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**MASTER OF SUSTAINABLE  
REAL ESTATE DEVELOPMENT**

**Strategies to Promote Unified Neighborhood Stability:**

**A Study of the Neighborhood Stabilization Program 2 in Gentilly and the  
Lower 9<sup>th</sup> Ward**

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## **Executive Summary**

On August 29, 2005, Hurricane Katrina struck the Louisiana Gulf Coast resulting in one of the most devastating storms that the City of New Orleans had ever experienced. In order to lead the recover effort, the New Orleans Redevelopment Authority (NORA) implemented various strategies to remove and prevent the spread of blight, including subsidy allocations from the Neighborhood Stabilization Program 2 (NSP2). Although these strategies were instrumental in revitalizing some neighborhoods in New Orleans, other neighborhoods fell behind and did not experience the same level of reinvestment. In order to understand the effectiveness of the NSP2 program, specifically on private investment, a comparison between the Gentilly and Lower 9<sup>th</sup> Ward neighborhoods was performed. Through analysis, it was determined that other external factors contributed to the rapid growth of Gentilly, unlike the Lower 9<sup>th</sup> Ward which did not experience rapid growth. Some of the influential factors that affected private investment in Gentilly were the presence of active mortgages, stronger rates of participation in the National Flood Insurance Program, higher pre-Katrina appraised home values, and a higher capacity to prove homeownership. These factors allowed returning residents in Gentilly to reinvest in their neighborhood, thus promoting private investment to begin to occur naturally. In contrast, residents in the Lower 9<sup>th</sup> Ward were unable to monetize their disaster recovery assistance and, thus, an unfavorable environment for private investment was created. Due to these factors, it was determined that the NSP2 program was not necessarily a catalyst for initial private investment or developer activity, even though NSP2 funds were instrumental in promoting developer activity once existing infill development was established. In order to address the high likelihood of another storm event causing destruction in New Orleans, a “Unified

Neighborhood Stability Plan” was recommended. If the plan were successfully realized, it would provide NORA and qualified development partners with a framework to effectively implement future subsidy allocations and promote private investment in weak market areas.

## **1 Introduction**

On August 29, 2005, Hurricane Katrina struck the Louisiana Gulf Coast resulting in one of the most devastating storms that the city of New Orleans had ever experienced. The aftermath of this storm proved to be catastrophic. As New Orleans' levee systems failed, thousands of homes were destroyed from rising floodwaters, displacing many citizens and leaving their homes vacant and blighted. Although many homes were damaged and abandoned, blight was not an unfamiliar issue to New Orleans prior to Hurricane Katrina. After the storm, the issue of blight was exacerbated, bringing it to the forefront of the nations attention.

In order to address issues of blight, the City of New Orleans has relied on the New Orleans Redevelopment Authority (NORA) to secure and administer Federal Neighborhood Stabilization Program 2 (NSP2) funding. Additionally, NORA has taken the lead in creating and implementing citywide blight reduction strategies. These activities have played a vital role in the New Orleans recovery effort.

### **1.1 Problem Statement**

In spite of the success that New Orleans has experienced as a result of NSP2 funding, abandoned and blighted homes continue to remain a problem in the city. While the NSP2 funding has had a major impact on revitalization of New Orleans, certain areas have been slower to recover than others. Alternative weak market strategies must be identified and implemented to ensure more efficient use of future subsidy allocations.

## **1.2 Research Question and Hypothesis**

This research paper will explore the following question: What was the impact of NSP2 funding and why did some neighborhoods experience rapid growth and others did not? In order to respond to this question, two specific neighborhoods were chosen to compare their growth outcomes. Specifically, Gentilly and The Lower 9<sup>th</sup> Ward were used because they appeared to share very similar neighborhood characteristics after Hurricane Katrina, and both had focused NSP2 funding. However, these neighborhoods experienced very different growth outcomes since the allocation of NSP2 funding and, thus, provide an effective way to measure the factors affecting growth. It is hypothesized that accelerated growth in the Gentilly neighborhood over the Lower 9<sup>th</sup> Ward neighborhood was attributed to multiple internal and external neighborhood factors including the neighborhoods adjacency to stronger market areas, higher rates of participation in the National Flood Insurance Program, and more reinvestment from private sector developers, existing property homeowners, and non-profit developers. Furthermore, it is hypothesized that the static growth in the Lower 9<sup>th</sup> Ward was attributed to less active mortgages, weaker rates of participation in the National Flood Insurance Program, lower pre-Katrina appraised home values, and a lower capacity to prove homeownership.

## **1.3 Research Objectives**

The objectives of this research are multifaceted. First, I will attempt to validate the hypothesis that specific internal and external factors directly influenced the rapid growth response in the Gentilly neighborhood and slower growth response in the Lower 9<sup>th</sup> ward.

Second, I will identify a list of existing revitalization practices currently being used by NORA and recommend new “best practices” to implement in weaker neighborhoods such as the Lower 9<sup>th</sup> Ward to facilitate increased investment. Specifically, a “Unified Neighborhood Stability Plan” is recommended, outlining how NORA and qualified development partners should proceed with the high likelihood that New Orleans will experience another storm event in the future.

## **2 NSP2 & NORA**

### **2.1 Overview of NSP2 program**

In 2008, the U.S. Congress created the Neighborhood Stabilization Program (NSP), a Federal subsidy program born from a need to address nationwide issues of neighborhood destabilization and blight brought on by the looming foreclosure crisis. The Department Of Housing and Urban Development (HUD) was in charge of administering the program at the Federal level and delegated its administrative authority to individual municipalities at state and citywide levels.<sup>1</sup>

Local redevelopment agencies granted NSP funding were given the latitude to develop their own programs and funding priorities. The program required at least 25 percent of their award monies to be allocated towards the redevelopment of blighted or foreclosed homes.

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<sup>1</sup> "Neighborhood Stabilization Program Data." U.S. Department of Housing and Urban Development. Accessed March 23, 2014. <http://www.huduser.org/portal/datasets/nsp.html>.



