



GNOHA's Stance on Alterations to the Density Bonus

On September 8, 2015, Mayor Mitch Landrieu signed into law an ordinance to amend the City's Comprehensive Zoning Ordinance (CZO) by providing a density bonus that would allow developers to build denser residential developments as long as a portion of units are committed to housing residents whose income falls below certain levels based upon the Area Median Income (AMI). The New Orleans City Council adopted the ordinance, authored by District B Councilmember LaToya Cantrell, on September 3, 2015. The City Planning Commission, the City Council and the Mayor's office worked with affordable housing advocates to craft the ordinance which "encourages and incentivizes developers to offer more affordable housing" in New Orleans. This optional density bonus was seen as a crucial, but preliminary step in tackling the affordable housing crisis through zoning. The *HousingNOLA 10-Year Strategy and Implementation Plan*, released in December 2015, calls for a study of mandatory Inclusionary Zoning—which would require that market rate developers include affordable housing inside new residential developments in exchange for additional incentives beyond increasing density.

Recently, a developer has requested an alteration of the existing density bonus to accommodate the construction of 382 apartments on the Lafitte Greenway. By right, Edwards Communities is allowed to build an apartment complex with only 272 units and the density bonus would allow for the increase to 382—provided they include 14 affordable rentals for households at 30% AMI. (\$12,600 for one person/16,020 for two/\$24,300 for four) Instead of building the affordable units within their complex, Edwards proposes to seed a revolving loan-fund with \$644,000 in an attempt to spur the creation of 14 homeowners at the 80% AMI (\$33,600, for one/\$38,400 for two/\$48,000 for four) in the Mid-City Neighborhood. GNOHA is troubled by this request and opposes this alteration for a number of reasons.

Issue #1 – 368 units can sustain 14: We calculate that every extra 5% bonus density adds approximately \$1.2 million in profitability to the project. The 55 units created by the affordable housing requirement represent a 20% increase and mean an additional \$4.8 million in revenue. The affordable rentals units would reduce profits, but the developer would not be able to earn *any* additional profit beyond the 272 units *without* the affordable housing.

Issue #2 – \$644,000 will not create 14 homebuyers: Homeownership prices have doubled since Katrina devastated New Orleans 11 years ago and prices continue to hover just beyond the reach of many New Orleanians. The alteration proposed seeks to create first time homeowners instead of renters but only offers \$46,000 in a hard second mortgage to assist buyers. The average home price in New Orleans is \$192,000—with \$46,000 in subsidy, these buyers would have to qualify for a \$146,000 mortgage. Attached to this summary is a market analysis of available houses in Mid-City demonstrating the buying power of real New Orleanians. Low-income buyers in New Orleans need at least \$150,000 in subsidy to buy existing houses for sale in Mid-City. GNOHA is also troubled that this proposed subsidy would be one that requires routine income verification (the second mortgage would be repaid if they family’s income increase) and/or the mortgage is due after the first mortgage is satisfied or upon the death of the original buyer. Not only are these additional requirements problematic for potential buyers, they are also onerous and would eat away at the already inadequate funding for administration and overhead. It should be noted that the developers are also securing an additional 55 units for other concessions that they are planning to fulfill.

Issue #3 – Inclusionary Zoning would be undermined: HousingNOLA, the organization responsible for the implementation of the *10 Year Plan* is working with the City of New Orleans, Councilmembers Cantrell and Williams, the City Planning Commission, the New Orleans Redevelopment Authority, the Greater New Orleans Fair Housing Action Center, Enterprise, Finance Authority of New Orleans, developers (private and nonprofit) and other key stakeholders to develop a mandatory inclusionary zoning policy. This alteration sets a dangerous precedent and would undermine these efforts. Developers who do not wish to aid in addressing the affordability crisis would seek to opt out and demand similar terms which would cost the city affordable homes and apartments that will not be created given the ever shrinking government subsidy.

Our Recommendations:

- The developer should abide by the Comprehensive Zoning Ordinance and Density Bonus as written and building either build 382 units with 14 affordable rentals at 30% AMI or 272 market rate units; OR
- The fee-in-lieu amount should be comparable to the value of the onsite requirement originally agreed upon or comparable to the value of additional units the developer will be able to be build due to the increased development entitlements. This would ensure that the soft second funding would be at least \$150,000 for each of the 14 prospective homebuyers. The fee-in-lieu amount **must** be enough to provide real assistance and create 14 units elsewhere. The fee should also be paid into the City’s Neighborhood Housing Improvement Fund. (NHIF)

In New Orleans and elsewhere, there is no cookie-cutter approach to housing policy. Housing policy needs to be tailored to the unique strengths and challenges facing that particular place. Our solutions need to take into account our needs (like distressed and vacant housing), market conditions (insurance, age of housing, income), and of course, policy solutions need to be guided by the wisdom and priorities from residents themselves, because this is their home and any policy should be shaped by the people it will effect. These actions are outlined in the *HousingNOLA 10 Year Strategy and Implementation Plan*, which received the benefit of thorough public vetting among consumers, housing providers, and other stakeholders.

