




# Louisiana Housing Finance Agency

## Memorandum

**Date:** August 2, 2010

**To:** The Honorable Allison A. Jones, Esq., Chair  
And Board of Commissioners

**From:** Milton Bailey  
President 

**Subject:** Strategic Planning Conference

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The purpose of this communiqué is to present certain observations and recommendations the Board may wish to consider as we prepare for our upcoming 2010 Strategic Planning Conference.

### 1. Background—

Immediately after Hurricanes Katrina and Rita, the agency's core objectives were to: **(1)** forward-allocate its GO Zone tax credits; **(2)** bring residents home quickly; **(3)** de-concentrate centers of poverty; **(4)** push back the placed-in-services dates for all GO Zone and PerCapita tax credit transactions; **(5)** seek corrective amendments to the state's recovery tools as provided by Congress; and, **(6)** establish a 10-Year Strategic Workforce Housing Plan. The agency completed each of its core objectives. Its 10-Year Strategic Plan was completed in January 2006 and it was adopted by the Board in April 2007. Please see following link [LHFA's Strategic Plan](#).

Following the appointment of our current Board of Commissioners, the agency's progress under the Plan was presented at a two day planning meeting in December 2008, and discussed again during a one-day follow up meeting in April 2009.

Since the adoption of its original Plan, Louisiana and our nation has experienced two additional hurricanes, Gustav and Ike; mounting statewide fiscal pressures; a global financial crisis; consumer and institutional credit rating downgrades; losses in tax credit equity; a marked increase in bankruptcy and foreclosure rates; Congressional action taken to offset a national recession; the advent of numerous federal recovery programs; and a disastrous gulf oil spill.

Inasmuch as the previously stated events were unforeseen, the agency's current Strategic Plan is not crafted to account for these new challenges. Hence, a new Strategic Plan must be developed which takes the foregoing into consideration.

### 2. Introduction—

Thanks to the actions taken by the Board and staff in the wake of Hurricanes Katrina and Rita, the LHFA's cadre of developers and their partners has elevated the benchmark for workforce housing in the state. In addition, the prudent management of the agency's funding programs and fiscal

affairs earned it a recent Moody's Investors Service issuer credit rating upgrade from "A2" to "A1" with a stable outlook.

The agency's proven formula for simultaneously lowering affordability thresholds while raising habitability standards now means that modest-income residents have found, and will continue to find, a way out of squalid conditions and a secure way into wholesome communities. Equally important, the housing financed by the agency and developed by its partners is beginning to remove the unfortunate and misplaced stigma frequently attributed to workforce housing. This is evidenced by the Affordable Housing Finance journal's recent selection of the Crescent Club and the Terraces on Tulane as two of the six examples of the Nation's Best affordable housing developments; and New Desire Phase I (a former public housing facility) having received the Affordable Housing Tax Credit Coalition's Tax Credit Excellence Award.

Given the present condition of the state's economy, the volatile capital market environment and mounting federal and state spending pressures, it is imperative that the agency finish and build on the work it has started. To weather the fiscal and policy issues which loom ahead, it is critically important that the agency and its partners help to educate and inform state and local officials as to the inextricable link between workforce housing development, business retention and job-growth opportunities. This is important because businesses providing jobs cannot expand or locate within the state without housing for their workforce any more than a person can adequately provide for a family, receive assistance, pay taxes or get a refund without an address. Moreover, housing and employment brings and keeps families together, improves their health, enhances their willingness to learn, reduces crime and creates a more livable environment in which we all prosper.

By enhancing the intrinsic partnership between the state's two most potent economic engines—housing and economic development—the state and Louisiana residents will jointly benefit. Therefore, as the agency moves forward, one of its many tasks must not only be to champion the development of workforce housing, but to simultaneously engage with state and local entities toward encouraging business, large and small, regional and community-based, to expand locally and statewide. A housing-friendly environment will help preserve existing jobs, encourage job-growth opportunities as well as help attract new business and residents to Louisiana. The byproduct of this joint endeavor will be to generate new tax revenue for the state, greater profits for business owners and better housing for Louisiana residents.

As the Board begins to examine the road ahead, it is important to bear in mind that the greatest affordability pressures are borne by state residents earning less than 60 percent of AMI. Also, a significant number of first-time homebuyers are experiencing difficulty finding affordable homes while other homeowners are experiencing financial difficulties which may lead to foreclosure. To complicate matters, a great many modest-income Louisianans are but two pay checks or one serious medical crisis away from insolvency, while many seniors must still choose between paying their rent and refilling their prescriptions. Moreover, should our national and state monetary positions continue to deteriorate, a greater number of middle- and upper-income families will be swept into the agency's client base; especially in the wake of the disastrous British Petroleum (BP) oil spill.