Additionally, NSP required that program funding benefit low and moderate-income persons with incomes not exceeding 120 percent of area median income (AMI).<sup>2</sup>

NSP funding was commonly used directly by local redevelopment agencies to acquire, demolish, rehabilitate, distressed or foreclosed properties. Additionally, it was used indirectly to subsidize or finance the acquisition and redevelopment of blighted properties for local development partners.<sup>3</sup>

Since its inception in 2008, the Neighborhood Stabilization Program has gone through three separate rounds of funding. The Neighborhood Stabilization Program 1 or (NSP 1) was established under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008 and represents the first round of funding that was released by the NSP program. A total of 309 grantees were awarded funding based on statutory objectives and a greatest need formula created by HUD. Funding was targeted at low and moderate-income neighborhoods, in both urban and rural areas. The first round of funding was intended to stabilize communities nationwide, hit hardest by delinquencies and foreclosures.<sup>4</sup>

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<sup>2</sup> "Neighborhood Stabilization Program Data." U.S. Department of Housing and Urban Development. Accessed March 23, 2014. <http://www.huduser.org/portal/datasets/nsp.html>.

<sup>3</sup> "Neighborhood Stabilization Program Data." U.S. Department of Housing and Urban Development. Accessed March 23, 2014. <http://www.huduser.org/portal/datasets/nsp.html>.

<sup>4</sup> "Neighborhood Stabilization Program Grants NSP1." U.S. Department of Housing and Urban Development (HUD). Accessed March 23, 2014. [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/programs/neighborhoodspg/nsp1](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/neighborhoodspg/nsp1).

Every state received a minimum of \$19.6 million in NSP1 funding, however additional award funding was directly granted to areas that experienced the highest rates of foreclosure, subprime mortgages and abandoned homes. Grant money was then allocated to the program administrator (HUD) and distributed to state and local municipalities. Once received, the local governing agency had 18 months to obligate the grant money to a qualifying activity. Qualifying activities included, property acquisition, new construction, land banking, structure demolition, housing counseling, home ownership assistance, loss reserves for third party loans, and program administration.<sup>5</sup>

The Neighborhood Stabilization Program 2 (NSP2), an instrumental tool for NORA in the revitalization of New Orleans, refers to the second round of funding provided by the NSP. This funding was authorized under Title XII of Division A of the American Recovery and Reinvestment Act of 2009. The program is administered by the U.S. Department of Housing and Urban Development (HUD) with the main goal of stabilizing neighborhoods whose continued survival has been compromised by economic downturn, high rates of foreclosure and issues of blight. The program focused on utilizing grant funding to mitigate issues of widespread property abandonment that were primarily brought on as a result of the foreclosure crisis.<sup>6</sup>

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<sup>5</sup> "Neighborhood Stabilization Program Grants NSP1." U.S. Department of Housing and Urban Development (HUD). Accessed March 23, 2014. [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/programs/neighborhoodspg/nsp1](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/neighborhoodspg/nsp1).

<sup>6</sup> "Neighborhood Stabilization Program Data." U.S. Department of Housing and Urban Development. Accessed March 23, 2014. <http://www.huduser.org/portal/datasets/nsp.html>.

NSP2 consisted of \$1.93 Billion in grant money that was allocated among 56 grantees nationwide. All money was awarded based on a competitive application process. New Orleans found itself in a uniquely competitive position among NSP2 program applicants in that the primary source of its blight was not directly tied to the foreclosure crisis but rather exacerbated by the destructive floodwaters of Hurricane Katrina.<sup>7</sup>

Even prior to the storm, severe issues of blight plagued New Orleans. Years of steady population decline along with disinvestment and economic downturn left many homes abandoned and distressed.<sup>8</sup> With over 30,000 properties sitting vacant pre-Katrina, the storm only served to make matters worse.

Post Katrina New Orleans found itself in desperate need of NSP2 funds to assist in bringing housing stock back into commerce. By the time New Orleans had submitted its application, the city led the nation in blighted and vacant housing stock with nearly 31% of its inventory out of service. Hurricane Katrina left approximately 60,000 properties unoccupied, 10,000 of which were located in census tracts that the NSP2 application was targeting.<sup>9</sup>

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<sup>7</sup> "Neighborhood Stabilization Program 2." U.S. Department of Housing and Urban Development (HUD). Accessed April 04, 2014. [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/communitydevelopment/programs/neighborhoodspg/arrfactsheet](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/neighborhoodspg/arrfactsheet).

<sup>8</sup> Reuters. "New Orleans Fighting Blight after Katrina." NBC News. December 15, 2011. Accessed March 19, 2014. [http://usnews.nbcnews.com/\\_news/2011/12/15/9474164-new-orleans-fighting-blight-after-katrina?lite](http://usnews.nbcnews.com/_news/2011/12/15/9474164-new-orleans-fighting-blight-after-katrina?lite).

<sup>9</sup> "Sustainable Stabilization: A Path To Recovery (NSP2 Application)." The New Orleans Redevelopment Authority (NORA). Accessed April 03, 2014.

NSP2 funding would prove to be a critical component in facilitating the revitalization of New Orleans neighborhoods after Hurricane Katrina. Prior to the funding allocation, there were multiple factors that limited the pace of redevelopment efforts.<sup>10</sup>

To facilitate an impactful stabilization plan, specific redevelopment areas were strategically targeted. The neighborhoods targeted for funding consisted of previously stable neighborhoods that had fallen victim to severe storm flooding and neighborhoods that historically had experienced economic decline and neglect.<sup>11</sup>

Based on the strength of its proposal and desperate need for blight remediation, New Orleans was awarded \$29,700,000 in NSP 2 grant funding. The New Orleans Redevelopment Authority (NORA) administered the program funding locally and worked with a 13-member consortium of non-profit and for profit developers to carry out its mission objectives. Funds were used to purchase abandoned homes, provide gap funding, and incentivize the development of abandoned properties.<sup>12</sup> The grant money was focused on the infill development of affordable rental property and single-family residential homes.

## **2.2 Overview of NORA**

Founded in 1969, the New Orleans Redevelopment Authority (NORA) was born out of the city's need to diminish neighborhood blight. Currently, NORA is the city's primary

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<sup>10</sup> "Sustainable Stabilization: A Path To Recovery (NSP2 Application)". The New Orleans Redevelopment Authority (NORA). Accessed April 03, 2014.

<sup>11</sup> "Sustainable Stabilization: A Path To Recovery (NSP2 Application)". The New Orleans Redevelopment Authority (NORA). Accessed April 03, 2014.

