

HANO



SCATTERED SITES AND ACQUISITIONS



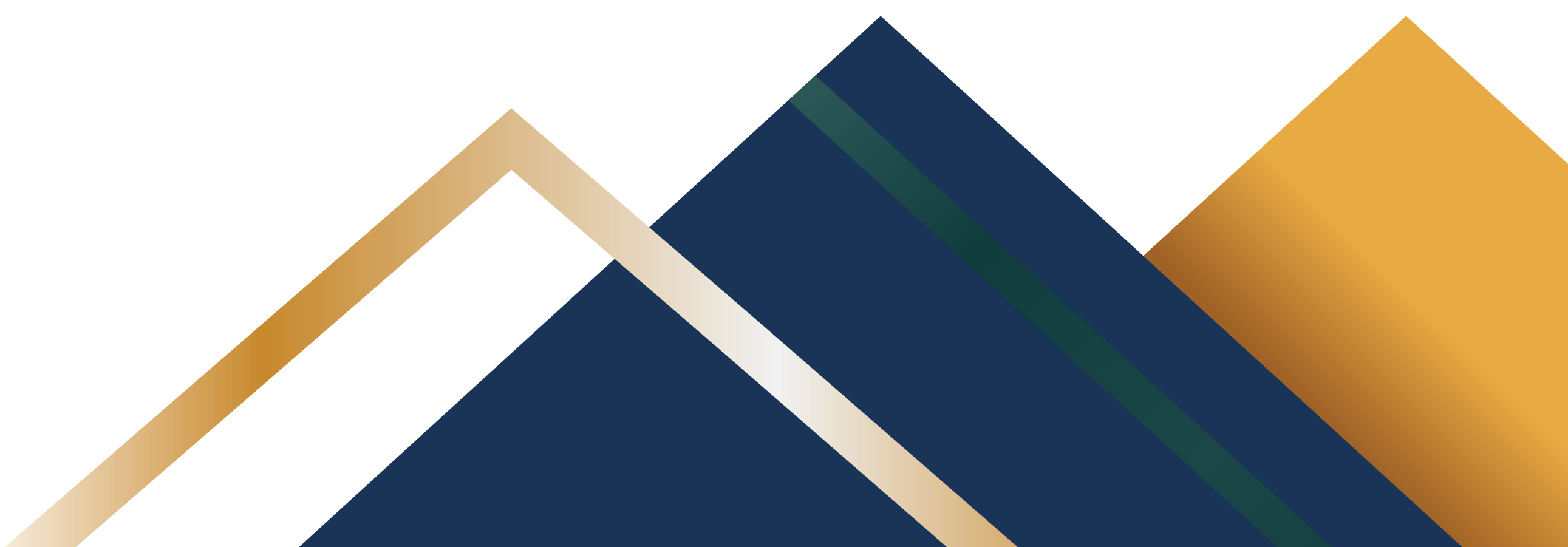
2023
FIVE-YEAR
STRATEGY





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1. EXECUTIVE SUMMARY

The City of New Orleans, similar to the rest of the country, is in the midst of a housing crisis. The COVID-19 pandemic has aggravated the crisis.

The affordable housing industry has been impacted in multiple ways. Due to a shortage of workers, volatile cost of materials, supply chain backlogs, increased insurance costs, and higher interest rates, building affordable housing is more challenging than ever. The Housing Authority of New Orleans' mission includes increasing the availability of affordable housing in the community. Developing multi-family, mixed finance affordable housing has become more challenging in recent years. Flexibility, creativity and partnerships will be key components to HANO's approach going forward.

To that end HANO, has developed its 2023 Scattered Sites and Acquisitions Strategy around these concepts. This strategy is a five-year plan that:

- will support the needs of the communities HANO serves and;
- will seek to increase affordable housing options in the city through multiple means as outlined in the strategy.

The Scattered Sites and Acquisitions five-year plan will focus on increasing the supply of affordable housing through a combination of approaches including:

- a) disposition of HANO-owned properties not well suited for residential construction;
- b) partnerships with private and non-profit developers on HANO-owned properties;
- c) HANO self-development on HANO-owned properties; and
- d) acquisitions with or without rehab of existing properties.

