AFFORDABLE RENTAL HOUSING IN HEALTHY COMMUNITIES

REBUILDING AFTER HURRICANES KATRINA AND RITA

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CHAPTER ONE: INTRODUCTION AND SUMMARY OF FINDINGS

Louisiana needs affordable housing for both renters and homeowners in order to recover fully and fairly from the devastation and displacement of Hurricanes Katrina and Rita. Even before the storms, decent affordable housing was in short supply and many low-income families and individuals faced housing hardship. But the hurricanes—and the flooding that followed—left the state with a severe housing shortage. In the greater New Orleans region, for example, almost half the housing stock was damaged or destroyed.[1] So far, rebuilding has been slow and the prospects for the future are uncertain.

Although everyone who was displaced by Hurricanes Katrina and Rita faces significant housing challenges, the needs of low- and moderate-income renters warrant far more attention than they have thus far received. Louisiana's current housing policies focus primarily on the needs of homeowners or on the production of rental housing through the Low Income Housing Tax Credit (LIHTC) program. But most lower-income households (especially those from the greater New Orleans region) are renters, and they cannot wait for all the new LIHTC units to come on line. Thus, communities across Louisiana need additional tools for assisting lower income renters. Without affordable rental options, many original residents will not be able to return to their communities, lower income households will face the greatest uncertainty and hardship, and the region's economic recovery is likely to be undermined by the lack of critical workers.

Purpose and Scope of this Report

The devastation to families' lives and to communities caused by Hurricanes Katrina and Rita pose a unique set of challenges. Nonetheless, experience from around the U.S. and internationally can provide valuable insights for the development of effective responses.

Therefore, the Louisiana Family Recovery Corps commissioned the Urban Institute to prepare a scan of promising programs and practices that would expand the availability of permanent, affordable rental housing.

This report is intended to serve as a resource to help inform and invigorate public debate about affordable rental housing policies in the months and years ahead. It draws upon both international and domestic experience in disaster recovery and affordable housing policy to recommend promising programs and practices for addressing the challenges facing lower income renters who want to return to rebuild their lives and communities. Note that, although public housing represents a critical resource for very low-income renters, this report does not

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[1] Estimates indicate that 36 percent of homeowner stock and 56 percent of rental stock was damaged or destroyed (http://www.brookings.edu/metro/pubs/20051012_NewOrleansES.pdf.

attempt to address the specific issues currently swirling around the redevelopment of New Orleans's public housing stock. These issues are receiving considerable attention already, and may in fact be diverting attention and resources away from the broader array of affordable rental housing issues facing the greater New Orleans region and other affected communities across Louisiana.

The remainder of this report consists of seven sections. Section 2 summarizes the daunting housing challenges facing Louisiana today, and describes the barriers lower income renters face as they attempt to return. The circumstances surrounding the rebuilding are ever-changing and are continuously being readdressed and revised; this report reflects the status of the rebuilding and return efforts as of March 2007. Sections 3 through 7 then inventory promising programs and practices that have the potential to advance five critical goals:

- Section 3—bringing damaged rental properties back into active use;
- Section 4—helping low-income households gain access to the rental housing that remains;
- Section 5—building new affordable rental housing in opportunity-rich communities;
- Section 6—expanding the availability of suitable rental housing for the elderly and for families with special needs; and
- Section 7—empowering low-income households have rebuilt their social networks and community supports.

Finally, section 8 presents a comprehensive agenda of recommendations—including recommendations for local, state, federal, and philanthropic action—that could lead to meaningful progress in restoring permanent affordable rental housing in healthy communities throughout Louisiana.

Summary of Findings and Recommendations

Experience from communities across the country offers a wide array of promising policies and programs that can help address the affordable rental housing challenges facing Louisiana today. Because the challenges are complex and multidimensional, no single program can possibly provide the whole solution. Instead, Louisiana needs a comprehensive agenda of policies and programs that explicitly target different dimensions of the problem.

Moreover, no single level of government can implement this entire agenda. Instead, local, state, and federal governments all have essential roles to play. And private philanthropies can also contribute by funding, catalyzing, or gap-filling initiatives. Table 1 summarizes a comprehensive agenda of mutually reinforcing policies and programs, indicating which challenges are addressed by each and which levels of government are best suited to take action on each.

Table 1: Affordable Rental Housing Recommendations

Local government actions	**Damaged Units Back On-Line**	**Access to Existing Units**	**New Housing in Good Locations**	**Special Needs Housing**	**Social Networks and Supports**
Implement tenant protections—rent controls, evictions, right of first refusal		X			
Vigorously enforce fair housing laws		X	X		
Prohibit discrimination based on source of income		X			
Update zoning codes to permit auxiliary rental units			X	X	
Reform building codes—low-cost designs and technologies			X	X	
Create an inclusionary zoning program			X		
Create an Employer Assisted Housing program—focused on assistance to low- and moderate-income renters	X	X	X		
Acquire land—land banking and community land trusts			X		X
Target selected neighborhoods—resident-driven redevelopment	X		X	X	X
State government actions	**Damaged Units Back On-Line**	**Access to Existing Units**	**New Housing in Good Locations**	**Special Needs Housing**	**Social Networks and Supports**
Expand Road Home funding for rental housing	X		X	X	
Provide funding for acquisition of vacant homes	X	X			
Provide matching funds for Employer Assisted Housing programs	X	X	X		
Provide funding for targeted neighborhood redevelopment	X		X	X	X
Target LIHTC—opportunity-rich neighborhoods and supportive housing			X	X	
Create a cooperative insurance pool for affordable rental properties	X		X		
Prohibit discrimination based on source of income		X			
Establish “fair share” affordable housing requirements			X	X	
Mandate inclusionary zoning programs			X		

Federal government actions	**Damaged Units Back On-Line**	**Access to Existing Units**	**New Housing in Good Locations**	**Special Needs Housing**	**Social Networks and Supports**
Expand Housing Choice Vouchers—FEMA and HUD disaster assistance recipients		X			
Transfer voucher administration to a qualified organization		X			
Allocate supplemental project-based vouchers			X		
Fund special vouchers for housing plus supportive services				X	
Provide funding for cooperative insurance pool	X		X		
Provide funding for local fair housing organizations		X	X	X	
Provide funding for targeted neighborhood redevelopment	X		X	X	X
Philanthropic foundation actions	**Damaged Units Back On-Line**	**Access to Existing Units**	**New Housing in Good Locations**	**Special Needs Housing**	**Social Networks and Supports**
Provide funding for housing search assistance and landlord outreach		X			
Provide funding and technical assistance for tenant cooperatives	X		X		X
Provide funding and technical assistance to launch Employer Assisted Housing programs	X	X	X		
Provide funding and technical assistance for community benefits agreements			X		X
Invest in community-building activities—new and existing neighborhoods					X
Co-invest in targeted neighborhood development initiatives	X		X	X	X

CHAPTER TWO: AFFORDABLE HOUSING IN HEALTHY NEIGHBORHOODS: BACKGROUND AND CHALLENGES

Like communities across the U.S., Louisiana already faced serious affordable housing problems before Hurricanes Katrina and Rita struck. These problems were especially severe in New Orleans, where almost a quarter of the city's residents had incomes below the federal poverty level and about two of every three households were renters. More than half of very low-income households bore severe housing cost burdens—paying over half their monthly income for housing.[2] And only about a third of needy households received federal housing assistance—a public housing apartment, other federally subsidized housing, or a Housing Choice Voucher.[3]

Although the pre-storm problems were substantial, the destruction and displacement of Hurricanes Katrina and Rita have left the greater New Orleans region (and other communities across Louisiana) with a severe housing shortage. The lack of housing—especially moderately-priced rental housing—prevents families from returning, exacerbates hardship and distress, and stands in the way of a full and equitable recovery. This section reviews the housing challenges currently facing Louisiana—focusing primarily on New Orleans and the surrounding parishes that make up the greater New Orleans region. It summarizes policies currently in place to address these challenges, and concludes by proposing a set of five interlocking objectives to guide the development of a more comprehensive and effective agenda of affordable rental housing policies.

Population and Housing Realities

Across the greater New Orleans region, nearly 228,000 homes and apartments were flooded, including 39 percent of all owner-occupied units and 56 percent of all rental units (Brookings 2005). In 2005, the metro area had a housing stock of about 550,000 and employed about 600,000 people (Richardson and Rhea 2007). As of mid-2006, employment had returned to about 73 percent of pre-Katrina levels,[4] but only about 63 percent of the housing stock had been restored or replaced. Currently, economists estimate that the greater New Orleans region

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[2] Poverty rate reported in the 2003 American Communities Survey. Housing cost burden reported in the 2000 Decennial Census. HUD defines very low-income households as those with less than 30 percent of the area median family income in 2000.

[3] The Housing Authority of New Orleans operated 8,421 public housing units prior to Katrina, of which almost half (47 percent) were vacant, and 9,560 Housing Choice Vouchers (Popkin, Turner, and Burt 2006).

[4] Note that not all of the workers currently holding jobs in the region were there originally. Many of the companies that were clean-up and reconstruction projects brought employees from elsewhere, including significant numbers of Latino workers who had not been a part of the region's workforce prior to the storm (Holzer and Lerman 2005).

faces a shortfall of 70,000 housing units. And if employment continues to expand faster than housing is produced, this shortfall will increase over time. Ultimately, however, the shortage of housing will constrain the region's economic recovery; current projections anticipate a growth "plateau" in two years because deficiencies in the supply of housing will prevent otherwise "natural" economic growth form occurring (Richardson and Rhea 2007).

Lower income households—most of whom are renters—have been disproportionately affected by the region's housing shortage. The latest reliable estimates indicate that less than half the population of New Orleans Parish had returned as of mid-2006, and anticipates that the city's population will still be below 60 percent of pre-storm levels by 2008.[5] Lower income households are less likely to have returned than more affluent households. The slow return of lower income households is particularly damaging to New Orleans's economy, because the hospitality industry relies heavily on low-wage labor force (Bernardi 2007). In addition, workers involved in providing health care, child care, and public education may not be able to return, limiting the availability of these critical services.

The disruption and dislocation of the storms may result in lasting demographic changes for the greater New Orleans region. Current estimates suggest that the number of African Americans living in the region has declined significantly (Logan 2006). And it appears that substantial numbers of Latinos have moved to New Orleans to work on cleanup and reconstruction projects. As of November 2006, there were 10,000 more Latinos living in Orleans and Jefferson Parish than there had been before the storm (Louisiana Department of Health and Hospitals 2006). Thus, the region's population will almost certainly be more ethnically diverse than it was in the past, and efforts to provide equitable and effective housing solutions will need to address the challenges of new residents as well as those of the original residents who want to return.

Housing Challenges Facing Low-Income Families and Individuals

Low- and moderate-income households who want to return to Louisiana face daunting challenges, especially if they were private market renters before the storm. New rental housing production is proceeding slowly. In 2006, just 500 new single-family and multifamily unit building permits were issued by New Orleans (Richardson and Rhea 2007). At the same time, the

[5] As of August 2006 191,139 (estimated with a margin of error of 9.8%) people lived in New Orleans parish, compared to 158,353 in January 2006 and 437,185 in July 2005. (http://www.gnocdc.org/KI/KatrinaIndex.pdf). According to Brookings there has not been a reliable estimate of the metro area population since January 2006. As far as actual projections, the numbers are controversial. http://www.nytimes.com/2007/01/21/us/nationalspecial/21orleans.html?pagewanted=2&ei=5088&en=f7a40848f6afe402&ex=1327035600&partner=rssnyt&emc). However, according to RAND, the population will grow to about 250,000 by 2008.

demand for rental housing has been at least temporarily expanded to include, middle- and upper-income homeowners repairing damage to their homes, and construction workers assisting in the recovery. As a consequence, rents for the units that are available have risen dramatically. Specifically, rental prices have reportedly climbed 40 to 70 percent over pre-Katrina levels (Bernardi 2007). Thus, low- and moderate-income renters who could afford housing in New Orleans before the storm may not be able to find anything they can realistically afford today. The shortage of affordable rental housing options is likely to be especially severe for families and individuals with special needs, including the elderly and very large families.[6] And programs currently in place are inadequate to address the challenges facing low- and moderate-income households today and in the years ahead.

The Road Home. The Road Home plan—launched by the state of Louisiana with funding from the federal government—provides the central source of support for rebuilding housing throughout Louisiana. Although most of the Road Home resources are directed toward homeowners, with grants of up to $150,000 for the repair or sale of a family's home,[7] two components provide resources for rental housing. First, the Small Rental Property program targets owner-occupants of three- and four-unit buildings, providing between $18,000 and $72,000 per unit, depending on the level of affordability ensured.[8] $869 million has been allocated to this program, which is expected to assist an estimated 18,000 units (Crowley 2007). In addition, Louisiana received a special allocation of Low Income Housing Tax Credits (LIHTC), which will be used in conjunction with block grant resources for the production of new affordable rental housing. These tax credits are expected to create up to 35,000 rental units, including public housing redevelopment, mixed-income projects (26 projects), and a limited number of developments in which at least 30 percent of the units are market rate and no more than 33 percent receive deeper, "piggy-back" subsidies to make them affordable for very low-income residents (Leger 2007).