<sup>12</sup> "FY 2010-2015 Strategic Plan." U.S. Department of Housing and Urban Development (HUD). Accessed March 23, 2014. [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/cfo/stratplan](http://portal.hud.gov/hudportal/HUD?src=/program_offices/cfo/stratplan).

redevelopment agency and administrator of NSP2 funds. Their mission is to serve as “a catalyst for the revitalization of the city, partnering in strategic developments that celebrate the city’s neighborhoods and honor its traditions.”<sup>13</sup> NORA engages in public private partnerships with local organizations and residents to facilitate the revitalization of New Orleans. Legal authority granted to NORA allows them to acquire properties through negotiation, gift, or expropriation and dispose of them through sale, lease, or donation. Additionally, NORA has the capacity to issue bonds.<sup>14</sup>

Historically NORA relied heavily on its powers of expropriation to facilitate neighborhood revitalization. In recent years however, it has moved away from that method in lieu of alternative strategies that are less controversial and better tailored to stabilizing and remediating blight in the New Orleans market. Among the strategies are city auctions, Requests For Proposals (RFP’s), land write-downs, lawn maintenance, the Lot Next-Door program, and NSP2 gap financing.<sup>15</sup>

NORA has synergistically utilized its role as an NSP2 administrator to carry out its mission while simultaneously promoting policy initiatives for HUD. This role has allowed them to remediate blight while introducing affordable units back into the marketplace at a calculated and scalable pace. Additionally, NORA utilizes unrelated subsidy programs such as the soft second mortgage program and commercial façade renewal program to

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<sup>13</sup> *NORA\_NSP2-July\_2013\_Report*. PDF. New Orleans Redevelopment Authority, July 2013.

<sup>14</sup> “The New Orleans Redevelopment Authority.” The New Orleans Redevelopment Authority. <http://www.Noraworks.org/>. Accessed May 3<sup>rd</sup>, 2014.

<sup>15</sup> Neville, Jason. Interview by author. Personal Interview. New Orleans Redevelopment Authority, February 28<sup>th</sup>, 2014.

complement existing NSP2 initiatives. These programs have served to bolster stabilization efforts of the surrounding residential communities and are crucial to the overall revitalization of the target areas.<sup>16</sup>

NORA's application for NSP2 funding focused on 8-target reinvestment areas in New Orleans LA. This paper will examine 2 of those areas, Gentilly and the Lower 9<sup>th</sup> Ward. Both of these areas were selected due to similar post-Katrina neighborhood characteristics, including their blighted status and subsequent public investment. After the storm, both neighborhoods shared similar incentivized investment opportunities. Despite these similarities, Gentilly experienced a greater growth outcome than the Lower 9<sup>th</sup> Ward. The following analysis will identify the similar characteristics that each neighborhood shared prior to the influx of NSP2 funding, as well as other differentiating external factors that affected investment in each neighborhood.

### **3 Neighborhood Profiles: Gentilly and Lower 9<sup>th</sup> Ward**

After Hurricane Katrina, both Gentilly and Lower 9<sup>th</sup> Ward shared similar challenges that prevented them from revitalizing as quickly as some other neighborhoods in New Orleans. Both neighborhoods were significantly damaged by flooding, causing the majority of housing stock to be uninhabitable. Thus, many of the existing residents could not return to their homes. Additionally, many businesses were destroyed, making it an obstacle for

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<sup>16</sup> "Sustainable Stabilization: A Path To Recovery (NSP2 Application)." The New Orleans Redevelopment Authority (NORA). Accessed April 03, 2014.

resident to have access to basic amenities. Due to these challenges, private investment was deterred from occurring in these neighborhoods.

Although Gentilly and the Lower 9<sup>th</sup> Ward shared similar challenges post-Katrina, they also shared many positive qualities that provided a framework for private investment to occur in the future. First, both neighborhoods received significant public investments. These investments were diverse in type but were evenly distributed among the targeted areas. Gentilly's public investment came with the construction of the Arthur Ashe Charter School, Oak Park Playground, and third district police station. Similarly, the Lower 9<sup>th</sup> Ward received investment in the MLK Charter School, Sanchez Community Center and Claiborne Firehouse. Also, both Gentilly and the Lower 9<sup>th</sup> Ward received significant infrastructure improvements with road resurfacing occurring on Mirabeau Avenue and in the "Make It Right" neighborhood.<sup>17</sup>

Second, both Gentilly and the Lower 9<sup>th</sup> Ward were positively influenced by philanthropic investment. These investments included Project Home Again in Gentilly,<sup>18</sup> and Make It Right in the Lower 9<sup>th</sup> Ward.<sup>19</sup>

Lastly, both Gentilly and the Lower 9<sup>th</sup> Ward received significant allocations of NSP2 funding to spur catalytic growth. Both neighborhoods received similar NSP2 subsidy

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<sup>17</sup> Knudsen, Seth. Interview by Author. Personal Interview. New Orleans Redevelopment Authority, March 20<sup>th</sup>, 2014.

<sup>18</sup> Shea, Carey. Interview by Author. Personal Interview. Project Home Again, March 29<sup>th</sup>, 2014.

<sup>19</sup> Moore, Chris. Interview by Author. Personal Interview. Make It Right Foundation, April 10<sup>th</sup>, 2014.

allocations of nearly \$4.2 MM each.<sup>20</sup> In Gentilly, Project Home Again, Project Homecoming, and St. Bernard Project<sup>21</sup> completed 77 homes, and in the Lower 9<sup>th</sup> Ward, NENA and Make It Right completed 37 homes with NSP2 funding.<sup>22</sup>

#### **4 Analysis of Growth Outcomes in Gentilly & Lower 9<sup>th</sup> Ward**

Although Gentilly and the Lower 9<sup>th</sup> Ward shared many challenges and positive public and philanthropic investments immediately after Hurricane Katrina, they both experienced different growth outcomes after the NSP2 program was implemented in 2009. In Gentilly, the number of home sales increased significantly resulted in a more favorable environment for private investment to occur. In contrast, the Lower 9<sup>th</sup> Ward's number of home sales remained similar to pre-Katrina levels. Specifically, Gentilly's number of home sales increased by 10 homes on average per year, and the Lower 9<sup>th</sup> Ward's number of home sales remained static during the same time period.<sup>23</sup>

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<sup>20</sup> Colson, Lois. Interview by Author. Personal Interview. New Orleans Redevelopment Authority, April 30<sup>th</sup>, 2014.

<sup>21</sup> McCartney, Liz. Interview by Author. Personal Interview. New Orleans Redevelopment Authority, March 25<sup>th</sup>, 2014.