We welcome the opportunity to continue to work towards solutions that benefit all New Orleanians, and encourage the City to devote the resources and attention necessary to implement solutions for long-term residents who have seen their housing become less affordable and have been pushed out of their neighborhoods.

Special thanks to the work and consultation of Grounded Solutions and Street Level Advisors, who acted as invaluable resources to GNOHA on this subject.

The Greater New Orleans Housing Alliance (GNOHA) is a collaborative of non-profit housing builders and community development corporations working to rebuild the housing stock available in the city of New Orleans after Hurricane Katrina devastated the city's infrastructure. Since its creation in 2007, GNOHA has sought to create change in the Greater New Orleans community through public policy advocacy and public education. The collaborative advocates for the preservation and production of affordable housing for people within the Greater New Orleans metropolitan region and places a special emphasis on the needs of the most vulnerable in society - seniors, people with disabilities, veterans, low-wage workers and low-income families.

GNOHA Homeownership Profiles for Mid-City

Helga – Family of Two – Income \$14,400/year (30% AMI);

Helga works full-time at Rally’s to support her young son Marius and herself. She makes \$7.50/hour as a crew member. She is going to community college with grant money from FAFSA. She has had to move twice in the past five years because of rising rents, so she would like to buy a house so that her son can grow up in a stable household. She has been scraping and saving every penny for almost a year, saving money on childcare by having her mother babysit and eating food from her workplace. After attending a community home-buying workshop, she feels that she has enough money for a downpayment on an FHA loan. She would like to live in Mid-City near where she works, as well as being near her mother, since she can’t afford a car in the city. She finds a pair of two-bedroom houses on the internet that are cheaper than most properties in the area, but when she takes off work and goes in to talk to her bank about a mortgage, they calculate that she cannot afford anywhere near enough for a house in her neighborhood.

Available Houses for Sale

4521 St Peter – 2br/2ba 1,025sqft single family house \$185,000 Purchase Price – FHA Loan 3% Downpayment = \$5,550* Loan Amount - \$179,500 3.625% Interest Rate Monthly Payment PITI: \$1,318	2757 Saint Peter St – 2br/2ba 1,092sqft single family house \$200,000 Purchase Price – FHA Loan 3% Downpayment = \$6,000* Loan Amount - \$194,000 3.625% Interest Rate Monthly Payment PITI: \$1,384
--	--

Helga should be paying no more than \$360 per month in housing costs and could not even afford to pay taxes and insurance these houses in Mid-City.

Linh – Family of Four – Income \$29,760/year (50% AMI)

Linh currently rents a house on the Westbank and commutes every day to her job as a meat-cutter at Rouses supermarket. She is paid \$15.50 per hour. She has two young sons by her ex-husband, from whom she is divorced. Her elderly father Thieu lives with her as well and takes care of the children. He doesn't like caring for children, but he wants to teach them how to be good men since their father is only an infrequent visitor. She would like to move into a nicer house because she's been renting what was convenient after her divorce, and she would like to reduce her commute across the river by moving closer to her job. She also has savings that she has accumulated from her job over the past several years, and she wishes she could own her own house to be more independent. She begins shopping for a home in Mid-City, near her work, but she finds that 4-bedroom houses are too expensive. However, there some exceptional 3-bedroom houses that she likes. She excitedly goes to her bank to apply for a mortgage, but after beginning the application process she is told that she cannot afford to borrow that much money unless she can come up with an exorbitant downpayment.

Available Houses for Sale

<p>3222 Orleans Ave – 3br/2ba 1,019sqft single family house \$289,000 Purchase Price – FHA Loan 3% Downpayment = \$8,670 Loan Amount - \$280,330 3.625% Interest Rate Monthly Payment PITI: \$1,778 or 72% of her monthly income</p>	<p>338 N Lopez St– 3br/2ba 1,097sqft single family house \$269,000 Purchase Price – FHA Loan 3% Downpayment = \$8,070 Loan Amount - \$260,930 3.625% Interest Rate Monthly Payment PITI: \$1,690 or 68% of her monthly income</p>
--	---

Linh qualifies for \$53,000 mortgage and would need a subsidy of \$236,000 to afford 3222 Orleans, or \$216,000 to afford 338 N Lopez.

Darius – Family of Three – Income \$43,000/year (80% AMI)

Darius is a high school history teacher and basketball coach at a New Orleans charter school. He loves to teach ancient history because he does humorous classroom skits wherein he is Darius the Great. He makes \$43,000 annually, and he loves his job. He also loves his husband Sloan, and he loves Sloan's daughter as his own. His husband is a talented artist, as well as a homemaker, but neither of these result in an income. Darius has been teaching for some time and would like to take the next step in his life and buy a house. He and his husband have narrowed down the neighborhoods they would like to live in, and Mid-City is at the top of their list because it's close to everything. They find a couple of beautiful 3-bedroom houses comparable to many others in that neighborhood. It's a lot of money, but the location will be worth it. They go together to their bank to apply for a mortgage. Before the process gets very far they are informed that they are too cost-burdened to qualify for an FHA loan, and they have too little savings to afford the downpayment necessary for a conventional loan.