Even when all the subsidized rental units envisioned by the Road Home plan are in place, the availability of affordable rental housing is likely to fall far short of needs. HUD officials estimate that although it is likely that 80 thousand replacement units are needed, resources are only available for 30 to 35 thousand (Bernardi 2007). Before the storm, many low-income renters in the New Orleans region lived in single-family homes or small multifamily buildings,

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[6] For example, in February, Volunteers for America was forced to cancel plans to replace 199 units of affordable housing for the elderly because of new regulations set in place by the Jefferson Parish Council.

[7] Homeowners who choose to leave the state incur a 40 percent penalty, and those who lived in flood plains but did not have flood insurance incur a 30 percent penalty. Insurance benefits and FEMA assistance are deducted from any Road Home grant (Leger 2007).

[8] Although this program primarily serves individuals who owned their properties before the storm, it includes a 5 percent set-aside for nonprofits (Leger 2007).

which were operated by small-scale landlords. Many of these property owners are unlikely to invest in major repairs or reconstruction, because expected returns from this type of property are relatively low (Leger). Moreover, insurance premiums for rental properties have risen by 50 to 100 percent since 2005, narrowing or eliminating landlords' profit margins, and causing them to either raise their rents or drop out of the market altogether (Leger 2007).

Delays and uncertainties in implementation of the Road Home program have contributed to the slow pace of rebuilding, and may discourage some property owners from investing in either rehabilitation or new construction. For example, although HUD has committed $16.7 billion in CDBG funding to the Road Home Program, thus far only $1.2 billion has been expended (Bernardi 2007). FEMA has yet to release $1.2 billion in Hazard Mitigation Grant program funding that was allocated to Louisiana to help fund the program. And the Louisiana Recovery Authority did not launch the Small Properties Program until the end of January 2007. Moreover, the legislation that allocated supplemental Low Income Housing Tax Credits to the Gulf Opportunity Zone requires that projects must be placed in service by December 2008. Almost two thirds of the units receiving GO-Zone tax credits are in danger of losing them if there is not a deadline extension (Richardson and Rhea 2007). And some developers are hesitant to even consider taking advantage of the credits because of the unrealistic time constraint (Koo 2007).[9]

Rising insurance premiums have also made the LIHTC program less attractive to developers, and reduced the total number of affordable rental units that the available credits are expected to yield (Koo 2007). Recently, the governor's office proposed to use $75 million in federal block grant resources to cover these increased insurance costs for LIHTC projects but the state Treasurer opposes this proposal, arguing instead that state funding should be used to provide the necessary gap financing (Barrow 2007).

Public Housing and Vouchers. The future of New Orleans's public housing stock is uncertain and highly controversial. Prior to Katrina, the Housing Authority of New Orleans (HANO) was one of the country's worst performing housing authorities (Fosburg, Popkin and Locke 1996) and the agency was under HUD receivership at the time of the hurricane.[10] Historically, the city's public housing projects were sited in low-income, African American neighborhoods, isolating low-income residents from the rest of the city and exacerbating both racial segregation and the concentration of black poverty. Decades of neglect and

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[9] As of March 2007, it appears likely that legislation will be passed to extend the placed in service deadline for the GO Zone tax credits.

[10] HANO had been in partial receivership since 1979 and full receivership since 2002. Despite the requirement that HUD receivership transfers to judicial receivership after two years, HUD still maintained administration at the time of the storm (Crowley 2007).

mismanagement had left these developments in severe distress; almost half (47 percent) of the public housing units were vacant in 2005 (HUD 2005).

When Katrina hit, the housing authority was redeveloping several of its worst public housing sites with HOPE VI funds, attempting to replace these distressed developments with well-designed and well-managed mixed-income communities. Of the revitalized developments, only the Saint Thomas site survived the hurricane, and many other HANO properties that had not yet been revitalized were heavily damaged. To date, only five public housing projects (nearly 2,000 units) have been reopened for occupancy, and four are slated for demolition with mixed-income redevelopment (Konigsmark 2006, Bernardi 2007). However, residents—represented by the Advancement Project—have filed a lawsuit against HANO and HUD that would place a moratorium on demolitions, and reopen as many units as possible so that former public housing residents could return.

Households who were living in public or other federally subsidized rental housing before the storm qualified for federal emergency housing vouchers. Specifically, FEMA funded the Katrina Disaster Housing Assistance Program to provide housing assistance for 18 months to all previously subsidized households (and also to those who could prove they were literally homeless prior to the hurricane).[11] Only an estimated 22,000 of 32,000 eligible households have participated in program (Crowley 2007). No definitive information is available on the estimated 10,000 eligible households that are not participating; some may have been absorbed into the public housing or voucher programs of other cities; some may be receiving FEMA assistance or living in FEMA trailers; and some may have simply kept their regular vouchers. The disaster vouchers are currently scheduled to expire at the end of September 2007, although legislation is currently pending that would extend the expiration date to the end of the calendar year. In 2008, families previously receiving HUD rental assistance are expected to either be able to return to their pre-Katrina housing units or receive special-purpose Housing Choice Vouchers.[12]

Many families who have vouchers are reportedly having difficulties taking advantage of this assistance. As of October 15, 2006 only 2,900 of the 5,300 vouchers issued by HANO had been used (Meitrodt 2006). As discussed earlier, rental housing is in short supply, particularly within the city of New Orleans, and rents have risen dramatically since before the storm. The

[11] Inferior to traditional HUD Section 8 vouchers, the KDHAP vouchers did not include utility allowances and could be used to move to a new jurisdiction (Sard and Rice 2005). In December 2005, Congress appropriated founds for an extension of the program directly to HUD, at which point it became the Disaster Voucher Program, and generally operates under the standard Housing Choice Voucher rules, solving the utility allowance and portability problems.

[12] These vouchers would be similar to conventional Housing Choice Vouchers, and would not be time-limited. However, once a recipient family becomes ineligible for assistance, the voucher would terminate, rather than being returned to the housing agency's total voucher pool.

Fair Market Rent levels were increased by HUD by about 25 percent in mid-2006 and should reflect current market conditions. However, landlords are not required to accept vouchers, and some may be reluctant to participate in the program either because they can easily find private market tenants or because the housing authority has a reputation for poor management. Although more rental housing is available in the surrounding parishes, few voucher recipients are living in these units, possibly because landlords outside Orleans Parish are unwilling to participate in the voucher program.

FEMA Assistance. Options for unsubsidized renters whose homes were damaged or destroyed are much more limited. In the immediate aftermath of the story, FEMA housed thousands of people in shelters, hotels, and cruise ships; this assistance was terminated in February of 2006. FEMA offered two options for longer-term housing assistance for those unable to return to permanent homes and apartments: trailers and payments under its Individuals and Households Program. Currently, an estimated 64,000 people are still living in trailers in Louisiana. And while homeowners are generally allowed to park trailers on their own property while they rebuild, thousands of displaced renters live in over 115 group trailer sites constructed and managed by FEMA (Garrett 2007).[13]

Households who opted for FEMA's Individual and Households program could receive *Standard Rental Assistance* once their homes were determined uninhabitable; program benefits are pegged to fair market rents where the family is living and cannot exceed $26,200 or 18 months of assistance. FEMA temporary housing programs are now set to expire at the end of August 2007, but as of January 2007, over 100 thousand households (scattered across the country) were still receiving assistance (Nolan 2007). It is not currently known whether extended assistance will be provided for these households, or what form such assistance might take.

Eligible households have faced significant challenges obtaining—and retaining—FEMA's housing assistance. Program rules, eligibility requirements, and deadlines have been in a constant state of flux, with incomplete and inconsistent information for both recipients and housing providers. For example, when FEMA extended the deadline for assistance by six months in January, it provided no details about what would happen afterwards (Tate 2007). Reportedly, almost all of the 100 thousand households still receiving FEMA assistance either live in trailers (and therefore do not have to constantly recertify their eligibility) or in city-contracted apartments in Houston and other "diaspora" cities. Most families who had to deal directly with FEMA on their own have lost their assistance, and virtually no information is available about what has happened to them. The National Low Income Housing Coalition estimates that, of the nearly 800 thousand households who received rental assistance, 124

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[13] Reliable data are not available on the number of displaced renters currently living in FEMA trailers. Several parishes have been pushing to close down the existing trailer parks.

thousand should have received help for a longer period than they did, and many who have been terminated are still currently eligible (Crowley 2007).

Fair Housing Issues. In addition to the basic problems of rental housing availability and affordability, serious instances of discrimination further limit housing options for lower income households, most of whom are African American. A study conducted by the National Fair Housing Alliance, involving apartment complexes in seventeen cities and five states across the Gulf Coast, found that black apartment seekers were frequently denied information about apartment availability, rent, and discounts that was provided to comparable whites (CivilRights.org 2005).

In addition, race-based discrimination is occurring through zoning and other policy decisions by local governments (Gordon 2007a, b). One of the most deplorable examples occurred in St. Bernard Parish—which is 93 percent white—where the Parish Council instituted a rule prohibiting single-family homeowners from renting to anyone except blood relatives, unless they received special permission. The Chair of the Council stated that the ordinance was intended to "block the blacks from living in these areas," and another councilman claimed it was to "maintain the demographics."[14] Jefferson Parish barred the development of Low Income Housing Tax Credit projects within its boundaries. And Volunteers of America had to pull out of its proposal to build a 200-unit complex for elderly residents in Tarrytown because the Council there mandated an 18-month land-use study (Gordon 2007a, b).

Broader Challenges of Planning and Coordination

In addition to the specific housing challenges facing low- and moderate-income households who want to return to their communities, the process of planning for neighborhood rebuilding in New Orleans have been time consuming and frustrating. Problems include multiple agencies (federal, state, and local) with control over individual programs and funding, but no clear channels of authority or accountability, conflicting and unreliable information, and only limited opportunities for residents—especially low- and moderate-income renters—to help shape decision making. New Orleans still has no comprehensive plan for how and when to redevelop its most devastated neighborhoods, planners do not exercise control over resource allocation or implementation decisions, and much of the responsibility for planning and action has been left to individual property owners or voluntary neighborhood associations. As a consequence, the French Quarter, the Garden District, and Uptown are in a full recovery process; Midtown and Gentility have some recovery; and Lakeview, New Orleans East, and the Lower Ninth Ward have limited recovery (Richardson and Rhea 2007).

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[14] On 11/13/06, St. Bernard Parish agreed to suspend enforcement of this provision, due to a lawsuit being filed by the Greater New Orleans Fair Housing Action Center (GNOFHAC).

Along with the overall lack of attention to affordable housing issues and instances of overt discrimination, this chaotic planning and neighborhood redevelopment process is fueling high levels of suspicion and distrust across lines of race and class. Lower income African Americans fear that their communities may never be rebuilt, that their long-standing networks of family and friends will be permanently shattered, and that they will be excluded from the future of the region.

The frustrations facing greater New Orleans today are similar to those faced by other cities throughout the world that have been forced to respond to affordable housing crises, especially those caused by natural or man-made disasters. Annex A briefly summarizes experience from seven recent disasters, both domestic and international. Unfortunately, no clear “success stories” emerge from this experience. When faced with a dreadful situation that calls for decisive action, no city can claim to act perfectly. Past experience suggests the following key elements necessary for successful recovery: leadership and coordination; transparency of processes and clear accountability; stakeholder involvement; and professional staffing.

None of these elements are easily achieved. Instead, experience teaches that recovery and rebuilding will continue to be slow, frustrating, and potentially inequitable in the absence of more effective institutional arrangements and leadership. Any hope of crafting and implementing a coherent, long-term response to New Orleans’s social needs will require systematic coordination of federal, state, and local plans and investments. The only plausible solution to the urgent need for intergovernmental coordination is to for the city and state to establish a formal institutional structure within which relevant agencies share information and plans, resolve conflicts, develop joint strategies, and coordinate their activities. The federal government should support this joint venture with funding tied to clear performance requirements. Such a governance structure should be accountable to elected officials and to the public at large, reporting on its information gathering and decision-making processes, monitoring the use of funds to protect against fraud and waste, and creating open forums for current and former residents of New Orleans to express their views on and priorities for rebuilding.

Rebuilding Affordable Rental Housing: Five Policy Goals

Louisiana faces a daunting set of inter-related housing problems. The storms damaged or destroyed a substantial portion of the existing rental housing stock and to date, many property owners are not bringing these units back into active use. And although some homes and apartments are available for rent, low- and moderate-income renters who want to return to their communities are having difficulty finding units they can afford. New rental housing development is proceeding slowly, and there is good reason for concern that existing programs may not produce affordable units in healthy, opportunity rich communities. Rental housing suitable for elderly people and for families struggling with personal and health challenges is likely to remain in especially short supply. And many families and individuals displaced by

Hurricanes Katrina and Rita lost not only their homes but also the networks of family members, friends, and neighbors upon whom they relied for support and with whom they built real communities.

No single program or policy initiative can be expected to overcome this array of challenges. Instead, the storm-damaged communities of Louisiana need to combine and coordinate multiple programs to address the different dimensions of the affordable housing crisis. Specifically, policies and programs should focus explicitly on five distinct objectives:

1. Bring damaged rental properties back into active use quickly and at affordable rent levels.
2. Help low- and moderate-income renters find and afford the rental units that do exist, and combat discriminatory practices that limit access to available housing.
3. Build new affordable housing units in healthy, opportunity-rich communities across the greater New Orleans region and throughout the state.
4. Provide suitable and affordable housing options for elderly people and for families facing multiple problems that make it especially difficult to sustain a stable housing situation.
5. Empower returning residents to rebuild social networks and informal supports, whether in their original communities or in new, more diverse neighborhoods.