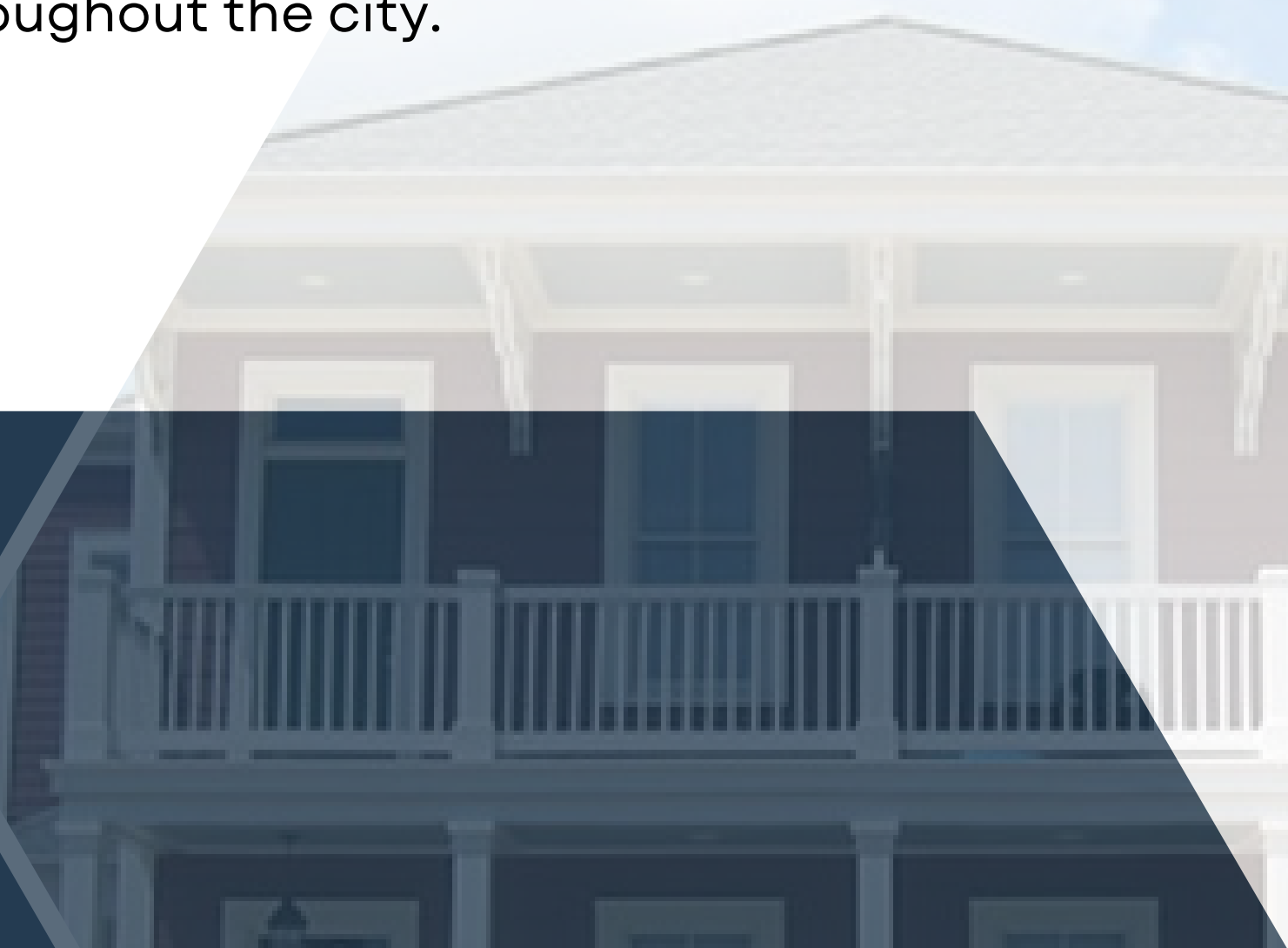
Working together with the private sector including developers and lenders as well as other non-profit affordable housing providers will be the cornerstone of this strategic plan.

