

Housing Issues Remain for GO Zone

By Robert S. Thesman, CPA

Last month, affordable housing industry eyes were focused on Washington, D.C. as the House Committee on Financial Services heard testimony on the Federal Housing Response to Hurricane Katrina. At issue for committee chairman Barney Frank, D-Mass., and Housing and Community Opportunity Subcommittee chairwoman Rep. Maxine Waters, D-Calif., was the slow pace of the Gulf Coast's housing recovery post-Katrina. And it appears that focus will remain through the remainder of this month — Frank expressed his intention to continue to elicit information from experts and put forward legislation in March that would address outstanding housing problems in the Gulf Coast area. His major concerns were the "shocking neglect" of the need for rental housing and homeowners' inability to rebuild.

At the February 6 hearing, Frank and Waters took particular aim at Louisiana's Road Home grant program and the U.S. Department of Housing and Urban Development's (HUD) plan to demolish public housing projects to make way for mixed-income developments. Frank was quoted in the *Times-Picayune* as saying that public housing should not be torn down until there is a plan to replace them. "We are prepared to provide funding, but not to shut down public housing....," he said.

The Back Story

The Louisiana Housing Finance Agency's (LHFA) in December approved \$80 million in low-income housing tax credits (LIHTCs) that would create nearly 7,000 apartment units in the state, most of them in New Orleans. Opponents almost immediately voiced concern that four public housing projects slated to receive \$34.5 million in LIHTCs to create 1,853 mixed-income apartments would replace about 3,000 public housing apartments.

HUD says it is working to redevelop New Orleans public housing so families will have the opportunity to return to better and safer neighborhoods. It notes that much public housing, like that in the C.J. Peete, B.W. Cooper, Lafitte and St. Bernard public housing developments, was in a deteriorating state prior to Katrina and the decision to redevelop them was made before the storm. Plans are to rede-

velop these units, making way for a mixture of public housing, affordable rental housing and single-family homes.

In other areas like Jefferson Parish, there is a backlash against using low-income housing tax credits to rebuild any housing. It is here that late last October, councilman Chris Roberts succeeded in stopping all new low-income housing in his district. An ordinance, passed October 18, encouraged the Louisiana Recovery Authority and the Louisiana Housing Finance Authority to reject any applications for tax credits to build apartment complexes or single-family homes in Gretna and Terrytown in Jefferson Parish. Roberts' resolution, which opposes all LIHTC apartments and single-family homes in those two cities, was approved by the full council without discussion. A subsequent resolution was passed that requires proposed developments be subject to a zoning study. During the 18-month zoning study no permits will be granted. These actions threatened and have killed a Volunteers of America (VOA) project that had planned to use LIHTCs to build a 200-unit, four-story apartment building for independent people over age 62 on vacant land in Terrytown. Patrick Sheridan, senior vice president for housing development for the VOA, told us on February 14 that the VOA had decided that week to turn back the credits due to the local councilman's opposition. "As much as we hate to return credits, we said, 'let's return the credits, and move forward and find a spot where we can go forward,'" said Jim LeBlanc, president and CEO of VOA of Greater New Orleans. Le Blanc noted that the brakes applied by the parish along with present placed-in-service date requirements and a deadline of March 1 to expend 10 percent of VOA's project costs left the organization little wiggle room. "We're going back in the next round and hopefully get credits allocated."

Some of the Problems

Repair vs. Replace

In her opening statement Waters said that more than 14,000 public housing units were damaged or destroyed in the 2005 disaster. While many of those units were vacant and slated for demolition, the

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controversy swirls over whether to take time to replace deteriorating housing with higher quality units or to repair those with minimal damage in order to get residents back home quickly and contributing to restoring the area socially and economically. Waters said she did not want to see “the wholesale dismantling of public housing in New Orleans.” She noted further that a phased development approach would allow those tenants who want to return to New Orleans the opportunity to return while enabling the city to undertake development efforts that would be in the best interest of the community.

According to HUD deputy secretary Roy A Bernardi, nearly 2,000 units of the approximately 5,100 units of public housing that were occupied and affected by the disaster, have been repaired and are habitable. Citing HUD’s to bring families back to quality housing, he said more than 1,200 families have already come back to New Orleans or will be coming back within the next 90 days to occupy these units.

Placed-in-Service Date Extension

Delay across the board is causing havoc with many developers’ plans. Hoping to get projects under way, the Louisiana Housing Finance, over the objections of those opposed to awarding tax credits to the mixed-income Cooper, Peete, Lafitte and St. Bernard public housing developments, refused to hold up the allocation process, saying further delays could jeopardize the developers’ ability to use the credits. Despite these efforts, an impending placed-in-service deadline is causing concern; to qualify for the credits, developers must complete all of the work and have their apartments ready for occupancy by December 31, 2008.

Bernardi, along with several other witnesses, urged the extension of the placed-in-service date for the LIHTC, leading Frank to observe that the issue needed no more discussion. “I’ve just spoken with Charlie Rangel [Chairman of the House Ways and Means Committee], and we both agree this will get done. I don’t see why anyone would oppose the extension. It will happen,” he said.

Road Home Program

Much criticism has been leveled at Louisiana’s

Road Home Program. The housing assistance program uses federal CBDG and Stafford Act funds that Congress appropriated for the purpose of rebuilding homes in the disaster area. In Louisiana, an estimated 120,000 homeowners who suffered damage from Hurricane Rita or Katrina may receive as much as \$150,000 in compensation for their losses to help them get back in their homes.

Controversy on this issue surrounds the fact that little money has been distributed in Louisiana. Walter Leger, chairman of the Louisiana Recovery Authority’s (LRA) Housing Task Force, testified that Louisiana faced several challenges. “We [received] full funding for the program in June 2006 but those funds came down to us in Louisiana wrapped in red tape with strings leading back here to Washington,” he said. “We would not be here today if this process were free of roadblocks and hard times.” Now, he said, those obstacles have been met and overcome and more money is ready for distribution. Leger said that of the 105,000 applications for the Road Home grants, a few more than 500 homeowners had received their awards, more than 70,000 had been counseled, and 30,000 had been notified of awards that average about \$80,000 per award.

Responding to several questions as to why the program had not started sooner and been as successful as a similar program in Mississippi, Leger said Louisiana was waiting to find out if its program would be fully funded. “Mississippi’s housing program received full funding in December 2005, while Louisiana waited six more months before our program was fully funded,” he said. Mississippi’s home assistance program has sent checks to more than 10,000 homeowners.

According to Francine Friedman, an associate with Hunton & Williams’ government relations team in Washington, D.C. and who represents the Affordable Housing Tax Credit Coalition as a lobbyist, the Road Home program wanted to make sure the funding was adequate for everyone who needed it. “It’s not good to start funding at level that is not right — if you want to do it right, you don’t go in without the number you need. The delay was not caused by not being fully funded but by not wanting to start until [the LRA] knew what it had to work with,” she said.

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Conclusion

As the various witnesses observed, much still needs to be addressed in the GO Zone and it is apparent that the affordable housing industry can play an important role, from contacting congressional representatives to lending expertise to developers interested in working through the development process. As Milton Bailey, the president of the Louisiana Housing finance Agency said when asked what the affordable housing professional could do to help, "They can ... pitch in their expertise. It is going to take the entire universe of professionals and non-professional services to help us fully recover, and so my challenge is if you really want to do something meaningful with your life and help rebuild the lives of others then you need to come to Louisiana and pick up a shovel or a pen or pencil."

For others, Friedman says, share how to get projects done and relate individual success stories to help members of Congress buy into programs for Gulf States. ❖