The next five sections of this report focus on each of these critical policy objectives in turn, describing promising programs and practices being implemented in communities across the U.S. and discussing the ways in which they could help tackle the affordable rental housing challenges facing the communities of Louisiana today.

CHAPTER THREE: HOUSING POLICIES AND PROGRAMS THAT WORK: BRINGING DAMAGED RENTAL PROPERTIES BACK INTO ACTIVE USE

Given the limited number of rental units currently available and the amount of time it will take to construct new rental housing, a vital component of quickly bringing renters back is to repair the damaged rental properties. Helping rental property owners make both major and minor repairs to existing properties could increase the number of available rental units and alleviate some of the pressure on rent levels. In addition, some previously owner-occupied homes could be made available for rent, further expanding the rental supply in the near term, allowing low- and moderate-income renters to find housing at more affordable rents. Currently, property owners and nonprofit development organizations that want to bring damaged houses and apartments back into active use at affordable rent levels face significant barriers, including difficulties finding financing and unaffordable financing costs, rising property insurance premiums, and restrictive building codes. Policies and programs that show promise in addressing these barriers are:

- Direct assistance to property owners, including low-interest loans or grants linked to affordability restrictions;
- Funding for the purchase and rehabilitation of vacant properties, including single-family homes;
- Land banking;
- Cooperative insurance pools; and
- Zoning and building code adjustments to permit accessory dwelling units on existing residential properties.

This section describes each of these approaches and provides examples of successful implementation.

Capital Subsidies (Linked to Affordability Restrictions) to Rental Property Owners

Some local jurisdictions use HOME funding and/or local resources to provide grants or low-interest loans to owners of existing rental properties. Funds can be used to correct housing code violations or upgrade housing quality. In return, property owners are required to keep rents within some designated affordability range for a fixed period.

Milwaukee, Wisconsin Rental Rehab Program - The City of Milwaukee Rental Rehabilitation Loan Program offers forgivable loans for the rehabilitation of residential rental units of two or more bedrooms in targeted neighborhoods. Eligible improvements include code items, energy conservation items, roofs, siding, electric, plumbing, heating, kitchen and bathroom remodeling and more. The property must meet building code requirements upon completion of the rehabilitation and over a five-year period. Forgivable loans are available for up to 50 percent of the cost of eligible improvements, but no more than $8,000 for a 2 bedroom unit or $10,000 for a 3 or more bedroom unit. The owner must provide the other 50 percent of the cost of rehabilitation with funds from another source (bank loan, your own cash, etc.). The program can assist the owner in securing private financing. (http://www.mkedcd.org/housing/nidc.html#RentalRehab)

Emeryville, California Rental Rehab Program –- Rehabilitation loans up to $25,000 per unit are available to rental property owners at below market rate interest rates to eliminate substandard housing conditions. Repayment is determined by cash flow; otherwise loans are deferred. Maximum loan terms are 15 years. The maximum loan amount varies depending on the unit type: up to $15,000 for each studio and one bedroom, up to $20,000 for each two bedroom unit, and up to $25,000 for each 3 or more bedroom unit. Up to $3,000 in general property improvements may be made with these loans. These properties must have a majority of the units occupied by lower income households and the owner is required to sign a Rent Limitation Agreement assuring affordable rents to lower income households for a limited period of time. (http://www.ci.emeryville.ca.us/econdev/housing_rehab.html)

As discussed earlier, the Road Home plan includes a Small Rental Property Program, targeted primarily to owners of small rental properties (fewer than 5 units), who otherwise would likely have little incentive to rebuild. Properties assisted under the Small Landlord Program must have suffered at least $5,200 in damage directly related to the hurricanes. Expanding this program in scale (by allocating more funding for it), extending it to owners of properties with up to 20 units, and accelerating its implementation could help bring more rental housing back onto the market relatively quickly.

Funding for the Purchase and Rehabilitation of Vacant Properties

Local jurisdictions also use HOME funding and/or local resources to provide grants or low-interest loans to entities that will acquire vacant and/or abandoned properties and bring them back into active use. In some cases, the city acquires title to the properties first and makes them available at reduced cost. Developers are required to keep rents within some designated affordability range for a fixed period. These programs can target or set-aside funds for nonprofit organizations and/or tenant owned cooperatives (which are discussed further below).

Neighborhoods in Bloom Program.- Richmond's Neighborhoods in Bloom Program was funded largely through CDBG grants in six blighted neighborhoods. The program includes funding for developers to restore dilapidated housing and construction of new housing for eventual low-income ownership. This is accompanied by credit and homeownership counseling, both before and after the purchase. (http://www.ci.richmond.va.us/departments/CommunityDev/Neighborhoods/)

Home Again Initiative - Washington DC's Home Again Initiative encourages private entities to invest in neighborhoods with high concentrations of vacant and abandoned residential property. The city acquires blighted properties in these neighborhoods and then bundles them according to their geography and economic potential, in order to make the development package more attractive and cost effective to developers. Pre-qualified developers are permitted to bid on packages, and the developer selected by the program has one year to complete the rehabilitation of his or her bundle of properties. All Home Again properties set aside 30 percent of the units for households with incomes below 60 percent of the area median income.

The Road Home Program includes provisions to purchase residential properties from homeowners who choose not want to return, and as of March 2007, 114,290 of the total 111,887 Road Home applicants have opted to sell their properties.[15] Current plans call for these properties to be either donated or sold to municipalities, with those that are donated subject to affordability restrictions. Providing more resources to help finance the repair or rehabilitation of these properties and possibly transfer them to nonprofit ownership could further expand the availability of affordable rental housing in the near term. In addition, making these properties available for occupancy could accelerate the process of neighborhood recovery, since the presence of vacant and boarded-up properties is likely to discourage other owners from returning.

Land Banking

Land banking involves public (or publicly authorized) entities acquiring land in advance of imminent need and holding it for future productive use. Specifically, a local government or authorized nonprofit acquires primarily vacant, abandoned, or dilapidated parcels and then either holds and subsequently improves the land itself or sells or leases it to an outside entity that will do so. Land banking can help stabilize declining or distressed areas by repairing, removing, or redeveloping multiple blighted properties in ways that best benefit the community, rather than relying on the individual investment decisions of existing property owners.

[15] Of these, 12,604 have opted to sell but relocate elsewhere in Louisiana, and 1,686 have chosen to sell and move out of the state.

A land banking initiative of this kind could potentially be targeted to New Orleans's most devastated neighborhoods, where a very high proportion of properties are uninhabitable and the scale of damage discourages individual owners from reinvesting property-by-property. As discussed further below, tools are available for ensuring that the original property owners can return to neighborhood if they want to and benefit from the neighborhood-wide redevelopment effort.

Project 5000—In 2002 the Mayor Martin O'Malley announced the City of Baltimore's Project 5000, an aggressive land banking initiative aimed at restoring 5,000 of the city's more than 14,000 abandoned properties. Prior to Project 5000, the city had only been acquiring an average of 200 properties per year. Since the project's inception, the Housing Authority of Baltimore City (HABC) has obtained titles for an estimated 6,100 land parcels through tax sale foreclosure. The majority of the acquisitions are in Baltimore's Redevelopment and Reinvestment neighborhoods. Many of these properties are being assembled for large-scale redevelopment to be packaged for private developers, investors and nonprofits. Others will be sold using Baltimore's Project SCOPE, which allows realtors to list and market selected city owned properties. (http://www.baltimorehousing.org/index/ps_5000.asp)

Flint, Michigan—The Genesee County Land Bank acquired over 3,000 tax-foreclosed parcels over three years, clearing empty lots, demolishing abandoned homes, transferring rental properties to nonprofit ownership, and assembling lots for new affordable development (Lubbell 2006).

Cooperative Property Insurance Providers

The cost of residential property insurance has risen rapidly throughout the Gulf Coast since 2005. As discussed earlier, these high costs make both building and operating rental housing more expensive, and either require owners to charge higher rents or make reinvestment infeasible. One strategy for addressing this problem is simply to increase the size of the capital subsidies offered for acquisition, rehabilitation, or development of rental properties. But an alternative would be to create a special purpose insurance company, dedicated to affordable rental properties.

Launched in 2004, *Housing Partnership Insurance (HPI)* is the first captive insurance company owned by and operated for nonprofit affordable housing organizations. HPI is owned, through a stock corporation, by the Housing Partnership Network and 18 of its regional nonprofit members. It currently provides property and liability coverage for 35,000 affordable apartments collectively valued at almost $3 billion. By pooling risk, raising investment capital, and structuring business partnerships with national insurance carriers, HPI enables its member-owners to fashion programs that are tailored to meet their needs and priced competitively to reflect their exceptional loss performance. HPI has significantly improved insurance terms and saved partner organizations more than $1 million in 2004 compared to 2003 premiums. Key participants in this venture include the AIG Companies, a Lloyd's of London insurance syndicate, Merrill Lynch, and IMA Financial Group. (http://www.housingpartnership.net/insurance/)

In the mid-1980s, insurance companies did not want to provide coverage to public housing authorities, considering them a bad risk, and raised premiums to unaffordable levels. In 1987, the *Council of Large Public Housing Authorities* responded by creating the Housing Authority Risk Retention Group (HARRG). HARRG is a member organization owned by the housing authorities it insures. Over time, the company evolved from a single risk retention group into a group of companies that provide a full line of coverage and related services under the umbrella company, Housing Authority Insurance Group. HAI Group is made up of eight different companies including HARRG, which provides liability coverage, Housing Authority Property Insurance, A Mutual Company (HAPI), which provides property insurance, and Housing Telecommunications Inc. (HTI), which provides distance learning through Internet technology.

A "captive" insurance company of this type could potentially deliver property insurance to rental housing providers in Louisiana at affordable rates and might also help address uncertainties about the availability of property insurance. Such a company might be cooperatively owned by major nonprofit providers or it could be owned by a nonprofit intermediary on behalf of the affordable housing sector.[16]

Zoning and Building Code Adjustments for Accessory Dwelling Units

Another potential strategy for expanding the stock of affordable rental housing relatively quickly is to encourage and allow homeowners to create "accessory dwelling units" on their properties. An accessory dwelling unit is generally considered to be a separate, additional living

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[16] The Louisiana Citizens Property Insurance Corp. (http://www.lacitizens.com/) is a nonprofit created in 2003 to create "residual market mechanisms" to provide insurance for residential and commercial properties that cannot gain access to these services in the private market.

unit—including separate kitchen, sleeping, and bathroom facilities—either attached or detached from the primary residential unit, on a single-family lot. Accessory units include granny flats, garage apartments, carriage houses, “mother-in law” apartments, basement apartments, and ECHOs “elder cottage housing opportunities.” The accessory unit is generally subordinate in size, location and appearance from the primary residential unit and is often required to have a rear or side entrance. In many cases, zoning to encourage accessory dwelling units requires that the homeowner reside either in the home or in the accessory unit to prevent absentee owners and preserve the sense of neighborhood and community.

Accessory dwelling units have been largely overlooked as a source of affordable rental housing. Many cities in Vermont, Washington, New Hampshire, and the California Bay Area have moved towards encouraging them, providing reductions in permit fees, adjustments to zoning ordinances to allow accessory units, pre-approved design prototypes to simplify the permitting process, establishment of a minimum lot size needed to add an accessory unit, establishment of a maximum square footage for the accessory unit, low-interest loans to low-income owners that agree to rent to low-income persons for a designated periods.

Encouraging accessory dwelling units in New Orleans and other Louisiana communities facing housing shortages could simultaneously expand the availability of rental units and help homeowners cover their monthly mortgage costs. In some cases, accessory dwelling units may be especially well-suited to the needs of elderly renters.

CHAPTER FOUR: HOUSING POLICIES AND PROGRAMS THAT WORK: HELPING DISPLACED HOUSEHOLDS FIND AND AFFORD EXISTING HOUSING UNITS

Although much of the rental housing stock in Orleans Parish was damaged or destroyed and rebuilding is proceeding slowly, some rental housing is available, both in New Orleans and in surrounding parishes. But low-income families are having difficulty gaining access to the available units, due to a wide range of barriers, including unaffordable rents, lack of information, unwillingness of landlords to accept federal housing vouchers, and discrimination. And some may be forced out of apartments in which they live, when property owners see opportunities to renovate and charge substantially higher rents. Policies and programs that show promise in addressing these barriers include:

- Housing vouchers;
- Supplemental initiatives that enhance the effectiveness of vouchers—housing search assistance for voucher recipients, incentives for landlords to accept voucher recipients, and regional voucher administration;
- Employer assisted housing;
- Vigorous fair housing enforcement;
- Prohibitions against discrimination based on source of income; and
- Tenant protections—rent stabilization, eviction protections, and right of first refusal.

This section describes each of these approaches and provides examples of successful implementation.

Housing Vouchers

The federal Housing Choice Voucher program supplements what low-income households can afford to pay for private market rental housing. Recipients typically contribute 30 percent of their income toward rent, with the voucher paying the remainder, up to a locally determined payment standard. These payment standards are based upon federally established Fair Market Rent (FMR) levels, and can be set as high as 20 percent above or as low as 10 percent below the applicable FMRs. Voucher recipients are responsible for finding a house or apartment that meets basic Housing Quality Standards and can choose the type of housing and neighborhood that best meets their needs. Federally funded vouchers are portable, meaning that recipients can use them anywhere in the U.S. This enables families to move between jurisdictions to be closer to jobs, good schools, or other desirable services.

