

Louisiana Housing Officials Meet with Lawmakers, Explain Current State of Recovery

By Anne Townsend, Staff Writer, Novogradac & Company LLP

In early March – almost three years after hurricanes Katrina and Rita devastated much of the gulf coast – leaders of the Louisiana Housing Finance Agency (LHFA) headed to Washington, D.C. to discuss Louisiana’s housing situation with lawmakers. Milton Bailey, president of the LHFA, and Wayne Woods, chairman of the LHFA board of commissioners, were joined by other LHFA commissioners and staff as they met with various leaders to present the current picture of housing needs, the housing recovery effort and their continued plans to replenish the state’s housing stock. Among the many issues at hand is the current value of the low-income housing tax credit (LIHTC) and its effect on the recovery efforts.

In 2007, LHFA leaders along with leaders from Mississippi addressed Washington lawmakers on the state of recovery efforts and requested deadline extensions and additional federal support. This work culminated with H.R. 1591, a supplemental spending bill for the military that contained provisions related to the use of LIHTCs in the Gulf Opportunity Zone (GO Zone), the area affected by Hurricane Katrina, and in Rita and Wilma GO Zones, areas affected by hurricanes Rita and Wilma. Specifically, the bill extends until December 31, 2010 the placed-in-service deadlines for properties that received an allocation of LIHTCs within the GO Zone, and in Rita and Wilma GO Zones in 2006, 2007 or 2008. Furthermore, it extends to December 31, 2010 the difficult to development area (DDA) designations in the GO Zone, and allows properties in these zones that are placed-in-service by December 31, 2010 to use 9 percent LIHTCs with “disaster relief” Community Development Block Grant (CDBG) funds loaned at below-market rates.

While on Capitol Hill, the team from Louisiana met with many of the nation’s leaders, including Louisiana Sens.

Mary Landrieu and David Vitter. Meetings were also held with Reps. Barney Frank, D-Mass., Charles Rangel, D-N.Y., Charles Boustany Jr., R-La., William Jefferson, D-La., James Clyburn, D-S.C., Rodney Alexander, D-La., and Charlie Melanon, D-La., as well as Sen. Richard Shelby, R-Ala. LHFA’s Bailey and his team did not meet directly with any committees.

Louisiana’s Needs

LHFA leaders also presented to lawmakers in March the results of the “Housing Needs Assessment of the State and Greater New Orleans Metropolitan Area” (HNA), a report prepared by GCR & Associates Inc. HNA found that based on the loss of affordable housing as a result of storm damage and changing market conditions, an additional 60,000 to 80,000 affordable rental units are needed throughout the state in order to reach pre-Katrina levels.

HNA also examined rents in the New Orleans metropolitan area. Before the storms hit, a two-bedroom apartment was available to renters for less than \$700, and more than two-thirds of all rentals were affordable to low-income households. Now, less than 20 percent of all such units rent for less than \$700 per month, including studios and one-bedrooms, and, according to the HNA, rents throughout the New Orleans metro area have increased an average of 30 percent since Hurricane Katrina hit.

HNA, which estimates that 52,000 affordable rental units were lost in the New Orleans metro area following the storms of 2005, asserts that the federally funded Road Home and GO Zone programs will likely recover 45 percent of the affordable rental units lost in the New Orleans metro area due to damage caused by the hurricanes. How-

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ever, this leaves a gap of 29,000 affordable units – a gap that is unlikely to be filled by market activity due to increased construction and insurance costs.

Requests of Lawmakers

In a March 11 interview with Novogradac & Company following his return from Washington, D.C., Bailey outlined the issues faced by those working to redevelop the GO Zone. Among the issues are the high cost of insurance, labor shortages, and the high cost of supplies and materials. Furthermore, Bailey says, the instability of the LIHTC market had lowered the price of tax credits from a \$1.05 post-Katrina high to a low of 83 cents, leaving large gaps in the viability of affordable rental housing developments.

“[The drop in credit price] sets up a request for additional tax credits so we can deal with those problems in a state that is still recovering from one of the worst national disasters in history,” Bailey said. “On top of the anomalies in the market, the forces here require that lawmakers take another look to see if an additional round of tax

credits can be allocated to Louisiana.”

During their visit, Bailey, Woods and the others described their recovery efforts and specifically requested:

- An additional GO Zone LIHTC allocation of \$30 million annually for a period of five years;
- An increase in Louisiana’s annual allocation of per capita LIHTCs, from \$8.6 million annually to \$18 million annually for a period of five years, to fund projects in both rural and metropolitan areas of the state affected by the flux of people who have moved out of the GO Zone;
- An allocation of \$500 million in GO Zone mortgage revenue bonds to promote both ownership and rental housing in the region;
- An increase from \$15 million annually to \$30 million annually for five years in the state’s annual allotment of HOME funds to provide, among other things, insurance premium off-sets;
- An allotment of \$30 million annually in CDBG funds for five years to provide, among other

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- things, insurance premium off-sets;
- That 3,000 project-based Permanent Supportive Housing vouchers be allotted to Louisiana; and
- That the HOPE VI program be revived as part of the effort to rebuild New Orleans.

These requests to help push the development of rental housing forward were made alongside requests to help the development of single-family homes. These requests included that authority be granted to the LHFA to use single-family mortgage revenue bonds to refinance mortgage loans at risk of foreclosure.

The LHFA is also calling on lawmakers to make amendments to the Internal Revenue Code (IRC) and to the GO Zone Act. Specifically, while IRC 1400(c)(1)(A) increases the state credit ceiling in calendar years 2006, 2007 and 2008 for GO Zone tax credits, a failure to allocate the entire state credit ceiling in any year, including the per capita credits, reduces the credit ceiling by the unallocated amounts referenced in clause (ii) of section 42(h)(3)(C) even if the entire amount of GO Zone credits for a calen-

dar year are completely allocated in the GO Zone. This, Bailey said, stymies the deployment of GO Zone and per capita tax credits.

Furthermore, Bailey said that the GO Zone Act limits the use of mortgage revenue bonds in the GO Zone. Specifically, section 1400T(a)(1) of the act fails to include the GO Zone for purposes of treating residences as a targeted area residence. Consequently, owner-occupied residences only in the Rita GO Zone and the Wilma GO Zone that are financed with proceeds of tax-exempt bonds (TEBs) receiving a volume cap allocation under IRC Section 146 are treated as targeted area residences but not residences in the GO Zone. Failure to include the term "GO Zone" in Section 1400T(a)(1) of the GO Zone Act prohibits the treatment of residences financed within certain parishes that are in the GO Zone of Louisiana but outside of the Rita Zone as targeted area residences.

In both cases, Bailey and the LHFA are calling for revisions to the language found in both the IRC and the GO Zone Act. ❖

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