<sup>22</sup> Knudsen, Seth. Interview by Author. Personal Interview. New Orleans Redevelopment Authority, March 20<sup>th</sup>, 2014.

<sup>23</sup> Colson, Lois. Interview by Author. Personal Interview. New Orleans Redevelopment Authority, April 30<sup>th</sup>, 2014.



Investment Factors	<u>Gentilly</u>	Lower 9th Ward
Active mortgages	64%	45%
*Insured homes	More	Less
*Proof of ownership	More	Less
*Pre-Katrina appraisals	Higher	Lower
Average incomes	\$64,068	\$37,894
Pre-Katrina owner-occupancy	71%	59%
Increased construction cost	Yes	Yes
<i>Ability to Fill Financial Gap</i>	YES	NO
<b>PRIVATE INVESTMENT</b>	YES	NO

Figure 1: Table of Factors affecting growth outcomes.

Despite the fact that both neighborhoods received a similar NSP2 subsidy allocation, there were other pre-storm factors that made post-storm private investment more favorable in Gentilly than the Lower 9<sup>th</sup> Ward. The pre-storm factors included active mortgages, insured homes, appraised values, average incomes and owner occupancy rates. In general, the aforementioned factors were more favorable in Gentilly than the Lower 9<sup>th</sup> Ward, resulting in an increase in developer activity in Gentilly. The developer activity was driven by the existing homeowners' ability to monetize recovery assistance funds to rebuild their properties. First, the existence of more active mortgages in Gentilly prior to Katrina meant that more homeowners were required to carry insurance to cover the costs of flood damage. Second, more active mortgages in Gentilly meant that more homeowners could prove ownership when seeking remuneration from the Road Home initiative. Finally, the pre-Katrina appraised home values were higher in Gentilly allowing existing homeowners

to receive higher Road Home allocations. This higher allocation incentivized homeowners to reinvest in their property. All of these factors combined led to homeowners in Gentilly receiving more subsidies, which encouraged private investment to occur here rather than the Lower 9<sup>th</sup> Ward. Therefore, the NSP2 program was not necessarily a catalyst for initial private investment or developer activity.

Although the NSP2 was not a catalyst for initial private investment, it was instrumental in promoting developer activity once existing infill development was established. NORA's original intention was for the NSP2 program to behave as a catalyst, but it was not as successful because developers utilizing the subsidy lacked direction and a framework on how to effectively implement NSP2 funds in weak markets.<sup>24</sup>

Base on the lack of direction and inadequate framework on how to successfully use NSP2 funding, NORA should consider developing a detailed action plan to assist developers in the future. The purpose for developing this action plan is to prepare NORA and qualified development partners for future allocations in the high likelihood that New Orleans will face another destructive storm event.

The following sections will highlight a recommended plan of action for NORA to be catalytic in the growth of weak markets, enabling these neighborhoods to create an environment where private investment and developer activity occur naturally.

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<sup>24</sup> Knudsen, Seth. Interview by Author. Personal Interview. New Orleans Redevelopment Authority, March 20<sup>th</sup>, 2014.

## 5 Recommendations

The following implementation plan is composed of a series of phased strategies referred to as “**Phases**” along with specific actionable items referred to as “**Action Steps**”. From this point forward the implementation plan in its entirety will be referred to as the “**Unified Neighborhood Stability Plan**”. The objectives of this plan are to:

- Evaluate the characteristics that are crucial to identifying weak markets.
- Identify what existing strategies should continue to be used by NORA.
- Recommend newly proposed strategies to be implemented in the target area.

### Plan Purpose

The purpose of the **Unified Neighborhood Stability Plan** is to “force transition” weak areas through various economic market phases, thereby shorting the neighborhood recovery timeline drastically. Rather than utilizing specific strategies that are correlated to particular economic market phases, this plan will focus on a multifaceted approach that will implement multiple strategies from all market phases simultaneously. The existing weak market strategies that are currently being implemented by NORA will from this point forward be referred to as **Phase 1**.

**Phase 1** is focused on the maintenance and disposition of properties that NORA currently has ownership control over. This phase will then be further enhanced by newly proposed strategies that will from this point forward be referred to as **Phase 2**.

**Phase 2** will involve strategically coordinated partnerships with existing neighborhood owners and prequalified development partners.

This phase will utilize newly proposed strategies that will convey a “good faith effort” on behalf of NORA to promote neighborhood stability, avoid expropriation of land and encourage property owners in the area to take responsibility for their property.

If a partnership is unable to be solidified with the property owner NORA will facilitate the process of property adjudication through a code enforcement proceeding. This strategy will be considered an option of last resort and will only be implemented after a comprehensive “good faith effort” has been made on behalf of NORA to resolve the visual blight issues directly with the property owner. The property adjudication strategy is reserved for owners who are non-compliant with the alternative **Phase 2** options used to promote neighborhood stabilization.

Additionally, **Phase 2** will utilize public subsidy to attract private developers and incentivize the creation of affordable housing units that aim to revitalize the neighborhood while preventing gentrification.

### **Intended Outcomes**

**Phase 1 and 2** will leverage public investment and private partnerships in the target area. The intended outcome is to remove as much visual neighborhood blight as possible, thereby incentivizing private investment by existing homeowners, new potential

homeowners, developers and development partners. The end goal is to promote the “forced creation of a market” and subsequent market driven demand for housing in the target area.

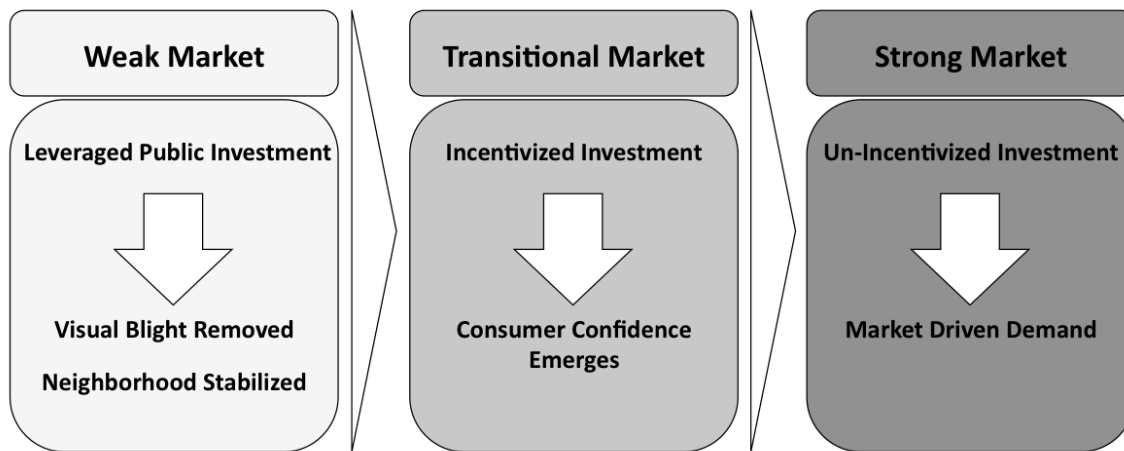


Figure 2: Uniform Neighborhood Stability Plan “Forced Market Transition” Model.