Housing Choice Vouchers offer the important advantage of serving renter households at the lowest income levels, filling the gap between what these households can reasonably afford to pay and the rents charged in the private market. The Housing Choice Voucher program has been shown to result in significantly lower housing cost burdens, better housing conditions, better neighborhood environments, less residential instability, and less homelessness for recipients. However, not all local HAs administer the program effectively, and the program's effectiveness can be undermined by poor administration, implementation delays and uncertainties, landlords' unwillingness to participate, discrimination based on race, ethnicity, family composition, or sources of income, and tight rental market conditions.

Northridge Earthquake—emergency vouchers. After the Northridge Earthquake, HUD approved over 20,000 emergency vouchers for very low-income renters whose homes or apartments had been damaged. These emergency vouchers were initially funded for 18 months, but were subsequently converted to conventional vouchers.

Although most federally funded housing vouchers are used by renters, they can also be used to help very low-income homeowners cover their mortgage payments. Specifically, local housing agencies that administer the federal Housing Choice Voucher program can make vouchers available to first-time homeowners and cooperative members. Qualifying recipients pay 30 percent of their monthly income toward their mortgage costs, and the voucher covers the difference.

The Housing Authority of New Orleans (HANO) and other local housing agencies across Louisiana administer the Housing Choice Voucher program. Expanding the availability of vouchers for eligible renters displaced by Hurricanes Katrina and Rita could help more low-income renters return to their communities—or at least to nearby communities. However, as discussed further below, supplemental initiatives would be needed to ensure that an expanded voucher program was effectively implemented and that recipients were able to make use of the assistance.

Maximizing the Potential of Housing Vouchers

Although housing vouchers have tremendous potential as an affordable housing tool, this potential is not always fully realized. Not all households that receive vouchers are able to find qualifying houses or apartments, landlords are not always willing to accept vouchers, and discriminatory barriers may prevent recipients from using their vouchers to move to communities of opportunity. All of these barriers are evident in Louisiana today, undermining the effectiveness of the Housing Choice Voucher program. However, strategies have been implemented elsewhere in the U.S. that can overcome these barriers and expand the effectiveness of vouchers.

Housing Search Assistance for Voucher Recipients

Over the last 15 years, a substantial number of public housing agencies around the country have partnered with nonprofit organizations to create assisted housing mobility programs—in response to fair housing litigation or as part of federal demonstration programs. These programs help low-income families take full advantage of their housing vouchers by providing hands-on assistance in housing search, tackling administrative and logistical barriers to mobility, overcoming landlord resistance to the voucher program and encouraging more of them to accept voucher holders and tenants, and offering on-going support and assistance to both families and landlords over time (Turner and Williams 1998; Tegeler, Cunningham, and Turner 2005). Essential elements of successful mobility counseling programs include effective administration of the voucher program, recruitment and retention of landlords, pre-move counseling, search assistance, and post-move counseling.

Chicago's Housing Opportunity Program (HOP), which focuses on "second move" counseling to help families who are already familiar with the voucher program move to neighborhoods of low poverty. The *Dallas Inclusive Communities Project (ICP)* includes home visits, social service referrals, life skills training, and a mentoring/tutoring program to help families take advantage of opportunities in the new communities to which they move.

A program to provide high-quality counseling and search assistance to voucher recipients—particularly in the greater New Orleans region—could enable more families to find homes and apartments reasonably close to their original neighborhoods. One component of an effective search assistance program is comprehensive and reliable information about available housing units and the neighborhoods in which they are located. Louisiana has created a statewide housing registry (LAHousingSearch.org) where landlords, sellers, and real estate agents post information about available units. This registry can be accessed on-line 24 hours a day and through a toll-free, bilingual call center during the weekdays. If LAHousingSearch is able to establish itself with both housing providers and home seekers as a reliable and comprehensive inventory, it could be a valuable resource for voucher recipients as well as for unsubsidized renters.

Encouraging Landlords to Participate in the Voucher Program

The effectiveness of housing vouchers can be undermined if local property owners—particularly those offering decent quality housing in safe, opportunity-rich neighborhoods—are unwilling to accept voucher recipients. Efficient and reliable administration of the voucher program is an essential first step in landlord recruitment. If landlords are not confident that they will receive their rent payments from the HA on time, that inspections will be completed and leases approved promptly, or that their telephone calls and requests for information and assistance will be returned, they will not participate in the program. In addition, some local housing agencies (or their nonprofit partners) have launched proactive landlord outreach initiatives, in order to educate housing providers about the program and increase their participation.

Possible outreach strategies:

- Publishing articles or advertising in newsletters of local landlord associations
- Becoming a member of landlord associations and participating in their meetings
- Contacting landlords through other civic and religious organizations to which they belong
- Enlisting a leading area landlord to become an advocate for the program with his or her peers
- Holding informational meetings for groups of landlords
- Designing and distributing high quality brochures targeted specifically to landlords
- Assigning a particular staff member to respond promptly and accurately to any landlord inquiries
- Visiting rental owners and management companies with units in high-quality neighborhoods
- Contacting smaller landlords about specific listings

Landlords can also be encouraged to *continue* to participate in the voucher program by:

- Producing a regular newsletter to update participating landlords about program features and changes, and highlight success stories from both landlord and tenant perspectives
- Surveying landlords about their experience with the program and any problems or concerns they may be having
- Conducting periodical meetings with landlords to clarify program features and address the problems/concerns that landlords have identified
- Creating a landlord advisory committee to better understand landlords' needs and concerns and obtain suggestions for program improvements

Finally, some programs have rewarded or recognized landlords for participation by:

- Providing a “signing bonus” for accepting a voucher recipient (most typically provided to landlords in targeted, opportunity-rich neighborhoods)
- Providing “holding payments” to cover any rent revenue lost during the period when a unit is inspected and the lease is reviewed by the HA

- Providing awards or other recognition of specific landlords who support the voucher program and help make it successful
- Hosting special events that recognize landlords' contributions to the program

> *Landlord outreach after Northridge Earthquake*—In order to find housing for the many displaced people, HUD waived many existing restrictions that had previously discouraged landlord participation in the voucher program, including a rule requiring a landlord renting to one voucher-holder to rent to others. Further, the 90-day notice period, for which landlords were required to notify HUD of a housing assistance contract termination, was waived. Finally, whereas landlords were previously allowed to ask for no more than $50 for a security deposit, they were given permission to require up to one month's rent from potential tenants.

Implementing an aggressive landlord outreach program could help ensure that voucher recipients in Louisiana communities can find homes or apartments where their assistance will be accepted.

Regional Voucher Administration

Technically, vouchers are portable—recipients can use them to move anywhere in the U.S. But because the voucher program is administered by local public housing agencies, central city recipients are generally not encouraged to search for housing region wide, and the administrative hurdles of portability can be daunting, both for housing agencies and for recipients. Central city housing agencies may not have the capacity to identify major housing providers in low-poverty suburban areas, and may have difficulty convincing them to accept central city recipients (Great Cities Institute 1999). Landlords can be confused and deterred by the multiplicity of local programs, and may hesitate to participate in the program at all because of uncertainties about who is administering it and how reliably it operates.

A few urban regions in the U.S. are served by a single, regional housing agency (Feins et al 1997). Portland, Oregon and Jacksonville, Florida offer examples of metropolitan areas where the jurisdiction of the central city housing agency has expanded to encompass all or much of the metropolitan region and where other agencies are not operating. In several other metropolitan areas around the country, local housing agencies possess the authority and capacity to administer housing vouchers region-wide (Katz and Turner 2001).

The housing authority of *Rochester, NY* and the private firm that runs *Hartford*'s housing voucher program both administer vouchers anywhere in their metropolitan areas, although other local housing authorities also operate in some parts of the region. Families who apply for assistance from the Hartford or Rochester programs can move anywhere in the metro area, and suburban landlords can work with the city's metro-wide program as well as with suburban programs. The *Metropolitan Boston Housing Partnership* is one of nine regional subcontractors administering the statewide Section 8 program. It serves the entire Boston metropolitan area, and families who apply to its central office can move anywhere in the region.

Because of the many performance problems facing the Housing Authority of New Orleans, transferring responsibility for the Housing Choice Voucher program to an alternative administrator could substantially strengthen the program's effectiveness. A for-profit or nonprofit organization, with authority to administer the program across jurisdictional lines within the greater New Orleans region, could help address some of the barriers to mobility and choice for voucher recipients.

Employer Assisted Housing

Employer Assisted Housing is a term used to describe a number of different ways in which employers can invest in workforce housing solutions for their employees. Employers, partnered with a lender and the organization that administers the program, work together to provide rental or homeownership assistance to qualified employees. Employer Assisted Housing programs offer varying benefits, often including: a forgivable, deferred, or repayable second loan; a grant; a matched savings plan; rental assistance; security deposit assistance; and/or homebuyer education. Employers can write off the costs of providing these benefits as a business expense and a growing number of states and local jurisdictions provide tax incentives for such employer-provided assistance. Some programs include income restrictions limiting which employees may participate (see example below). Also, many programs try to encourage housing options closer to the workplace. However neither this nor income restrictions are universal requirements of all programs. Employers that participate in these programs can enjoy significant benefits, including the ability to recruit and retain employees, increased staff reliability, and enhanced community relations.

Regional Employer-Assisted Collaboration for Housing (REACH).—Employee-assisted housing. REACH is the employee assisted housing program (EAH) in the Chicago, Illinois area which is open to employers of all types and sizes and customized for each employer. The Metropolitan Planning Council (MPC), Housing Action Illinois, or a REACH Illinois partner must administer the program. Employers can provide homeownership assistance or rental assistance to their employees. The state matching-fund is a one-to-one match from the Illinois Housing Department Authority (IHDA) determined by household income and size. To qualify for the 50 percent state tax credit for every dollar invested, REACH employers have the option of offering down payment and closing cost assistance, reduced interest mortgages, mortgage guarantee programs, rent subsidies, security deposit assistance, or individual development savings account plans to their employees. Since 2000, REACH programs have assisted more than 400 employees purchase homes. (http://www.reachillinois.org/)

In the greater New Orleans region, the lack of affordable housing options is adversely affecting some businesses, making it difficult for them to find staff, raising their labor costs, and limiting their ability to resume their normal scale of operations. Consequently, an employer-assisted housing program has the potential to attract employer participation and contribute to the region's economic recovery as well.

Vigorous Fair Housing Enforcement

As existing and new housing becomes available across Louisiana, households should be assured that they will have fair access to all housing opportunities. As previously discussed, displaced households have encountered discrimination when searching for housing. If housing discrimination persists, it will prevent minorities and immigrants from returning to their communities and rebuilding their lives. Increased fair housing enforcement at the state and local level has been shown to decrease discrimination against black households seeking to rent or purchase homes (Ross and Galster 2007).

Nonprofit fair housing organizations—like the Greater New Orleans Fair Housing Center—play an essential role in fair housing enforcement. They conduct education and outreach campaigns that inform potential victims of discrimination about their rights while also informing housing providers about their fair housing obligations. They conduct paired testing to detect and measure the extent and forms of discrimination in the marketplace. And they investigate complaints from individual home seekers who believe that they have experienced discrimination.

Providing resources to existing fair housing organizations so that they can expand their activities and ensuring that federal, state, and local fair housing laws are promptly and vigorously enforced can help all returning residents gain access to whatever housing that is available.

Prohibitions Against Source of Income Discrimination

Federal fair housing law prohibits discrimination based on based on race, color, national origin, religion, sex, family status, or disability. However, it does not prevent landlords from discriminating against low-income applicants who receive housing subsidies and with those subsidies could afford a building rental costs. This is form of discrimination—called source of income discrimination -- allows low-income households, generally minorities, immigrants, and the elderly, to be refused housing. Twelve states[17] have amended their fair housing laws to include source of income as a protected category. Several cities, including Chicago, Los Angeles, San Francisco and Washington, D.C., also prohibit housing discrimination based on source of income. “Source of income” is defined as legal, verifiable income paid directly to the tenant or his or her representative (such as a payee). It includes Social Security, Supplemental Security Income (SSI), TANF, child support, alimony, unemployment insurance, housing vouchers, veteran’s benefits, pensions, and wages.

Prohibiting discrimination based on source of income in Louisiana could help ensure that households receiving housing vouchers or other forms of public assistance are not denied access to housing that they can reasonably afford.

Rent Controls, Eviction Protections, and Right of First Refusal Requirements

In circumstances where short-term supply shortages and demand pressures create opportunities for property owners to raise rents rapidly and/or replace lease-compliant tenants with higher income households, local tenant protection laws can play an important role in helping to stabilize the market until more normal conditions return. Although some of the earliest rent control programs (implemented during World War II) imposed absolute caps on rent levels, most existing programs are “second generation” rent control regimes, which allow for annual rent increases based on increases in operating costs. Typically, these programs also allow for rent increases when a landlord makes significant improvements to the building as well as ”hardship increases” for landlords who are not earning a fair return on their investment. Many contemporary rent control programs also exempt new rental housing construction or luxury housing.

