental for 15 years+	Novogradac, 2010

### State, Local and Non-Governmental Sources of Recapitalization Funds

State Sources	Uses	Strengths	Weaknesses	Source
<i>Louisiana Loan Fund</i>	-Loans for acquisition & pre-development	-Short closing time on loans (60-90 days)	-Construction and renovation are not eligible activities	Louisiana Loan Fund, 2007
<i>Tax-Exempt Private Activity Bonds</i>	-Loans	-Raises large amount of capital -Stability is attractive to investors	-High fees/transaction costs -Strict requirements	Novogradac, 2011
Local Sources	Uses	Strengths	Weaknesses	Source
<i>City of New Orleans Soft Second Mortgage Program</i>	-Forgivable Loans	-May be used by potential homeowners or developers	-Priority given to projects in "place-based areas" -Competitive process	City of New Orleans, 2012
Non-Governmental Sources	Uses	Strengths	Weaknesses	Source
<i>Enterprise Community Loan Fund</i>	-Pre-development -Acquisition -Gap financing	-Preservation driven -Flexible loan types -Local market expertise	-Short repayment terms	Enterprise Community Partners, 2012
<i>Greater New Orleans Foundation/Rockefeller Community Revitalization Fund</i>	-Housing -Technical assistance -Capacity-building	-Flexibility of funds/creativity in application	-Competitive	GNOF, 2009

## Appendix 4: QAP Glossary

Term	Definition
Threshold	Threshold requirements are a list of criteria that must be met for an initial LIHTC application to be reviewed and scored. Examples of threshold requirements include site control, proper zoning, good standing certification of the developer and a complete application. Some states extend their threshold requirements to cover some more substantive topics rather than just administrative items.
Set Aside	States divide their total LIHTC funding allocation into smaller pots of funds called set-asides. The IRS code specifies some set-aside pools such as a rural set-aside and a nonprofit set aside. States are also empowered to create their own set-aside pools for public housing authorities, supportive housing, transformational projects, transit oriented design or preservation.
Points	Threshold requirements set the minimum standard for LIHTC applications. States use points to score additional application criteria to determine which projects will receive funding and which will not. Points can be allocated for a wide range of criteria including design elements, serving at-risk populations, extended affordability agreements, encouraging access to transit or other neighborhood amenities or green building criteria.
Basis Boost	LIHTC funding is all based on a project's qualified eligible basis-- the sum of the allowable costs multiplied by the percentage of project units that will be affordable, multiplied by the tax rate. A basis boost allows the developer to increase their qualified eligible basis by 30%. Doing so increases the amount of tax credit equity that a developer can use on a particular project. Basis boosts are used to encourage development in difficult neighborhoods and to provide additional financial resources to projects that would not otherwise be feasible.

Tie Breaker	LIHTC funding agencies generally use a point system to rank applications. The projects that rank highest will be eligible for funding. If two or more projects receive the exact same score, the funding agency will use tie-breaking criteria to determine which project ranks higher than the other.
Universal Design	The design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design ( <a href="http://www.ncsu.edu/project/design-projects/udi/center-for-universal-design/">http://www.ncsu.edu/project/design-projects/udi/center-for-universal-design/</a> ).
LEED Certification	As an internationally recognized mark of excellence, LEED (Leadership in Energy and Environmental Design) provides building owners and operators with a framework for identifying and implementing practical and measurable green building design, construction, operations and maintenance solutions ( <a href="http://www.usgbc.org">http://www.usgbc.org</a> ).
Enterprise Green Communities	Enterprise Green Communities Criteria is the first national framework for healthy, efficient, environmentally smart affordable homes. The criteria are a framework for comprehensive green building practices, which are applicable for all affordable housing development types, in any location in the country. EGC focuses on the use of environmentally sustainable materials, reduction of negative environmental impacts and increased energy efficiency. EGC emphasizes designs and materials that safeguard the health of residents and locations that provide easy access to services and public transportation ( <a href="http://ownthecrescent.org/glossary">http://ownthecrescent.org/glossary</a> ).