### **3. Challenges—**

Hence, there are several categories of challenge the agency will face relative to providing for the state's current housing needs and future workforce. These include: **(1)** preserve the existing affordable housing stock; **(2)** serve a growing population of clients; **(3)** address growing NIMBYism

across the state; and, **(4)** produce housing that is either affordable to, or serve the needs of: households earning less than 60 percent of AMI, including: **(a)** the homeless, residents living with or recovering from HIV-AIDs; **(b)** residents coping with substance abuse; **(c)** the elderly and persons with fixed incomes; **(d)** veterans and the disabled; **(e)** residents in need of permanent supportive housing; **(f)** residents in need of rental assistance; and, **(g)** residents in need of foreclosure intervention and prevention assistance. With the foregoing in mind, the Board may wish to consider: **(i)** adjusting the agency's Strategic Plan to account for current market conditions; **(ii)** completing the balance of the 33,000 units it has already financed; and, **(iii)** refining its housing priorities and strategic objectives.

## **Opportunities—**

In addition to partnering with state and local economic development authorities, the Board may wish to consider the following recommendations that can enhance the state's housing, business and job development efforts:

### **Promoting Workforce Housing and Business Development:**

- Encourage the state legislature to implement inclusionary zoning.
- Encourage the state legislature to provide sliding-scale property tax relief to owners and property managers using state or federal funds to develop workforce housing.
- Encourage the state legislature to streamline the title clearance process.
- Encourage the state legislature to direct a portion of any fees earned from the award of state contracts or the use of state funds for building projects into the Housing Trust fund.
- Encourage the state legislature to release the requirement for PILOTs to obtain state bonds.
- Create a single point of entry and single application for workforce housing development.
- Help local jurisdictions to bring greater efficiencies to their housing processes, including permitting, zoning, property inspection and code enforcement regulations.
- Leverage social service case management dollars for job training, transportation, access to mental health and medical services and rental housing assistance.
- Encourage large employers to become partners in developing housing for their employees.

### **Developing Green Housing, Business Development and Job Opportunities:**

- Help attract Green industry to the state.
- Require that all new and rehabilitated housing that is financed with state, federal or bond funds incorporate the highest level of energy and environmental efficiencies into workforce housing initiatives as is financially feasible.
- Work closely with energy providers to ensure there is compatibility between their energy efficiency upgrades and the state's energy modernization of new and existing homes and apartments.
- Work with multifamily properties to weatherize and provide energy modernization opportunities for such properties.

### **Restoring Blighted Properties to Commerce:**

- Encourage the state legislature to establish a statewide systematic code of enforcement and schedule of fines to address quality-of-life issues associated with accommodation and property conditions.

- Encourage the state legislature to accelerate the imminent domain process in an effort to reduce blight and to place vacant and abandoned properties quickly into commerce.
- Target NSP-3 funds toward converting surplus schools and similarly blighted state and locally owned properties into apartments and condominiums for at-risk populations earning less than 60 percent of AMI.
- Participate in HUD's \$495 million sustainable-communities initiative currently under development.
- Consider establishing a pool of funds for historic rehabilitation to address blight such as the Homeownership Construction Initiative in Pennsylvania which requires leverage from local jurisdictions.

#### **Protecting Equity and Building Wealth:**

- Require BP to deposit sufficient funds into the Housing Trust Fund to purchase mortgages and to provide rental and job-loss assistance to persons affected by the oil spill until such time as such persons are gainfully employed.
- Work with FHLMC to redirect the uses of its \$1.5 million investment in the Housing Trust Fund toward providing rental assistance to persons affected by the BP oil spill.
- Participate in FHA's First Look initiative to help communities stabilize neighborhoods hard-hit by foreclosures.
- Explore owner in-place work-outs with FNMA, FHLMC and area mortgage lenders as a means of preventing mortgage foreclosure and resident displacement.
- Consider issuing taxable mortgage revenue bonds to help restructure mortgage loans of persons facing foreclosure as a means of avoiding resident displacement.
- Consider issuing taxable mortgage revenue bonds to finance and refinance mortgage loans of persons whose incomes are greater than 120 percent of AMI.

#### **Supporting Deeply Affordable Housing:**

- Deposit into the Housing Trust fund a portion of the agency-earned fees generated from LIHTC and Multifamily Mortgage Revenue Bond applications.
- Use a portion of the revenue generated from agency-owned properties to subsidize the rental payments of persons with special needs.
- Partner in Common Ground's national effort to generate 100,000 permanent supportive housing units.
- Participate in the Veterans Administration/HUD Pilot program to house vulnerable veterans.
- Participate in HUD's recently announced \$550 million initiative to help very-low income elderly and persons with disabilities.
- Preserve and rehabilitate USDA and HUD assisted properties.

#### **Leveraging Funds and Strategic Investment:**

- Leverage Federal Home Bank workforce housing and business development funds.
- Invest in transit oriented mixed-income and mixed-use developments.
- Implement a revolving loan fund to help finance developments located in rural and emerging-growth communities.
- Invest in housing developments in which local jurisdictions have also invested.
- Invest in areas where investments are being made to attract or expand business.
- Provide micro-developers with higher levels of technical assistance and training.