[17] These states include CA, CT, ME, MA, MN, NJ, ND, OK, OR, UT, VT, and WI. http://www.stateaction.org/issues/issue.cfm/issue/SourceofIncomeDiscrimination.xml

In conjunction with rent stabilization, jurisdictions facing very tight market conditions often implement ordinances protecting lease compliant tenants from arbitrary evictions. Louisiana is one of the few states in the country that have not adopted the Uniform Residential Landlord-Tenant Act, making renting in Louisiana particularly precarious: Renters on a month-to-month contract can face lease termination or rent increases with only ten days notice; withholding rent because promised services are not being provided cannot be used as a defense against eviction; judgment against landlords who evict tenants without going to court is limited only to actual damages; and landlords are not required to offer a grace period for paying rent.

Some jurisdictions also require that when an occupied rental property is sold, the existing tenants have an opportunity to purchase it themselves. This is called the right of first refusal, because it affords tenants the right to refuse an opportunity to purchase the property before it is sold to someone else. Typically, tenants have a specified time period in which to make a credible purchase offer, and receive technical and financial assistance to organize themselves and obtain financing.

Rental Housing Conversion and Sale Act. - Right of First Refusal. In the early 1980s, the Washington, D.C., Council passed the Rental Housing Conversion and Sale Act; its goals included the preservation of rental housing for lower-income residents, the preservation of homes for the elderly poor, and the creation of homeownership opportunities for lower-income tenants. The Act included provisions that gave tenants the opportunity to purchase their buildings. These provisions, known collectively as the Tenant Opportunity to Purchase Act (TOPA) stipulate that owners of residential properties must "give the tenant an opportunity to purchase the accommodation at a price and terms which represent a bona fide offer of sale" before they may transfer the property to a third party.
(http://content.knowledgeplex.org/kp2/cache/documents/1834/183436.pdf)

Current tenant protections in Louisiana are relatively weak; no jurisdictions have rent stabilization provisions and tenants have no right of first refusal when their buildings are sold. Strengthening tenant protections—including an emergency rent stabilization program, eviction protections, and right of first refusal—could help keep existing rental properties affordable and prevent low- and moderate-income tenants from being replaced by higher income residents.

CHAPTER FIVE: HOUSING POLICIES AND PROGRAMS THAT WORK: BUILDING NEW AFFORDABLE HOUSING IN OPPORTUNITY-RICH COMMUNITIES

The rebuilding effort underway in greater New Orleans and other communities across Louisiana presents an opportunity to avoid mistakes of the past that resulted in the geographic clustering of low-income housing, and contributed to residential segregation and the concentration of poverty and distress. Incorporating affordable housing into new developments throughout the region while also revitalizing previously distressed communities offers the potential to give low-income residents access to safe neighborhoods, with good services, jobs, educational opportunities and social networks. Barriers to new affordable housing development include efforts by some communities to exclude housing developed with Low Income Housing Tax Credits or other subsidies; the high costs of land assembly and new construction relative to what very low-income households can afford to pay in rent; and regulatory barriers to potentially cost-saving designs and construction technologies. Policies and programs for addressing these barriers include:

- Strategic allocation of the state's Low Income Housing Tax Credits;
- Project-based vouchers;
- "Fair share" affordable housing requirements;
- Inclusionary zoning and other regulatory incentives;
- Community land trusts; and
- Regulatory reforms to allow for low-cost designs and building technologies

This section describes each of these approaches and provides examples of successful implementation.

Allocation of Low Income Housing Tax Credits

In 20005, the Gulf Coast states received a substantial allocation of Gulf Opportunity Zone (Go Zone) Low Income Housing Tax Credits (LIHTC). LIHTC has an established track record of subsidizing the production of affordable rental housing units. The supplemental allocation of Go Zone credits could result in the production of up to 14,900 affordable units in Louisiana. However, the 2005 legislation requires that all units built with these supplemental tax credits must be placed in service by the end of 2008, a deadline that is infeasible, given the capacity of the residential construction sector and the many post-storm regulatory and financial barriers to development. Therefore, extending the "placed in service" deadline through 2010 is essential.

Good Hope Homes—Good Hope Homes is a development with 90 two-story houses and 14 other units and has been in existence since the late 1960s. During the 1980s and early 1990s, however, the area was rife with crime and plagued by the crack epidemic. In 2000 the Montgomery Housing Partnership bought the complex, with funds that included LIHTC, and set about transforming it. The organization completed renovations of the houses and built a community center, where after-school help and computer classes are available. Of the 104 units, 36 go to those below 50 percent of area median income, 58 to those below 60 percent of area median income, and the rest are available to anyone.

Boston Harbor Point Community Apartments - Boston's Harbor Point Community Apartments is a former public housing project that has been converted to a mixed income development. Through a partnership between a private developer and the Columbia Point Task Force, the development was constructed with the stipulation that no building could have subsidized renters in more than 50 percent of the units. Altogether, 70 percent of the housing is rented at market rates and 30 percent is subsidized.

High Point Redevelopment - Seattle's High Point redevelopment replaces 716 deteriorated public housing units for mixed-income housing. Besides providing better quality of life for low-income households, mixed-income housing component is part of the broader goal of redeveloping the West Seattle neighborhood. At High Point, where the first phase of rental housing move-ins has already taken place, a mix of 1,600 affordable and market-rate units will ultimately be built. Set-asides have been made for those below 30 percent, 60 percent and 80 percent of the area median income. The neighborhood includes a library, a community center and a health center.

In addition, special attention should be given to the location of tax credit units and to their capacity to create mixed-income communities. Although nationwide, many LIHTC developments are located in low-income neighborhoods and serve primarily low-income residents, this pattern is not unavoidable. Four of ten LIHTC units are located in suburban communities, and as of 2000, the average tax credit unit was located in a census tract with a poverty rate of 19 percent. By allocating the available LIHTC resources to developments in nonpoor communities, Louisiana could substantially expand affordable housing options in healthy, opportunity-rich environments.

Project-Based Vouchers

In order to ensure that LIHTC developments (and other rental developments receiving capital subsidies) include some units that are affordable to households at the lowest income levels, local public housing agencies can allocate a portion of their housing vouchers to particular developments. Project-based vouchers are a component of the Housing Choice

Voucher program, discussed earlier. A local housing agency can allocate up to 20 percent of its vouchers to particular housing units, where the owner agrees to set-aside units for occupancy by very low-income households.

Project-based vouchers can be linked to new construction or substantial rehabilitation of rental developments, or to existing housing developments. For urban areas with very low vacancy rates, this constitutes an important supply-side strategy. Families who are eligible for vouchers (and rise to the top of the voucher waiting list) then have the option of moving to one of these units. The LIHTC program targets housing to be affordable for households with incomes at 60 percent of the area median, while vouchers largely serve families with incomes at 30 percent of area median income or below.

The Greater Baltimore AHC—The Greater Baltimore AHC, a local nonprofit, bought out the 130 Barclay Greenmount apartment complex in a neighborhood where property values are on a continuous rise. Located in 80 row houses scattered throughout the neighborhoods of Barclay and Greenmount, low-income renters will now be guaranteed affordable rent in these project-based Section 8 units for the next 20 years. In this way, long-term low-income residents of the community can stay to see its improvements through (Fritze 2006).

Linking project-based vouchers with LIHTC developments throughout Louisiana would ensure that a portion of the newly developed rental units are affordable for households at the very lowest income levels and would help reverse the over-concentration of deeply subsidized housing.

“Fair Share” Affordable Housing Requirements

Fair share requirements, formulated at the state or regional level, mandate that a certain percentage of the housing developed in each jurisdiction must be made affordable for low- and moderate-income households (Katz et al 2003). These provisions are usually geared towards increasing the supply of affordable housing, as well as increasing neighborhood diversity, and reflect the view that every jurisdiction in the state or region should take responsibility for accommodating its “fair share” of all low- and moderate-income households (Lewis 2005).

"Fair Share" Affordable Housing Requirements.

Portland's Metropolitan Housing Rule establishes that local jurisdictions' must allow at least 50 percent of new units to be multifamily or attached housing. Localities also are not allowed to place density standards below a certain minimum (Lewis 2005).

The state of California requires that local governments must devise plans and identify sites that ensure that all new growth includes both affordable housing and market housing. These plans are reviewed and updated every 5 years by the state, based on regional demographic and economic forecasts. (Katz et al 2003)

New Jersey's Council on Affordable Housing (COAH) forces municipalities to submit plans with fair share targets for affordable housing. The agency was developed after the Mount Laurel court case, in which developers were allowed to file suit against exclusionary zoning practices in suburbs—as long as their developments included affordable housing. Once a municipality's plans have been approved by COAH, however, such lawsuits cannot be filed against it. (Katz et al 2003)

Establishing fair share requirements for parishes across Louisiana would begin to create incentives for the inclusion of affordable housing options in every jurisdiction, provide more options for low- and moderate-income renters, and reverse past patterns of poverty concentration.

Inclusionary Zoning and Other Regulatory Incentives

Inclusionary zoning policies mandate that new residential developments (of more than a specified minimum number of units) include a designated proportion of "affordable" units. These policies are often implemented in conjunction with changes in density limitations, providing a *quid pro quo* to developers. The goal of inclusionary zoning is to encourage private market developers to both expand the supply of affordable housing and to do so in a manner that will yield mixed-income living environments. Inclusionary zoning requirements typically yield units that are affordable at 50 to 80 percent of median income. Additional subsidies are required to make any of these units affordable for lower-income households. However, Montgomery County Maryland's program includes the purchase of some inclusionary units by the local public housing agency, which then offers them to public housing and voucher households.

The nation's first inclusionary zoning ordinance was enacted in Montgomery County in the mid-1970s (see box below). More than 130 localities (covering around 5 percent of the U.S. population) have adopted inclusionary zoning—most in just the past few years in response to the surge in housing prices since the late 1990s (Katz and Turner 2007).

An effort to establish inclusionary zoning provisions for Louisiana failed in 2006. HB 974, which was defeated in the Louisiana state legislature, would have allowed parishes to use inclusionary development practices in encouraging large-scale developers to include affordable housing in their projects. In developments with 50 or more units, a contractor would be permitted to build 15 percent more units if 12.5 percent were set aside for affordable housing. Half of this set-aside would have to go to households at or below 50 percent of area median income and half would have to go to households at or below 80 percent of area median income. While the affordable units would have to be similar to the market-rate units, they could be reduced in size.

New York City's New Housing Marketplace Plan applies new zoning incentives and removes disruptive regulations to facilitate and expected 91,600 new units by 2013. The city's Department of Housing and Preservation, along with other city agencies, is tasked with identifying vacant and underused land that can be used for housing.

Montgomery County, Maryland's, Moderately Priced Dwelling Units Program requires that 15 percent of the units be affordable in residential complexes of over 50 units. Developers are allowed to receive up to a 22 percent density bonus as well. This program has operated for more than 20 years and is widely regarded as an extremely successful model.

Washington, DC's successful DC-IZ Campaign is about to implement a mandatory inclusionary zoning policy, in which developments with more than ten units have to create set-asides for affordable housing. Eight to 10 percent of the units should be available to households earning below 50 and 80 percent of AMI. Developers also benefit from this, receiving a density bonus of up to 20 percent (Kingsley and Williams 2007).

Community Land Trusts

Community land trusts are nonprofit, community-based organizations controlled and governed by community members that provide affordable housing in perpetuity by owning and holding land and leasing or selling homes built on that land. Residents own their homes (but not the land), and the trust retains the right to purchase the house when and if an owner wants to sell. This minimizes the cost of the land as a part of the housing price, therefore making the housing more affordable. Community land trusts generally lease a building on their land for 99 years and almost all such trusts have limited equity policies that restrict the resale price of the housing in order to maintain its long-term affordability. In other words, the next buyer must also have a restricted income level, enjoy an affordable housing option, and be required to pass on the affordability limits to the next buyer, thus creating a cycle of permanent affordable housing.

Durham Community Land Trustees, Inc. (DCLT)—community land trusts. The Durham Community Land Trustees was established in 1987 by resident of Durham's West End, Burch Avenue, and Lyon Park neighborhoods, a predominantly African American, low-income community adjacent to the campus of Duke University in the any. DCLT formed as the residents' response to seeing abandoned and dilapidated properties in the neighborhood become bastions for drugs and crime. The Land Trust only owned two homes in its first three years but has since expanded to approximately 100 units of affordable housing and two commercial properties today. The homes have been 60 percent homeownership and 40 percent permanent rental. DCLT utilizes a lease-to-purchase program. Prospective homeowners work with a mortgage lender to pre-qualify for a mortgage loan. The resident can buy the house and other improvements to the land, but cannot buy the land itself. The land is leased to the resident in a 99-year renewable land agreement. The resident can build equity and pass on or inherit the purchased home and leased land. The resale of the home is limited by a restricted resale formula; the homeowner collects the initial appraised purchase value plus a percentage of the increased value at the time of sale. (http://www.dclt.org/index.htm)

Community land trusts could potentially be used—possibly in conjunction with land banking (discussed earlier) to redevelop some of New Orleans's most severely distressed neighborhoods, where a very high proportion of properties were damaged or destroyed and low-income property owners lack the resources to rebuild individually.

Regulatory Reforms to Allow For Low-Cost Designs and Building Technologies

It may be possible to substantially reduce development costs—and hence, rents—through the adoption of low-cost designs and building technologies. Possible strategies include small housing units (including single-room occupancy units) and factory-built or modular designs. The average cost of manufactured housing is substantially lower than that of site-built housing, and construction can be completed much more quickly (Sparacello 2006; Ross 2007; Cytron 2005) The first multifamily housing complex to be built with modular construction methods is currently being developed in New Orleans. The project, which costs $4.7 million, is being built using LIHTC. Development of this project is not expected to last more than "several weeks," and will provide 20 low-income units for elderly households. A nonprofit group, the Louisiana Freedmen Homes LLC, will own the property (Thomas 2007).