To successfully incentivize private investment in a weak market, NORA must first be in control of the variables that affect both neighborhood stability and consumer confidence to invest. These variables include, but are not limited to, code enforcement standards, land assembly, affordability of housing, affordability of construction, neighborhood maintenance, property maintenance, façade improvements and, most importantly, site control.

Several strategies are discussed in the following sections. It is important to note that not all may be functionally or financially feasible or sustainable. But, the purpose of this

recommendation is to serve as a guideline from which the **Unified Neighborhood Stability Plan** could be scaled or adjusted.

### **5.1 Action Step 1 - Identifying neighborhood characteristics in weak markets**

The first recommended action step is to positively identifying the market as weak. Weak market neighborhoods are comprised of the following characteristics:<sup>25</sup>

- **Extremely low occupancy levels.**
  - Areas are typically dominated by vacancies
  
- **Little to no signs of public or private investment are apparent.**
  - Inadequate or unmaintained infrastructure is present
  - Few homes are inhabited or renovated on the block
  
- **Consistent visual blight can be seen throughout the area.**
  - This typically includes dilapidated structures
  - Empty lots with overgrown grass and shrubbery
  - Litter and debris are scattered throughout the block

### **5.2 Action Step 2 - Identifying target investment areas in weak markets**

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<sup>25</sup> Fitzgerald, Joan, & Nancy Green Leigh. *Economic Revitalization: Cases and Strategies for City & Suburb*. Thousand Oaks. Calif.: Sage Publications, 2002.

To encourage stronger revitalization, it is recommended that NORA targets weak markets located in proximity to institutional anchors (i.e. Hospitals, Schools, etc...) or commercial corridors that are operational or scheduled for renovation in the near future. For example, the four blocks bordered by N. Claiborne Av., Lamanche St., N. Roman St., and Alabo St. in the Lower 9<sup>th</sup> ward area of New Orleans LA is an ideal market to test this action plan. This is because the block is adjacent to, and anchored by, both the MLK charter school and N. Claiborne Av., a main commercial corridor in the lower 9<sup>th</sup> ward.

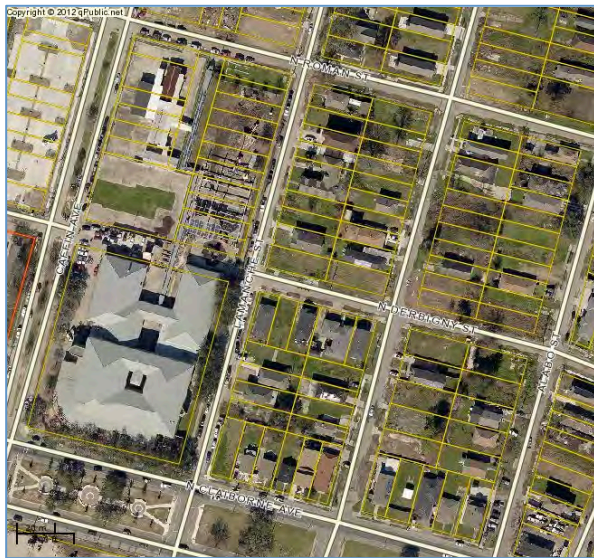


Figure 3: Map of sample weak-market target area in Lower 9<sup>th</sup> Ward.

### 5.3 Action Step 3 –Maintain use of existing Phase 1 strategies in weak markets

NORA currently utilizes **Phase 1** strategies in weak markets to promote stabilization or disposition of properties they own. The following is a list of Phase 1 strategies along with their intended purpose:

### **5.3.1 Phase 1 - Existing strategies NORA uses in weak markets**

#### **1. Lot maintenance**

The lot maintenance strategy calls for periodic mowing and shrubbery clearing on designated lots. The main purpose of this strategy is to prevent animal infestation and visual blight caused by vegetative overgrowth. Typically, lots are put on a mowing cycle and mowed 18 times per year at a rate of \$25 per cut. This is a semi-effective solution to removal of visual blight. However, it is not a long-term sustainable strategy due to high costs and the volume of lots that must be maintained.<sup>26</sup>

#### **2. Alternative land use**

The alternative land use strategy involves utilizing a vacant lot in an alternative manner that will decrease density, lessen visual blight, and in some cases manage storm water overrun. Typical uses include designated green space, rain gardens, neighborhood playgrounds, and urban gardens. The alternative land use strategy provides valuable green space to weak neighborhoods. However, it removes revenue-generating property from commerce, thereby decreasing the tax base that the city can collect.<sup>27</sup>

#### **3. Gap Financing**

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<sup>26</sup> Neville, Jason. Interview by author. Personal Interview. New Orleans Redevelopment Authority, February 28<sup>th</sup>, 2014.

<sup>27</sup> Neville, Jason. Interview by author. Personal Interview. New Orleans Redevelopment Authority, February 28<sup>th</sup>, 2014.



Gap financing is a strategy used by NORA whereby a public private partnership is formed with a partnering developer who agrees to specific conditions. Subsidy is awarded in return for compliance with those conditions (i.e. affordability requirements). The subsidy is typically used to close a financial gap in weak markets where the cost of construction often exceeds the market value of the property. Additionally, gap financing can be used as an effective solution to promote investment in weaker neighborhoods. However, it is not a financially sustainable long-term strategy because it is limited by the amount of subsidy available at any given point in time.<sup>28</sup>

#### **4. Land Write-Down**

With land write-downs, NORA sells land to developers through the process of a credit sale. In return for a land write-down, the developer is required to pay a deposit equal to 10% of the appraised value or \$1,345, whichever is greater. The developer is also given 1 year to commence construction, at which point the remaining balance of the sale price is forgiven. The developer must sell the home to a person at or below 120% of Area Median Income (AMI). The land write-down strategy is used to incentivize development by decreasing the cost of land. This helps closing the financial gap in markets where the cost of construction exceeds the appraised value of the property.<sup>29</sup>

#### **5. Lot Next Door Program**

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<sup>28</sup> Knudsen, Seth. Interview by Author. Personal Interview. New Orleans Redevelopment Authority, March 20<sup>th</sup>, 2014.