### **Improving Internal Operations and Connecting Residents:**

- Establish a property development and management division or nonprofit subsidiary.
- Establish a network of resident resource centers at all agency-financed properties (see center at Walnut Square).
- Establish an integrated agency wide database of all LHFA financed properties.

### **Enhancing Workforce Housing and Business Development Resources:**

- Continue to encourage Congress to allow the exchange of GO Zone and Midwestern Disaster Area Credits in the existing 1602 Exchange Program and any extension of it, and to push back the placed-in-service dates for affected projects. Developments financed with Disaster Credits as part of affected states' relief efforts are facing the same difficulties moving forward as other Credit-financed developments, and they deserve the same assistance under the Exchange Program.
- Encourage Congress to extend, through 2012, the term during which states may use the additional \$11 billion in Housing Bond authority HERA provided to stimulate the housing market and support the recovery. States have been largely unable to utilize this three-year (available in 2008-2010) authority in 2008 and 2009 due to the Housing Bond market freeze.
- Encourage Congress to extend the two-year (2008 and 2009) 10 percent Housing Credit cap increase HERA provided. Increased Housing Credit cap is still needed since the flexibility HERA provided states to allocate more Credit to certain hard-to-achieve developments results in an overall reduction in annual Housing Credit production.
- Encourage Congress to extend the Housing Credit Exchange Program created by ARRA. This extension is necessary to ensure Housing Credit production while the market continues to struggle to come back. Industry experts agree total Credit investment is not likely to increase significantly in 2010.
- Encourage Congress to authorize the exchange of 4 percent Credits in any extension of the Exchange Program. A significant amount of affordable housing production is at risk if states cannot exchange 4 percent Credits for grants under the Exchange Program.
- Encourage Congress to incentivize increased Credit investment, including through a five-year Credit carry-back and tax code changes that allow individual investors to take advantage of the Credit. Steps must be taken to bring additional capital into the Credit investment market to secure equity for much-needed affordable housing development.
- Encourage Congress to extend Community Reinvestment Act provisions to companies which consume natural resources such as ports, forestry industry, oil producers and refineries, and chemical plants.
- Encourage Congress to impose heavy fines on industrial polluters and direct a portion of such fines to state and local housing and business development trust funds.
- Encourage Congress to fully fund the National Housing Trust Fund.
- Encourage FHA Commissioner to fully cover mortgage lender losses incurred during disasters.

### **4. Conclusion—**

What has become clear during our efforts these past four years is that the LHFA now has in its assembly and within its authority the ability to make a significant change in the lives and living conditions of Louisiana residents. By extending its liaisons and by fostering a deeper sense of mutual purpose, the LHFA and its partners can help the state construct a brighter, more equitable and more inclusive future for all of its residents.

In the aftermath of the devastating effects of Hurricanes Katrina, Rita, Gustav and Ike and the capital market crisis, the LHFA responded immediately by efficiently, effectively and strategically investing in the rapid repopulation of devastated communities; and, based its investment decisions on solid data and sound business practices.

As we prepare for our 2010 Strategic Planning Conference, perhaps it may be beneficial to invite the participation of the following persons and organization so that we have a rounded perspective on which to base our planning priorities and strategic objectives:

## **Strategic Planning Conference**

### **Potential Guest Presenters**

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| 1. Governor or Governor's representative  | 12. Louisiana Association of Nonprofit Organizations |
| 2. Speaker of the House   | 13. Louisiana Housing Alliance                       |
| 3. President of the Senate  | 14. Greater New Orleans Housing Alliance             |
| 4. Head of the State Office of Community Development                              | 15. Louisiana Supportive Housing Coalition           |
| 5. Head of the State Department of Economic Development                           | 16. CHDOs  |
| 6. Head of the State Department of Social Services                                | 17. Louisiana Home Builders Association              |
| 7. Head of the State Department of Health and Hospitals                           | 18. Louisiana Bankers Association                    |
| 8. Head of the State Department of Labor  | 19. Mortgage Lenders Association                     |
| 9. Head of HANO   | 20. Realtor's Association                            |
| 10. Finance Team (Financial Advisor, Bond Counsel, Underwriters, Master Servicer) | 21. Realtists Association                            |
| 11. Louisiana Association of Affordable Housing Providers                         | 22. Louisiana Apartment Association                  |
|   | 23. AFL-CIO  |
|   | 24. Louisiana Housing Council Association            |
|   | 25. Local Philanthropy such as GNOF, BRAF and LDRF   |

### **Proposed Agenda**

#### **Day 1**

All Day: 45 minute presentation by invited guests followed by 15 minutes of Q&A (presenters to provide one page statement of priorities, in order or priority, of those areas in which they wish the LHFA to focus)

#### **Day 2**

Morning: Facilitator led discussion of Board's priorities

Afternoon: Facilitator to merge presenter priorities with Board priorities

#### **Day 3**

Morning Facilitator to present merged priorities  
Discussion and Agreement  
Adjournment

#### **Day 4**

Facilitator to commence finalizing New Workforce Housing and Strategic Investment Plan