Noji Gardens, constructed by HomeSight, a nonprofit developer, integrated two-story manufactured units with single-family homes and townhouses. The homes were then sold at 20 percent of the median price to people earning below 80 percent of AMI. (http://www.knowledgeplex.org/kp/text_document_summary/article/relfiles/fmf_0510_noji_gardens.pdf)

Oakland Community Housing, Inc. (OCHI) acquired blighted and empty lots in Oakland for sale to nonprofit developers. OCHI then bought manufactured housing for the sites. Although the homes were sold at market rate prices, a layered home-buying subsidy was given to those making less than 80 percent of AMI. (http://www.frbsf.org/publications/community/investments/0508/assembly.pdf)

Aside from providing density bonuses for developers building in targeted zones, the city of Davis, CA also allows for the consideration of smaller units if the city decides that it fits into the character of the project being considered. (http://www.city.davis.ca.us/cmo/citycode/detail.cfm?p=18&q=681)

The “Katrina cottage” concept—a 308 square foot modular cottage—is an example of this kind of approach. Katrina cottages, which are built with wood and steel framing, can be expanded into larger houses over time (Reid 2006). In the spring of 2007 Lowe’s will begin selling the cottages at $45 to $55 per square-foot. Congress has appropriated $400 million for the purchase and installation of these units. Frequently, local building codes prohibit the application of low-cost designs and building technologies. Therefore, building code reforms may be required to achieve substantial construction cost savings (and concomitant rent reductions). A key challenge for communities of the Gulf Coast is to balance affordability gains with essential health and safety protections.

CHAPTER SIX: HOUSING POLICIES AND PROGRAMS THAT WORK: PROVIDING AFFORDABLE HOUSING OPTIONS FOR THE ELDERLY AND FAMILIES WITH SPECIAL NEEDS

As rebuilding proceeds, it is vital that the needs of the most vulnerable populations not be overlooked. Many elderly and disabled people were displaced from homes and apartments where they were living independently, and may have been disconnected from their support networks. In addition, some low-income families face multiple challenges, including physical and mental illness; low levels of education and limited workforce experience; and drug or alcohol dependency; and members with criminal histories. These families and individuals need more than just a housing unit to achieve a reasonable level of security and stability; they also need supportive services—delivered to their homes or in conjunction with their housing assistance.

Promising models are available that link housing with supportive services for special needs populations:

- Targeted capital subsidies for special needs housing development;
- Vouchers "plus" to cover costs of housing and support services;
- Intensive case management targeted to vulnerable families to help them achieve stability; and
- Supportive housing development.

This section describes each of these approaches and provides examples of successful implementation.

Targeted Capital Subsidies for Special Needs Housing Development

The Government Accountability Office (GAO 2007) has determined that HUD's Section 202 Program is an effective way of ensuring that extremely low-income elderly households are able to afford rent and receive the services they need. The 202 program provides private and nonprofit developers with interest-free capital advances to develop supportive housing for the elderly and disabled. Using this funding to develop accessible units that provide on-site services could allow elderly and disabled households to safely return to New Orleans. However, this strategy requires a serious commitment from HUD or the state to provide adequate capital advances in order to avoid construction delays: the GAO report identified these funding delays as a serious problem for the program. Further, given the growing numbers of low-income grandparents who are raising young children (Smith and Ferryman 2006), it is critical that some portion of housing developed for older adults include "grandfamily units" that offer accessible housing with multiple bedrooms.

Vouchers “Plus” to Cover Costs of Housing and Support Services

Another option for providing housing for seniors is HUD’s HOPE IV program. HOPE IV couples vouchers with supportive services for older adults who require some assistance in order to live independently. HUD pays for 40 percent of the supportive services, the housing authority pays for 50 percent, and the voucher pays for 10 percent. This program is not currently accepting new applications, but it provides a model that could be used in supporting elderly and disabled residents who wish to return to private market housing in New Orleans.

Intensive Case Management for “Hard to House” Families

In addition to the elderly and disabled, vulnerable families with multiple problems—physical and mental health problems, lack of workforce experience; histories of domestic violence and criminal justice involvement—also need special assistance in order to achieve secure, stable housing. Based on evidence from other cities (Popkin et al 2005), it is likely that a disproportionate share of these “hard to house” families were public housing residents. In New Orleans, as in many cities, public housing had served as the housing of last resort for many decades. These vulnerable families are now coping with the stresses of displacement—and uncertainty about when (or even if) they may be able to move back to their communities. Their lack of experience in private market housing may make it more difficult for them to use vouchers or deal with individual landlords. And the controversy surrounding the replacement of public housing can only have served to intensify their anxiety and need for supportive services to help them make a successful transition and achieve stability. An intensive, family-focused case management model would benefit both former public housing residents and other families who are struggling to find stable and secure housing in New Orleans.

In Chicago, a unique partnership is developing and rigorously evaluating an intensive case management model which is targeting “hard to house” public housing residents who have been unable to take advantage of new housing opportunities—vouchers and new mixed-income developments—created by the Chicago Housing Authority’s ambitious Plan for Transformation. The Chicago Family Case Management Demonstration is led by the Urban Institute, and includes the housing authority and Department of Human Services, supportive service providers, and private foundations. The Demonstration will provide public housing families with intensive, family-focused case management; service providers will have small caseloads and be able to link families to a range of innovative services, including enhanced relocation and mobility services, literacy and workforce development. The Demonstration’s goal is to help families achieve stable, safe housing either in the private market with a voucher, a new mixed-income development, or in a rehabilitated public housing unit. Case managers will follow families—both those who remain in traditional public housing and those who succeed in moving—for three years.

Permanent Supportive Housing

Although it is often targeted to single elderly people and disabled adults, permanent supportive housing is increasingly recognized as an effective option for troubled families, and one that can help prevent homelessness (Popkin, Cunningham and Burt 2005). Supportive housing offers stable housing with subsidized rent levels in a structured environment that can include substance abuse and mental health services, child care and parenting assistance, adult education and job training, and budgeting and financial education. In order to be successful, supportive housing has to be very well-managed and provide high-quality services. Permanent Family Supportive Housing has been used successfully in tight rental markets such as the Bay Area in Northern California.

Supportive Housing Development Program. - The Supportive Housing Development Program, run by the North Carolina Housing Finance Agency, aids local governments, nonprofits, and private organizations in developing emergency, transitional and permanent housing for low-income homeless or disabled persons and special selected populations. Supportive developments are eligible for up to a $500,000 permanent, amortized, interest free loan. The funding is restricted to projects serving families making less than 50 percent of AMI and in order to maintain the supportive housing's affordability; rents cannot exceed 30 percent of a resident's household income. Qualifying projects must also provide for social services for the residents. (http://www.nchfa.com/Nonprofits/SHDsupportivehousing.aspx)

In New Orleans (and other communities across the state), some LIHTC resources could be allocated to developments that include permanent supportive housing, to ensure that low-income families with multiple problems can achieve stability.

CHAPTER SEVEN: HOUSING POLICIES AND PORGRAMS THAT WORK: EMPOWERING LOW-INCOME HOUSEHOLDS TO REBUILD SOCIAL NETWORKS AND INFORMAL SUPPORTS

Many families displaced by Hurricanes Katrina and Rita have suffered not only the loss of their homes and jobs, but also the loss of invaluable social networks and informal support systems. Before the storm, unusually large shares of households were long-time residents of their neighborhoods, with close connections to neighbors, family members, and friends. Social networks of this kind can play an important role in helping low-income families in particular cope with life’s challenges. As communities rebuild, therefore, it is important to focus not only on physical structures, but on social networks as well. Some families will return to their original homes and neighborhoods, and may need help reestablishing connections there. Others may return to new neighborhoods—and new neighbors. In particular, if the region succeeds in developing more mixed-income communities, residents may need time and assistance in getting to know and trust one another so that they can work together to achieve shared goals. As communities and neighborhoods evolve, and the distribution of affordable housing changes, it is important to ensure that low-income residents still have access to some of the services their old communities provided. Strategies that can help create and maintain social networks and informal supports include:

- Cooperative housing models;
- Neighborhood improvement associations and community benefit agreements;
- Comprehensive neighborhood redevelopment initiatives; and
- Community building investments.

This section describes each of these approaches and provides examples of successful implementation.

Cooperative Housing

A housing cooperative consists of people who have joined together on a democratic basis to own and control the buildings in which they live. Residents buy shares in the cooperative corporation, which give them the exclusive right to live in particular units, but the cooperative corporation itself owns the land and buildings. The cooperative is governed democratically, with every owner participating. Cooperatives operate at cost and members pay monthly charges consisting of their proportionate share of one month's worth of the cooperative's annual budget. At the end of each fiscal year, any surplus (net savings) is used to benefit all members. The funds can become part of the next year's budget, thus keeping increases in occupancy charges to a minimum. They can be added to the co-op's reserves for future needs. Or they can be returned to the members as dividends in proportion to each member's monthly occupancy charge (Cooperative Housing Information Center) http://www.chc.coop/chc/chcinfo.nsf/guideoutline.htm?OpenPage).

Cooperatives offer important advantages for households that would otherwise not be able to become homeowners. They:

- Reduce down payments by providing 98 percent blanket financing; the existing Section 213 program allows down payments, including closing costs, to be as low as 2 percent.
- Make down payments easier to assemble because individuals may use borrowed money for the down payment.
- Reduce closing costs since the sale of co-op units are actually the transfer of shares, in most states this qualifies as a personal property transaction and therefore avoids costs for title insurance, abstract, survey, recording, and related local taxes.
- Make it easier for buyers to meet credit standards because the cooperative corporation is the borrower and the initial lender does not review the credit of the individual members or shareholders in the co-op.
- Allow for mortgage terms of up to 40 years, which result in lower payments and more eligible purchasers.
- Reduce monthly payments because in most jurisdictions, property taxes are assessed on the co-op as a whole, and tax appraisals for a co-op building are usually lower than the sum of appraisals on a similar building of condo units.

Cooperatives are eligible under the federal HOME program for loans at zero percent interest for 30 years. However, because co-ops are not rental properties, they do not qualify for Low Income Housing Tax Credits. Since there are so few committed, long-term funding sources available for cooperatives, they are difficult to projects to finance. They require an assortment of funding sources packaged together on a deal-by-deal basis, requiring each cooperative project to ‘reinvent the wheel’ (Sazama 1996). The time consuming and complicated process of forming and then running a tenant cooperative generally requires some sort of technical assistance, which is generally not provided by local, state, or federal programs. A number of nonprofit organizations have stepped in to fill this void, and provide co-ops technical assistance for example, the Foundation for Cooperative Housing Services (FCHS), the Urban Homestead Assistance Board (UHAB), and the Institute for Community Economics (ICE). They provide services such as financial packaging, architectural models, organizational structures, marketing strategies, assistance in the early years, and bankruptcy prevention.

Capital Manor Cooperative - Capital Manor Cooperative is as a 102-unit, limited-equity cooperative established in 2003 in Washington, DC. The cooperative has a low initial buy-in price and limits subsequent sales to households earning less than 80 percent of the Area Median Income, which ensures long term affordability while allowing a modest appreciation of the members' investment. Ownership shares for current residents at Capital Manor as of 2006 were priced between $150,000 and $350,000 depending upon unit size. Co-op members also pay a monthly "carrying charge" which covers ongoing operating costs, building management, maintenance, and debt service for the property. (http://www.ncbdc.org/default.aspx?id=202)

Affordable Cooperative Housing Program—New York City's Housing Development Corporation's Affordable Cooperative Housing Program offers developers an attractive lending program to finance cooperative developments affordable to middle income families. Under this program, HDC will provide a permanent mortgage to the cooperative to be funded by taxable bonds which will be blended with the HDC subordinate financing for a 1st position mortgage. During the construction period, an approved lender will provide the construction financing and HDC will provide subordinate financing up to $65,000 per unit. (http://nychdc.com/pdf/developers/co-op%20termsheet%20september%202006.pdf)

Together We Can - Building on its successful history in cooperative housing finance, NCB Capital Impact (formerly NCBDC) launched Together We Can in late 2003. Together We Can promotes cooperatives as an effective means to preserve affordable housing and create homeownership opportunities for low to moderate-income families. To preserve and develop affordable cooperative housing, the program employs: technical assistance, training, advocacy, and predevelopment capital for experienced nonprofit developers. (http://www.ncbdc.org/default.aspx?id=218)

Tenant cooperatives could potentially purchase existing rental properties in the greater New Orleans region -- with capital subsidies like those discussed earlier in this report and/or using right of first refusal protections (also discussed earlier). This would offer low-income residents greater control over their housing, as well as an affordable first step toward homeownership.

Neighborhood Improvement Associations and Community Benefit Agreements

A community benefits agreement is a binding contract negotiated between a developer and a coalition representing members of a community that is likely to be affected by planned new development. In exchange for community members' support for the project, the developer agrees to provide specific community benefits, such as affordable housing, parks, community facilities, job training, and employment opportunities. One of the reasons the Mexico City disaster recovery has been considered such a success (relative to other disasters in the developing world) is the grassroots organization of those affected by the earthquake. The close-knit communities were willing to accept nothing less than the rebuilding of the neighborhoods that they previously had called home. Several attempts to relocated families were met with protests and failure.