<sup>29</sup> Knudsen, Seth. Interview by Author. Personal Interview. New Orleans Redevelopment Authority, March 20<sup>th</sup>, 2014.

The Lot Next Door Program offers neighboring property owners the “right of first refusal” to acquire adjacent lots owned by NORA at fair market value prices. This strategy is successful because it can decrease neighborhood density. However, the program can also lead to visual blight if lots are not maintained overtime.<sup>30</sup>

The **Phase 1** strategies listed above have been successful in removing visual blight and stabilizing individual lots owned by NORA. Therefore, they should continue to be used in weak market areas. However, they do not address other external variables affecting the overarching issues of neighborhood blight. To address these variables and promote unified neighborhood stability, we must explore the newly proposed **Phase 2** strategies that are outlined below. **Phase 2** is specifically aimed at engaging neighborhood owners and private development partners. Additionally, it grants NORA limited authoritative control over the target area to facilitate the remediation of visual blight. If **Phase 1** and **2** are implemented collectively and efficiently, nearly all neighborhood visual blight within the designated block boundaries could be effectively eliminated. The following section will propose the recommended **Phase 2** strategies that should be used in conjunction with existing **Phase 1** weak market strategies. This should augment the overall stability of the neighborhood and remediate visual blight. The implementation of **Phase 2** should coincide with **Action Step 4**, “Create a neighborhood implementation program.”

#### **5.4 Action Step 4 – Create a neighborhood “program”**

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<sup>30</sup> Knudsen, Seth. Interview by Author. Personal Interview. New Orleans Redevelopment Authority, March 20<sup>th</sup>, 2014.

Once a target area has been selected, a neighborhood “program” must be drawn up. The purpose of the “program” is to identify appropriate site-specific strategies to be implemented on each parcel within the target area. Creating the “program” is an iterative process between NORA, neighborhood property owners, and development partners. Because of the collaborative nature of this process, it is recommended that the “program” be created in tandem with the implementation of **Phase 2** strategies and **Action Step 5**, “Issue NORA Public RFQ”. This will allow the most suitable site-specific strategies to be identified and assigned to each lot based on the owner’s or development partner’s individual capacity and, or, willingness to participate in the “Unified Neighborhood Stability Plan”. The following sections provide a detailed outline of **Phase 2** and **Action Step 5**, both of which are collectively used to generate site-specific strategies for the neighborhood “program” in the target area.

#### **5.4.1 Phase 2 – New strategies to promote “Unified Neighborhood Stability”**

##### **1. Neighborhood Partnership**

This strategy requires NORA to contact individual property owners in the target area and offer alternative options to remediate visual blight on their property. A formalized meeting will be scheduled between NORA and the property owner to determine whether there is adequate owner capacity to perform the required blight remediation strategies. Factors such as age, financial capacity, physical capability and proximity to the subject property should be the basis for this decision.

##### **1.a. Adequate Owner Capacity**

If the owner is deemed to have adequate capacity, a determination will be made as to whether the structure on the property is salvageable or not.

If the structure is salvageable, the owner will be required, at the owner's expense, to perform the following tasks to remediate the property of visual blight:

- Clear the property of any trash and debris
- Cut back any overgrown vegetation
- Cap all doors and windows with the NORA provided lithograph door coverings
- Paint the building using a NORA recommended paint scheme
- Perform routine maintenance (trash / debris removal, and lot mowing 1 x per month)

If it is found that the structure on the property is not salvageable, the owner should be required, at owner's expense, to perform the following tasks to remediate the property of visual blight:

- Demolish the building
- Clear the lot of any trash and debris
- Cut back any overgrown vegetation
- Perform routine maintenance (trash/debris removal, and lot mowing 1 x per month)

Once properties have been remediated of all visual blight, NORA should send a representative out to the property for inspection. Upon inspection approval, and at the option of the owner, NORA should place a “for sale” sign in the yard and provide free technical sales assistance to the property owner for the disposition of their home.

### **1.b. Inadequate Owner Capacity**

If the owner lacks adequate capacity, NORA should offer a ground lease on the property for a term of 3 years. A property tax exemption should be granted to the owner as consideration for the ground lease. Also, the ground lease should provide site control to NORA and grant them absolute, or unrestricted, authority to remediate all visual blight on the premises. Owners should be absolved from paying any new taxes accrued over the lease duration but should be responsible for any costs incurred on the property associated with remediation of visual blight. The costs should be attached to the property in the form of a vendor’s lien.

The reason why a ground lease is an effective method to control visual blight is because land assembly is difficult. This strategy is currently being used by public agencies in other markets around the country to fight blight. Ground leases are an attractive option because they provide benefits for both parties involved. Both of the public entities, including NORA and private property owners, can benefit from ground leases in the following ways:

### **Public Sector Benefits**

- Allows land assembly in weak target areas to promote unified neighborhood stability

- Prevents public agency from expropriating privately held property (Controversial)
- Grants site control of privately owned properties to remediate visual blight
- Process may be cheaper than foreclosing to obtain site control or compliance
- May allow city to receive unrealized tax revenue from the sale of properties with existing liens.

### **Private Sector Benefits**

- Prevents foreclosure/adjudication/expropriation
- Temporarily relieves owner of tax burden
- May allow owner to redevelop or resell once neighborhood values increase
- May allow owner to sell at a price that will satisfy outstanding property liens

Once NORA has secured a ground lease on the target property, a determination should be made as to whether or not the structure on the property is salvageable.