Available Houses for Sale

439 S Telemachus St – 3br/2ba 1,360sqft single family house \$289,000 Purchase Price – FHA Loan 3% Downpayment = \$8,670 Loan Amount - \$280,330 3.625% Interest Rate Monthly Payment PITI: \$1,778 or 50% of his monthly income	3053 St Ann St – 3br/2ba 1,500sqft single family house \$437,000 Purchase Price – FHA Loan 3% Downpayment = \$13,110 Loan Amount - \$423,890 3.625% Interest Rate Monthly Payment PITI: \$2,433 or 68% of his monthly income
--	--

Darius qualifies for a \$125,000 mortgage. Therefore, he would need a subsidy of \$155,000 to afford 439 S Telemachus, or \$299,000 to afford 3053 St Ann.

Gideon – Family of One – Income \$25,000/year (60% AMI)

Gideon works full-time at a nonprofit agency that helps people deal with substance abuse. He recently graduated from college and wanted to take a job giving back to his community. His agency is always overburdened with cases, and he deals with many troubled and stressful people, but he only makes \$25,000 per year. He likes feeling like he helps people, but he also wants to start a life for himself. He lives in Mid-City, and he likes being close to everywhere he wants to go with his friends, so he decides to look for a house to buy. He finds two possibilities, 2-bedroom houses where he can envision hosting his friends from out-of-town or beginning his family there. His visions are swept away when he goes to the bank and discovers that he can never be approved for that much money at his current job.

Available Houses for Sale

<p>528 S Scott St – 2br/2ba 1,020sqft single family house \$264,000 Purchase Price – FHA Loan 3% Downpayment = \$7,920 Loan Amount - \$256,080 3.625% Interest Rate Monthly Payment PITI: \$1,668 or 80% of his monthly income</p>	<p>3311 Palmyra St – 2br/1ba 1,250sqft single family house \$299,000 Purchase Price – FHA Loan 3% Downpayment = \$8,970 Loan Amount - \$290,030 3.625% Interest Rate Monthly Payment PITI: \$1,823 or 88% of his monthly income</p>
--	---

Gideon qualifies for a \$26,000 mortgage. Therefore, he would need a subsidy of \$238,000 to afford 528 S Scott, or \$273,000 to afford 3311 Palmyra.

Mozart – Family of Two – Income \$40,000/year (83% AMI)

Mozart is a musician in New Orleans. He's not from the city, but he was drawn here like so many others by the culture. He brought with him his young daughter. He is dead set on contributing to that culture he loves so much. But performing doesn't always pay the bills, so he also teaches music at a local music school and begins working on his own historical tour business. He makes \$40,000 per year, but most of it is in cash, and so he declares only \$15,000. Mozart knows he wants to stay in New Orleans for the rest of his life, and he believes in the American Dream, so he begins thinking about buying a house. He talks to a housing counsellor, who tells him that he must meet bank requirements to get a loan. He reluctantly begins paying more to report his full earnings. He thinks he has a stroke of good fortune when his landlady, after telling him that she wishes to sell the Mid-City house where they rent, offers to sell it to Mozart at a very good price. Mozart goes to the bank seeking a loan, only to find that the inconsistent nature of his income does not qualify him for a mortgage under their rules.

Available Houses for Sale

<p>3818 Baudin St – 2br/2ba 1,345sqft single family house \$260,900 Purchase Price – FHA Loan 3% Downpayment = \$7,827 Loan Amount - \$253,073 3.625% Interest Rate Monthly Payment PITI: \$1,654 or 50% of his monthly income.</p>	
--	--

Mozart qualifies for an \$110,000 mortgage and would need a subsidy of \$150,000 to afford to buy the house he lives in. Mozart also requires an alternative mortgage product that considers his seasonal income.

Address	Square Feet	Price	BR	BA
528 S Scott St	1020	264,000	2	2
527 S Rendon St	1300	325,000	2	2
135 S Alexander St	1300	199,000	3	2
2513 Cleveland	1290	249,000	2	1
2738 Cleveland Ave	1357	299,000	3	2
2744 Cleveland	1212	285,000	3	2
338 N Lopez St	1097	269,000	3	2
3311 Palmyra St	1250	299,000	2	1
2757 Saint Peter St	1092	200,000	2	2
3222 Orleans Ave	1019	289,000	3	2
4521 St Peter	1025	185,000	2	2
4517 Toulouse St	1240	350,000	2	2
439 S Telemachus St	1360	289,000	3	2
3818 Baudin St	1345	260,900	2	2
3013 St Ann St	1355	299,000	2	2
1116 N Dupre St	1504	479,000	2	2
223 S Rocheblave St	950	290,000	3	2
2539 Banks St	1360	329,900	2	1
2418 Barracks St	1133	225,000	3	2
712 Weiblen Pl	1390	299,000	3	2