Los Angeles Alliance for a New Economy - community benefit agreements. The Los Angeles Alliance for a New Economy (LAANE) created the largest community benefit agreement in the nation after nine months of deliberations with officials and developers hoping to expand LAX. The alliance of local community organizations and nonprofits secured provisions of $500 million over 10 years for noise abatement, as well as job training for 500 local residents a year. Additionally, hiring preferences will be given to local residents. (http://www.laane.org/projects/lax_cba/index.html)

In neighborhoods of New Orleans that are undergoing substantial new development, community benefits agreements could give residents more voice in decisions about the design and composition of new housing, retail, and community facilities and could help ensure that new development provides tangible benefits to the original residents as well as to newcomers.

Comprehensive Neighborhood Redevelopment Initiatives

Comprehensive community initiatives (CCIs) attempt to transform all elements of a neighborhood—from its physical infrastructure to its services, safety, and social networks—by building on and strengthening the assets of existing residents, associations, and institutions in the area. Three ambitious principles distinguish comprehensive community initiatives from narrower neighborhood improvement efforts. First, they attempt to link human services, community revitalization, and economic development, rather than focusing on only a single strategy. At their best, these initiatives try to create an “organic” connection between programs, often based on resident-defined priorities. And finally, they focus not on improving outcomes for one particular group, but the community as a whole. In order for this to happen effectively all of the participants involved must be willing to work outside their own narrow interests. Perhaps most important to a successful CCI is that “the definition of ‘stakeholders’ in the neighborhood will need to be broadened beyond simply residents to include businesses and other private sector actors, public sector service providers and schools, city hall, churches and civic associations, and even nearby suburban residents (Kubisch 1996, Brown 1996).”

The principles of comprehensive community initiatives could be implemented in conjunction with the redevelopment of distressed neighborhoods in New Orleans. Some communities that experienced severe storm damage were already suffering from disinvestment and distress before the storm, and need systematic assistance that comprehensively addresses a range of social, economic, and physical development challenges.

East Baltimore Redevelopment Initiative - The East Baltimore Redevelopment Initiative, headed by the nonprofit East Baltimore Development, Inc, in collaboration with state and local governments, charitable foundations and the private sector, is an 80-acre, $800 million urban redevelopment plan. Within ten years, sponsors hope to transform a blighted area to one that contains new businesses, 12,000 new or redeveloped housing units, and access to quality human services. The housing units will be made available to a mix of incomes (http://www.ebdi.org/index.asp). EBDI carries out resident relocation in phases, notifying cohorts well in advance of the scheduled move. Displaced renters are assigned a relocation counselor, a family advocate, and one direct services coordinator. In addition, depending on their annual income, renters receive one of the following: (a) the difference between the cost of the current home and the replacement home for 42 months, (b) the difference between the cost of the replacement home and 30 percent of gross household income or (c) a Section 8 voucher or public housing unit, if available from the Housing Authority of Baltimore City. (http://www.ebdi.org/Master%20Planning/RELOCATION/RELOCATION%20FAQs.pdf)

Community Building Investments

The term “community building” is used to describe efforts to strengthen urban neighborhoods by helping residents learn to trust and rely on one another, work together to achieve shared goals, and thereby improve the well-being not only of individual families, but of the community as a whole. Although community building practitioners acknowledge that low-income neighborhoods often need services and assistance from outside agencies, they focus primarily on replacing feelings of dependency and hopelessness with attitudes of self-reliance and responsibility. Community-building activities are often focused on addressing specific problems or goals—like cleaning up a vacant lot or organizing a neighborhood watch—that incrementally build social and human capital. These activities are selected and driven by residents, not designed or implemented from the top down. They are tailored to a neighborhood’s current conditions and needs and take advantage of the residents’ existing human and social assets (Kingsley, McNeely, and Gibson 1997).

Residents of a low-income neighborhood in Indianapolis formed their own development corporation in the late 1970s. In the years since, this collaboration has trained a team of local residents in housing repair and rehabilitation that now earns fees from work in high-income areas to help support ongoing refurbishment of housing in the community; converted an abandoned school into a successful rental project with affordable apartments; developed its own industrial park; established a fund that makes venture capital loans to small firms in the community; established a day care cooperative; and created special service programs for teen parents, special-needs elderly and homeless people, adults with chronic mental illness, and battered women. (http://www.urban.org/UploadedPDF/COM_BLDG.PDF)

Investments in community building could go hand-in-hand with programs and projects to build new housing and redevelop damaged neighborhoods in the greater New Orleans region. These investments could help returning and new residents learn to work together to address shared challenges and rebuild effective networks and social support within revitalizing communities.

CHAPTER EIGHT: TACKLING THE AFFORDABLE RENTAL HOUSING CHALLENGE: A COMPREHENSIVE POLICY AGENDA

Experience from cities across the country offers a wide array of promising policies and programs that can help address the affordable rental housing challenges facing Louisiana today. No single program can provide the whole solution. Instead, the region needs a comprehensive agenda of policies and programs that explicitly target different dimensions of the problem. And no single level of government can implement this entire agenda. Instead, local, state, and federal governments all have essential roles to play. And private philanthropies can also contribute, with catalyzing or gap-filling initiatives. Table 1 (in section 1) summarizes a recommended agenda of affordable rental housing policies and programs, indicating which challenges are addressed by each action. This section briefly reviews these recommendations—all of which draw from the promising practices introduced in sections 3 through 7 -- focusing in turn on each level of government and then on the potential role of philanthropic foundations.

Local Government

Parishes across Louisiana have limited financial resources, but wield critical regulatory powers. Therefore, recommended actions for local governments focus primarily on regulatory initiatives that have shown potential to preserve and expand affordable housing options for low-income renters. These actions can help create a market environment in which other programs—funded at state and local levels—can be more effective.

Implement tenant protections. Rent stabilization, eviction protections, and right of first refusal requirements, implemented in Orleans Parish (and potentially in other parishes of the Greater New Orleans region), could moderate further increases in market rents, prevent the eviction of lease compliant renters from their current homes and apartments, and enable groups of tenants to acquire and cooperatively manage properties that the current owners want to sell.

Vigorously enforce fair housing laws. Local governments—working in partnership with nonprofit organizations like the Greater New Orleans Fair Housing Center—can help ensure that illegal discrimination does not bar families and individuals from homes, apartments, and neighborhoods of their choice. Effective fair housing enforcement would include a high-profile public education campaign (targeting both to housing providers and to consumers), systematic paired testing to detect discrimination and follow-up on individual complaints, prompt investigation and prosecution of specific instances of discrimination by housing providers, and monitoring of market practices to identify potential new discriminatory practices in rentals, sales, lending, or insurance.

Prohibit discrimination based on source of income. Expanding local fair housing protections to cover "source of income" discrimination can help ensure that recipients of housing vouchers are not arbitrarily excluded from available rental housing opportunities. This recommendation could also be implemented statewide (as discussed below).

Update zoning codes to permit auxiliary rental units. Allowing—or even encouraging—homeowners to create auxiliary rental units on their properties could yield a small but meaningful increase in the availability of affordable rentals in the near term.

Reform building codes to encourage low-cost designs and technologies. Although local building codes play a critical role in ensuring the safety and soundness of the housing stock, they can also stand in the way of innovative designs and technologies that are both safe and reduce costs. The Katrina Cottage is just one example of an innovative, cost saving design that appears particularly well-suited to the current needs of the Gulf Coast. But other modular and manufactured solutions may also offer promise. And single room occupancy units can be particularly effective for low-income singles, including those with special, supportive housing needs.

Create an inclusionary zoning program. In hot markets, where high volumes of new housing are being produced, inclusionary zoning can significantly expand the stock of affordable housing in mixed-income communities. Individual parishes (particularly those in the greater New Orleans region) could each implement its own inclusionary zoning program, or (as discussed below) the state could implement a program for the region as a whole.

Establish an Employer Assisted Housing program. Many employers are eager to attract back their employees and rebuild their businesses, and would likely be interested in participating in an employer assisted housing program. Generally, these programs focus on assistance to homebuyers, but some also provide rental assistance. By establishing an intermediary to administer an employer assisted housing program that included a strong rental component, and offering local income tax incentives to participating employers, parishes could help renters pay the costs of available units and strengthen the market so that property owners have stronger incentives to rehabilitate damaged units or build new ones.

Acquire land for land banking and/or community land trusts. Some areas of New Orleans are so devastated that they are unlikely to be rebuilt by individual property owners and residents on their own. The city should intervene to help residents bring these neighborhoods back to life. One way this could be accomplished would be by assembling land and creating land banks or community land trusts that would give the original property owners and residents who want to return joint control over the redevelopment process. Note that funding for land acquisition of this scale would be needed from either the state or federal government (discussed below) and state or local takings law might have to be reformed as well.

Target selected neighborhoods for comprehensive, resident-driven redevelopment. The city's most severely damaged neighborhoods cannot be expected to return to life without systematic planning and public sector investment. Property owners, residents, and businesses that were in a neighborhood before the storm and want to return can help govern the redevelopment process. In the near term, targeting even one small area and implementing a resident driven, but publicly supported redevelopment initiative there would go a long way to rebuild the trust and confidence of New Orleans's low-income residents. Again, funding from state and federal sources (discussed below) would be needed for such efforts.

State Government

The state government can support and help guide affordable rental housing development throughout Louisiana by providing funding—through or in conjunction with the Road Home Program, by effectively managing the Low Income Housing Tax Credit allocation, and by regulating actions by local governments and private housing providers.

Expand and accelerate Road Home funding for rental properties. The existing Small Rental Property component of the Road Home Program could be expanded and/or supplemented to assist more properties, including five- to twenty-unit properties and properties that are not owner-occupied. Low-interest loans could also be made available for tenant cooperatives that are prepared to purchase small rental properties, as well as to nonprofit organizations.

Provide funding for the acquisition of vacant homes. Some pre-Katrina homeowners—who are themselves not yet ready to return to New Orleans—may be interested in selling their properties to the Road Home Program. Some of these homes can and should be made available as affordable rental housing in the near term. Grants and low-interest loans to nonprofit organizations that will buy them and make them available at modest rent levels can bring more affordable housing units back on line quickly. This kind of "scattered site" strategy could help spur the renewal of devastated neighborhoods while making more homes available for renters who want to come back.

Provide matching funds for Employer Assisted Housing programs. State funds could be used to supplement employer assistance to low- and moderate-income renters under locally established employer assisted housing programs (discussed earlier).

Provide funding for targeted neighborhood development initiatives. State funding should contribute to help the city of New Orleans and returning residents implement targeted neighborhood redevelopment initiatives (discussed earlier).

Target Low Income Housing Tax Credits to opportunity-rich neighborhoods and supportive housing developments. Although LIHTC is a federal program, the state controls the allocation of credits among competing development proposals. Priority for credits that have not already been allocated should go to projects that will produce affordable rental units in healthy, opportunity-rich communities *and* to projects that will include supportive housing for the elderly or for families with special needs.

Create a statewide cooperative insurance pool for affordable rental property owners. If private insurance companies fail to offer property insurance at reasonable rates, the state could take the lead in creating a cooperatively-owned company dedicated to the insurance needs of affordable rental properties.

Prohibit discrimination based on source of income. This recommendation (discussed above in the context of local actions) could be implemented statewide rather than on a parish-by-parish basis.

Establish "fair share" affordable housing requirements. The state can mandate that every parish provide a sufficient quantity of affordable rental housing to serve its "fair share" of low-income households expected over the coming years. Such a mandate would create an incentive for parishes to implement the kinds of regulatory reforms discussed earlier to permit and encourage more affordable rental housing development.

Mandate inclusionary zoning statewide. This recommendation (discussed above in the context of local actions) could be implemented statewide (or possibly wherever substantial new development is likely) rather than on a parish-by-parish basis.

Federal Government

Without more resources from the federal government, an affordable rental housing strategy for probably cannot achieve the needed scale. Recommendations for federal action fall into two broad categories. The first category focuses on Housing Choice Vouchers, as a critical tool for meeting the needs of the lowest income households. The second category of recommendations calls upon the federal government to help fund some of the activities recommended earlier for local and state governments.[18] Note again that the federal government also has a critical role to play in rebuilding public housing in New Orleans and reforming the local public housing agency, but these challenges are outside the scope of this report.

Expand the Housing Choice Voucher program to replace FEMA and HUD disaster assistance. Households still receiving FEMA's emergency housing assistance as well as those receiving disaster assistance from HUD should all be provided conventional Housing Choice

[18] At the time of this writing, federal legislation is pending to create a national affordable housing fund to expand affordable rental housing options. For at least the first year, resources in this fund would be targeted to communities of the Gulf Coast.

Vouchers instead, which they could use to remain where they are or to return to Louisiana. Special priority should be given to low-income households still living in FEMA trailer sites throughout the state.

Transfer voucher administration to a well-qualified organization. Responsibility for implementation of the expanded Housing Choice Voucher program should be competitively awarded to an organization with a proven track record for effective voucher administration across a metropolitan region. The contract with this organization should include performance measures and incentives to ensure that families who receive vouchers are able to use them to obtain decent housing in healthy communities region-wide.