If the structure is salvageable, NORA should, at the owners expense, perform the following tasks to remediate the property of visual blight:

- Clear the property of any trash and debris
- Cut back any overgrown vegetation
- Cap all doors and windows with the NORA provided lithograph door coverings
- Paint the building using a NORA recommended paint schemes
- Perform routine maintenance (trash / debris removal, and lot mowing 1 x per month)

If it is determined that the structure on the property is not salvageable, NORA should, at owners expense, perform the following tasks to remediate the property of visual blight:

- Demolish the building
- Clear the lot of any trash and debris
- Cut back any overgrown vegetation
- Perform routine maintenance (trash/debris removal, and lot mowing 1 x per month)

Once properties have been remediated of all visual blight, NORA should send a representative out to the property for inspection. Upon inspection approval, and at the option of the owner, NORA should place a “for sale” sign in the yard and provide free technical sales assistance to the property owner for the disposition of their home.

Additionally, a clause should be added to the ground lease agreement that allows the owner to break the lease in the event that a buyer is secured, or the property is developed. If exercised, this clause should provide a 6-month timeframe to dispose of the property or commence construction. This clause should only be triggered in the event of a sale, or upon NORA’s receipt of a certificate of occupancy. Any new owners should be required to redevelop the property within 6-months of acquisition. Additionally, NORA should reserve the first right of refusal on any sale of the property and hold an option to renew the ground lease within 60-days, prior to the leases expiration date.

## **2. Property Adjudication**

If NORA encounters a property with an absent owner, or a property owner who wishes not to participate in the unified neighborhood stability plan, an option of last resort should be exercised. In this case, NORA should facilitate the process of property adjudication through a code enforcement proceeding. This option should only be set into motion after an extensive “good faith effort” has been made on NORA’s behalf to offer the owner an alternative option to remediate the visual blight. This adjudication process should involve a foreclosure proceeding, and subsequent disposition, of the target property through a sheriffs’ sale auction. At this point, it is recommended that NORA notify the sheriff’s office that they intend to exercise their priority bid option to acquire the auction property, before any outside bidders can. This should ensure that the property ends up in the hands of an appropriate party whose mission is in alignment with the objectives of the Unified Neighborhood Stability Plan. Once NORA has control over the site, they should decide which strategy best suits the lot and make an implementation arrangement with the appropriate party accordingly.

As the neighborhood “program” is created and appropriate site-specific strategies are assigned to every lot within the target area, potential development partners should be solicited through a public Request For Qualifications (RFQ) process.

### **5.5 Action Step 5 – Issue NORA Public Request For Qualifications (RFQ)**

The purpose of the RFQ process should be to establish the necessary qualifications, capacity and willingness of developers to participate in the proposed “**Unified**



**Neighborhood Stability Plan”** RFP process. The RFQ should also include a summary of the “Unified Neighborhood Stability Plan,” as well as a list of required criteria including, but not limited to, developer mission, industry experience, financial capacity and projects completed.

After the neighborhood “program” has been completely finalized, NORA should solicit pre-qualified development partners procured from the RFQ process to submit proposals for NORA’s **“Unified Neighborhood Stability Plan”** Request For Proposal (RFP) process.

The follow action step outlines the structured implementation strategy for the Unified Neighborhood Stability Plan RFP. It details the recommended “Sell One, Rent One” strategy.

#### **5.6 Action Step 6 – Offer NORA’s “Unified Neighborhood Stability Plan” RFP**

The recommended “Sell One, Rent One” strategy is a suggested developer best practice that is recommended because it integrates effectively with the neighborhood “Program”. The purpose of this best practice is to promote, neighborhood stability, home ownership and affordable housing development in the target area. In this strategy, the development partner is offered 2 properties in the target neighborhood. Upon acquisition, the development partner should receive a land write-down and a development subsidy. There should be a affordability covenant attached to the subsidy that will require each property to either be sold, or rented, to a person with an income of 120% or less of AMI. Also, the

subsidy granted must be used to immediately stabilize the properties in the following ways:

If the property is salvageable the developer must immediately:

- Clear the property of any trash and debris
- Cut back any overgrown vegetation
- Cap all doors and windows with the NORA provided lithograph door coverings
- Paint the building using a NORA recommended paint schemes
- Perform routine maintenance (trash / debris removal, and lot mowing 1 x per month)

If the property is not salvageable the developer must immediately:

- Demolish the building
- Clear the lot of any trash and debris
- Cut back any overgrown vegetation
- Perform routine maintenance (trash/debris removal, and lot mowing 1 x per month)

Once all external visual blight is remediated, the development partner should take the remaining subsidy to develop the first property. When this property is complete, the developer should be required to sell it at an affordable rate to a first time home buyer using the soft second program money, earmarked by NORA. If necessary, NORA should provide soft second technical sales assistance to the developer for the disposition of the home. A portion of the proceeds from the sale of the property should be held in escrow to redevelop the second property. Upon completion, it is required that the second property be held by

the developer as an affordable rental. In the event that the developer is unable to attract a first time homebuyer within 4 months of certificate of occupancy, then they should have an option to convert the property to an affordable rental.

### **5.7 Action Step 7 - Select developers & invite them to participate**

Once all competitive proposals have been reviewed and lots are under site control, selected development partners will be invited to participate in the above referenced RFP process.

With a “program” created, all site-specific strategies assigned, and development partners selected, the final action step is to implement the neighborhood program.

### **5.8 Action Step 8 – Implement neighborhood “program”**

At this point, NORA should implement all corresponding **Phase 1** and **2** strategies to their respective lots. This process should allow NORA to influence all external neighborhood blight variables that were previously out of their control.

The net result of the proposed action plan is to provide a comprehensive neighborhood blight remediation strategy, also termed “**Unified Neighborhood Stability**”.

### **Unified Neighborhood Stabilization Attained**

If the Unified Neighborhood Stability Plan is implemented and found successful, the benefits could have a far-reaching effect on the entire community. First, the community

benefits from the revitalization of its neighborhoods and the city benefits from the additional tax revenue that is generated from properties being placed back into commerce. Additionally, adjacent neighborhoods may have a better chance of attracting outside investment if they are close in proximity to these stabilized areas. Also, much of the visual blight is remediated as a result of the plan implementation. Second, the property owners located in the target areas may experience market value increases in their properties, potentially allowing them to sell or secure financing against the property to redevelop. Furthermore, a mix of affordable rental and home ownership in the neighborhood may decrease the chance of gentrification of the existing residents. Also, expropriation of property should only be used as an option of last resort for absentee and no-participatory owners. Third, the developers benefit from holding income producing investment property on blocks with stabilized property values due to increased homeownership. This promotes the use of subsidy to fill the financial gap between the cost of construction and the appraised market value. It also alleviates a developer's fear that their properties won't sell, or rent, due to surrounding visual blight.<sup>31</sup> Fourth, due to forced market transition and subsequent increased market driven demand, NORA benefits because they can now use their existing strong market techniques, such as auctions to dispose of properties that were strategically held. The profit generated from those sales could then be put toward future program funding initiatives. Additionally, NORA benefits by achieving its mission of remediating visual neighborhood blight.