Allocate supplemental, project-based vouchers. A supplemental allocation of project-based vouchers could be used in conjunction with LIHTC and other capital funding to ensure that reasonable shares of the units in assisted rental properties are affordable to households at the lowest income levels.

Fund a pool of special-purpose vouchers for housing plus services. A supplemental allocation of vouchers that are funded to cover both rent and the costs of essential services would enable elderly people and families with special needs live independently in the community while receiving the supplemental support services they need.

Provide funding to launch the cooperative insurance pool. Federal capital may be required to help the state create a cooperatively-owned company dedicated to the insurance needs of affordable rental properties (discussed above).

Provide funding for local fair housing organizations. The federal government should provide supplemental funding to enable the Greater New Orleans Fair Housing Action Council to expand its scope and scale.

Provide funding for targeted neighborhood development initiatives. Federal funding should contribute to help the city of New Orleans and returning residents implement targeted neighborhood redevelopment initiatives (discussed earlier).

Philanthropic Foundations

Public sector resources and regulatory powers are obviously critical ingredients of a meaningful strategy for addressing the affordable rental challenges in Louisiana. It would be a mistake to rely too heavily on the philanthropic sector. But foundations can often play a unique role—seeding innovation, supporting demonstration projects for future replication, helping to build and strengthen the capacity of nonprofit organizations, and funding supplemental activities that enhance the effectiveness of public programs.

Provide funding for housing search assistance and landlord outreach. The performance of an expanded Housing Choice Voucher program (discussed above) could be significantly enhanced by a well-designed and implemented of search assistance and landlord outreach, targeted to helping voucher recipients gain access to decent housing in opportunity-rich neighborhoods throughout the metropolitan area.

Provide funding and technical assistance for tenant cooperatives. Groups of residents are more likely to succeed in forming cooperatives, purchasing their buildings, and operating them effectively over time if they receive both money and technical support.

Provide funding and technical assistance to launch Employer Assisted Housing programs. Foundation support could provide the impetus and fund the planning needed to establish local Employer Assisted Housing programs (discussed earlier).

Provide funding and technical assistance for community benefits agreements. Similarly, targeted financial and technical support can help residents mobilize and negotiate effectively with developers and governments for investments that will benefit the community as a whole.

Invest in community-building activities. As families move back to their original neighborhoods—or to new, mixed-income communities—investments in a range of community building activities can help restore social ties and supports, forge new ones, and build trust across lines of race and class.

Co-invest in targeted neighborhood development initiatives. Foundation funding can help fill gaps or test innovative strategies as part of targeted neighborhood redevelopment initiatives (discussed earlier).

ANNEX A: INTERNATIONAL AND DOMESTIC EXPERIENCE WITH DISASTER RECOVERY

Over the last three decades, other cities around the world have had to undertake major housing redevelopment initiatives, as a result of either natural or manmade disasters. Here we briefly describe some of the critical challenges these disasters have posed Despite the differences between these cities and the disasters with which they were faced, all of them involved challenges and frustrations that will sound remarkably familiar to New Orleaneans today: the recovery process was slower than anticipated; families and businesses faced paralyzing uncertainties and a lack of reliable information; and low-income residents were excluded from effective participation in decision making processes.

Armenian Earthquake (1998)

According to the World Bank (2004), 530,000 people were left homeless following the earthquake and 800,000 people left the country in the years following. One hundred villages, including Spitak, Leninakan, Gumri and Vanadzor were totaled. In Spitak and Leninakan, 80 percent of the housing was destroyed.

The Soviet Union began a massive effort to reconstruct the damaged cities, but construction came to a halt with its fall. At that point, more than 100,000 people lived in 24,000 *domiks* (temporary shelters). Subsequent recovery efforts were funded largely by international NGOs, the World Bank, and USAID. Programs to remove people from *domiks* still continue today. The U.S. State Department's Armenia Earthquake Zone Alliance attempts to remove *domiks,* restore private investment and encourage investment from the private sector. Housing certificates are issued to families that currently live in *domiks*, which should, in turn, encourage the development of a private market for housing. These certificates are primarily targeted to assist homeowners, not renters.

Mexico City Earthquake (1985)

The earthquake, which struck the center of Mexico's largest city, left as much as 272,000 people homeless. The damage consisted of large concentrations of multifamily housing occupied by low-income and elderly people. Large swaths of a public housing project were also destroyed. The largest case was Nuevo Leon—a 13-story apartment building, which was part of Nonoalco Tlateloclco, a 12,000 unit complex with 120,000 inhabitants. Smaller apartment buildings offering extremely low rents, called "viviendas," were also destroyed. Officially, 76,000 units in 4,000 buildings were destroyed (Comerio 1998).

In response to the earthquake, the Mexican government instituted the National Reconstruction Commission (NRC). One of the most ambitious programs of the NRC was the Renovacion Habitacion Popular (RHP), which was tasked with reconstructing 48,000 housing units in the hardest hit areas of Mexico City. The government agreed to recognize the rights of families to remain in the neighborhoods after previous attempts to relocate them to alternative areas were met with extensive protests. In 1986, the government created the National Popular Housing Program (FONHAPO), because the *viviendas* were not receiving adequate repair treatment from NRC.

Displaced residents were given a Certificate of Rights, granting them access to short-term rental assistance or access to temporary housing. They were entitled to accept low-interest loans to purchase rebuilt units. A combination of NRC programs, FONHAPO and NGO assistance led to the ultimate rebuilding or repair of 94,893 housing units. Financing for the program came from both the Mexican government (40 percent) and the World Bank (60 percent). Additionally, Mexico was given a deferment on debt owed to the IMF.

The Mexico City disaster recovery program has been lauded for redesigning housing and transferring ownership in "accordance with immediate housing needs, property rights claims, and cultural and historical significance of affected areas Davis (2005 258)." However, when incentives were given to landlords to rebuild their destroyed buildings, many never did and others waited the five to ten years it took for the market to readjust (Comerio 1998).

Northridge Earthquake (1994)

The Northridge earthquake badly damaged or destroyed 60,000 units in 15 neighborhoods in the central and western portions of Los Angeles' San Fernando Valley. The damage included 7,000 single-family homes and 27,000 multifamily buildings. Although Los Angeles is large, and most of the city survived with little house damage, there were pockets of destruction that caused "ghost towns," or six to eight square block areas, where over 60 percent of the housing stock was lost (Comerio 1994).

FEMA, HUD and the city of Los Angeles provided emergency and long-term housing assistance. In the ghost towns, FEMA agreed to provide funding for security plans to prevent blight. HUD provided immediate assistance, making 20,000 emergency section 8 vouchers available for utilization. Additionally, the city targeted damaged homes for HUD block grant funds and combined them with Small Business Association (SBA) loans that would provide recovery funding for two-thirds of 20,000 damaged units.

Immediately following the Northridge earthquake, HUD sent a team of professionals from the Washington office, including Secretary Henry Cisneros, directly to the disaster site. Although there was some immediate resistance to HUD's presence, the leadership of the professional staff received generally positive feedback. Because HUD officials were able to make decisions on-site, they were able to work around the red-tape that would invariably have come with communicating with the central office across the coast. Additionally, HUD's visibility, especially that of Cisneros, restored confidence in the region and added to the effectiveness of landlord recruitment. Perhaps most importantly, the staff was able to quickly identify problem areas and assert swift policy action. In order to help recipients of emergency housing vouchers find units, HUD modified the standard program regulations that were seen as discouraging landlord participation, including the requirement that a landlord renting to one voucher-holder must accept others, the requirement that landlords provide 90-day notice of lease termination, and a $50 cap on security deposits.

Loma Prieta Earthquake (1989)

The Loma Prieta Earthquake caused damage in the small cities of Watsonville and Santa Cruz and the large metropolises of Oakland and San Francisco. In all, 12,000 units were destroyed or severely damaged and 30,000 withstood some damage. Sixty percent of the damage affected multifamily structures that were occupied predominantly by low-income renters. Immediately following the earthquake, 25,000 people became homeless. The disaster brought on an affordability crisis in part because only 30 to 35 percent of the homes had earthquake insurance, but also because there were already low vacancy rates and high rental fees before the earthquake. Less than half of the low-income housing units destroyed were ever replaced or rebuilt.

The housing recovery for single-family homes was handled by a combination of federal disaster assistance, insurance settlements and nonprofit participation. In order to supplement this funding, the state created the California Disaster Assistance Program (CALDAP) as part of the Department of Housing and Community Development. Funds from this program were targeted at both single-family and multifamily properties. 75 percent of single-family homes were repaired or replaced within one year. HUD did not provide any emergency Section 8 vouchers, but sped up the processing of 500 that were supposed to be arriving anyway.

Funding for recovery was provided by FEMA, SBA, CALDAP and the American Red Cross. CALDAP became a surprisingly large lender, granting $44 million to rental property owners and $43 million to homeowners over five years. CALDAP was also the largest contributor to the replacement of low-income housing, assisting landlords with the replacement of 2,800 units at an average cost of $15,000 per unit. Finally, a lawsuit against FEMA forced the agency to spend $23 million to build single-room occupancy units at an average cost of $10,500 per unit. The American Red Cross' plans included $900,000 in grants to low-income homeowners, and $2.25 million in gap financing for nonprofits to launch development projects.

In the aftermath of Loma Prieta, the concerns of community, which was already facing displacement pressures due to rising rents and low vacancies, were largely neglected. The disproportionate toll the disaster took on low-income communities only heightened resentment. Like New Orleans, the disaster in the Bay Area caused extremely low vacancy rates, making it difficult to find housing for displaced victims. This was compounded by the refusal of HUD to grant emergency vouchers for low-income households who were the most in need.

Love Canal (1978-1980)

Love Canal was a 15-acre neighborhood located in Niagara Falls, NY. Between 1942 and 1951 21,000 tons of toxic chemicals were dumped into a nearby landfill. High cancer rates and birth defects, combined with residents' concerns about strange smells and residues prompted an investigation into the safety of the area (Axelrod 1988).

In 1978 President Carter declared a federal emergency and provided federal funds for the permanent relocation of 239 families living in homes closest to the landfill. In 1980 Carter declared another federal emergency, ordering the evacuation of between 500 and 700 more families in the areas surrounding the landfill. In the first wave of evacuations, the state of New York agreed to buy the homes from displaced families at fair market values. The Love Canal Interagency Task Force was established for this process. In the second wave of evacuations, New York was lent $15 million by the federal government to buy out the homes of the families. While families were given three years to accept the offer, the state only paid for a year of temporary housing. Love Canal set a precedent for the government buying out unsafe housing.

Most of the evacuated residents from the second wave of relocation wanted to stay in the Niagara Falls area. The plan was for the residents to use the funds from the government buyout of their houses to purchase new residences. However, the addition of nearly 500 families to the local housing market created a shortage and increased sales prices. Many displaced residents were forced to pay significantly more than they had received from the state (Blumenthal 1981).

Banda Aceh, Indonesia Tsunami (2004)

Banda Aceh suffered previously unimaginable damage in the tsunami that hit Southeast Asia, leaving hundreds of thousands of people homeless in the immediate aftermath. In the immediate aftermath of the disaster, recovery preceded slowly. Even though over $4 billion in public funding had been pledged for the rebuilding of the region, a year after the disaster struck, many frustrated residents were forced to go back to their old plots and begin the process of rebuilding on their own. The "participatory approach" of the Master Plan for redevelopment led to community meetings that were intended to include residents, but those observed by researchers seemed to consist only of public officials and NGOs (Rabenhorst 2005). This lack of proper coordination among the 93 international and local NGOs led to uncertainty on the part of residents and delay in housing reconstruction. This was manifested by residents placing themselves in even more precarious circumstances by refusing to accept temporary shelter—because of the misplaced concern that if they accepted they would not receive permanent housing. A survey testifying to the general lack of communication, found that just 22 percent of recipients felt that they were either “very informed” or that information was “sufficient” about their post-tsunami housing options. (Rabenhorst 2005)

By December 2006, however, the housing situation in Aceh appeared to be improving. In mid-2005, the first Shelter Sector Working Group meetings were help under the leadership of Badan Rehabili Rekonstrksi (BRR), the Indonesian central government agency in charge of implementation and distribution of tsunami relief funds. BRR had to authority to require NGO representatives to attend coordination meetings and to report hard data on progress in the field, thus holding them accountable for fulfilling their mandates. Noncompliant NGOs could lose access to administrative support for their projects, including building permits. (Rabenhorst) Although there were still 70,000 people living in temporary shelters in December 2006, 58,000 houses had been built—a vast improvement over the year before (The World Bank, “Tsunami Recovery in Indonesia-Fact Sheet)

Valmeyer, IL (1993)

Over a period of several months, the waters of the Mississippi River continued to rise, until finally, in mid-summer, the levees and sandbags succumbed and the “Great Midwestern Flood” occurred. An estimated 90 percent of the buildings in the small town of Valmeyer were destroyed or severely damaged during the flood. The mayor and a post-disaster planning committee decided, with the knowledge that many had already made up their minds to leave the town, that the city would not be able to survive in its location so close to the banks of the Mississippi. A significant majority of the residents, many of whom were living in FEMA trailers, accepted the plan to move the entire town about 1.5 miles (and 400 feet higher) from its original site. By 1995 residents began moving out of their trailers and into their new homes in the new Valmeyer. Because this was a middle-income community, most residents were able to place down payments on their new homes nearly immediately after their destroyed residences were bought at market prices.

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