## **6 Conclusion**

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<sup>31</sup> Shea, Carey. Interview by Author. Personal Interview. Project Home Again, April 20<sup>th</sup>, 2014.

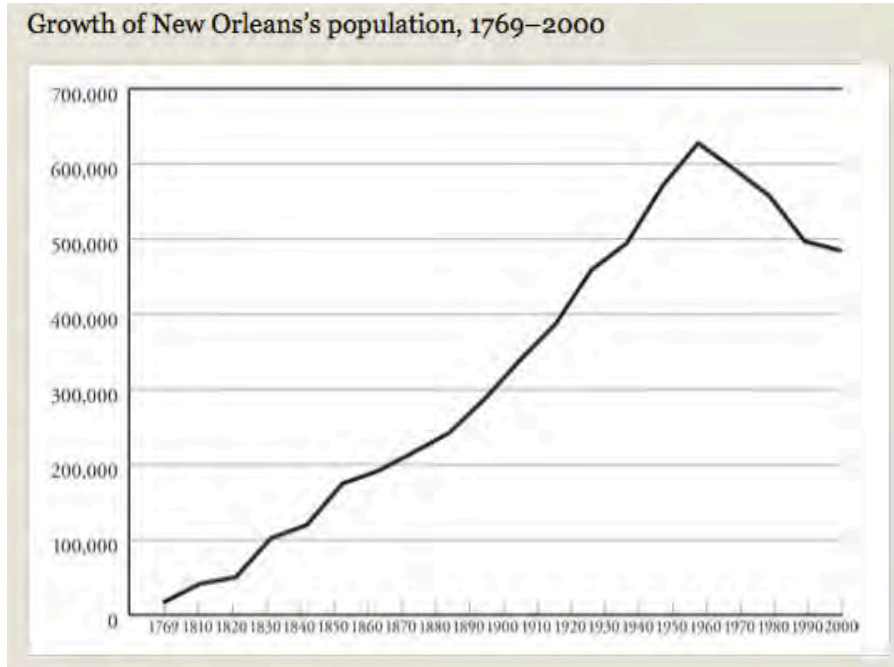
The objective of this study was to analyze the effects of NSP2 funding on private investment. Through the use of a comparison between the Gentilly and Lower 9<sup>th</sup> Ward neighborhoods, it was determined that other external factors contributed to the rapid growth of Gentilly, unlike the Lower 9<sup>th</sup> Ward which did not experience rapid growth. Specifically, residents of Gentilly had more active mortgages, stronger rates of participation in the National Flood Insurance program, higher pre-Katrina appraised home values, and a higher capacity to prove homeownership. These factors allowed returning residents in Gentilly to reinvest in their neighborhood, thus promoting private investment to begin to occur naturally. In contrast, residents in the Lower 9<sup>th</sup> Ward were unable to monetize their disaster recovery assistance and, thus, an unfavorable environment for private investment was created. Due to these factors, it was determined that the NSP2 program was not necessarily a catalyst for initial private investment or developer activity, even though NSP2 funds were instrumental in promoting developer activity once existing infill development was established.

In order to address the high likelihood of another storm event causing destruction in New Orleans, a **“Unified Neighborhood Stability Plan”** was recommended. If the plan were successfully realized, it would provide NORA and qualified development partners with a framework to effectively implement future subsidy allocations and promote private investment in weak market areas.

Appendix 1: Map of Census Tracts used in NSP2 program.



## Appendix 2: Chart of New Orleans Population Growth Decline



Appendix 3: Photographs of Make It Right homes in Lower 9<sup>th</sup> Ward.







Appendix 4: Photographs of Project Home Again homes in Gentilly.



Appendix 5: Photograph of Blight in New Orleans, LA.









Appendix 6: Photograph of Alternative Land Use in Lower 9<sup>th</sup> Ward.





Appendix 7: Photograph of completed NSP2 housing in Gentilly.



Appendix 8: Photograph of Arthur Ashe Charter School in Gentilly.





Appendix 9: Photograph of suggested paint schemes.



Appendix 10: Photograph of Lithograph Window and Door Coverings.













## Appendix 11: Chart of MLS sales trend data

### Gentilly

**Census Tracts** 33.02, 33.07, 33.08

**Criteria** Single Family, Sold, Condition (New, Excellent, Very Good)

Year	No. Sold	Avg. Days on Market	Avg. Sale Price	Avg. Sale PSF
2000	29	43	\$144,548	\$75.23
2001	36	73	\$133,925	\$70.43
2002	36	47	\$167,672	\$82.61
2003	48	34	\$150,208	\$84.73
2004	50	69	\$141,659	\$88.74
2005	29	56	\$184,628	\$103.40
2006	3	88	\$485,000	\$151.85
2007	17	60	\$177,477	\$99.89
2008	17	80	\$162,335	\$96.75
2009	25	76	\$186,596	\$101.30
2010	11	132	\$160,409	\$90.14
2011	30	133	\$196,167	\$88.72
2012	29	91	\$207,568	\$93.81
2013	45	59	\$161,122	\$102.99

Source: MLS

### Lower 9th Ward

**Census Tracts** 7.01, 9.03, 9.04

**Criteria** Single Family, Sold, Condition (New, Excellent, Very Good)

Year	No. Sold	Avg. Days on Market	Avg. Sale Price	Avg. Sale PSF
2000	5	43	\$54,400	\$53.68
2001	9	66	\$65,967	\$55.16
2002	4	62	\$59,250	\$61.96
2003	12	51	\$80,300	\$55.61
2004	14	48	\$77,621	\$64.51
2005	4	157	\$79,500	\$68.95
2006	0	0	\$-	\$-
2007	0	0	\$-	\$-
2008	0	0	\$-	\$-
2009	2	57	\$82,500	\$89.18
2010	1	150	\$85,000	\$89.50
2011	2	27	\$67,250	\$57.86
2012	0	0	\$-	\$-
2013	2	76	\$51,500	\$34.50

Source: MLS