2. DEVELOPMENT GOALS

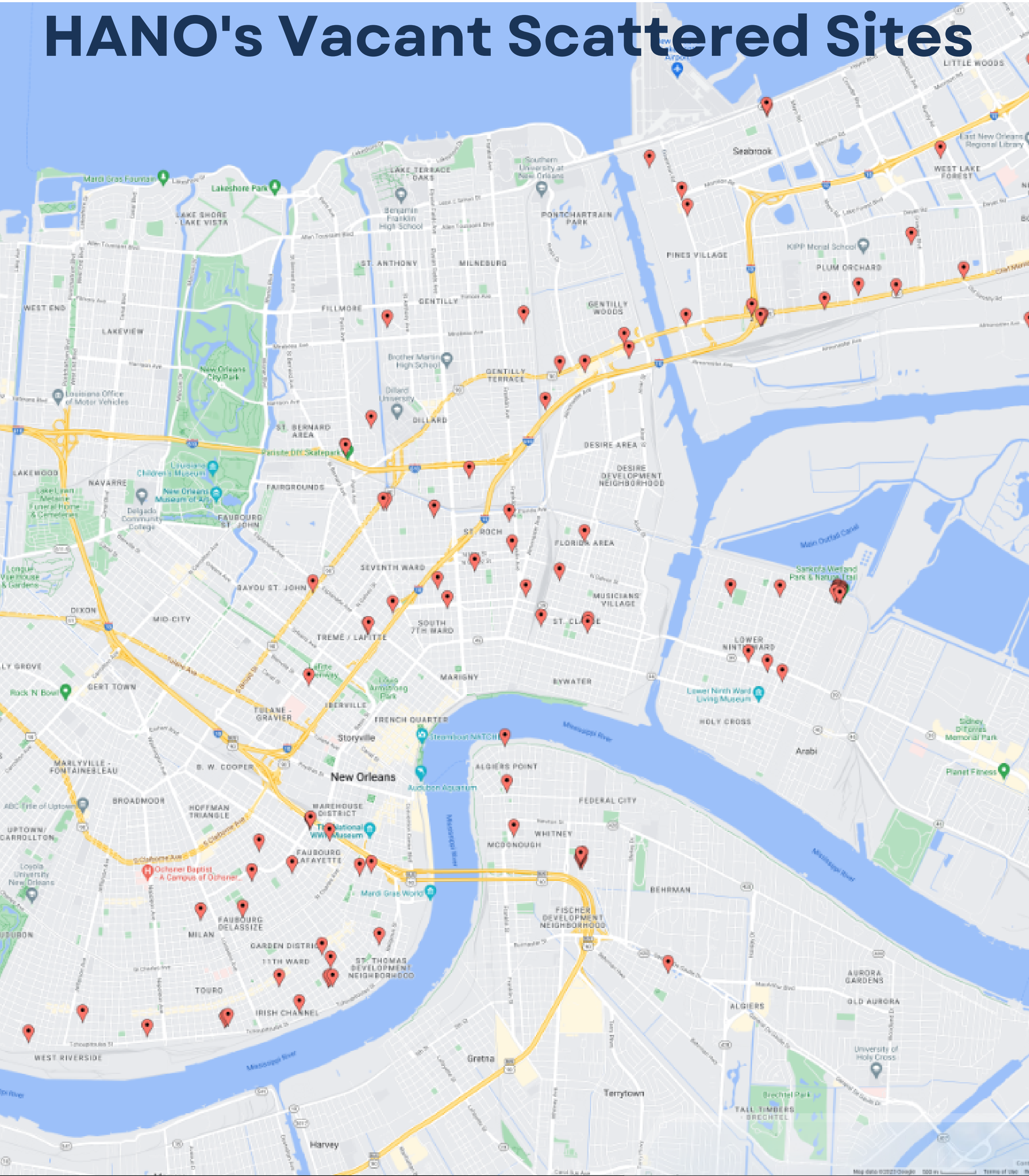
HANO is committed to ensuring that HANO families live in neighborhoods that provide a sense of community and in homes that create a sense of place. HANO's development goals guide this Scattered Sites and Acquisitions Strategy. HANO is committed to providing affordable homes for families in districts throughout the city. The Strategy will embody the following goals:

1. Expand HANO's affordable housing portfolio to include rental and homeownership units. Encouraging the use of current sustainable and green housing development standards.
2. Create opportunities for client self-sufficiency and the potential for generational wealth.
3. Work with contractors to self-develop vacant lots in HANO's portfolio. Reduce vacant lots and produce quality homes in areas of opportunity.
4. Partner with emerging developers to develop vacant lots in HANO's portfolio. Help create the next generation of developers in HANO communities.
5. Design partnerships with entities such as non-profit and private organizations to develop homeownership and rental opportunities on HANO lots.
6. Dispose of property that is commercial and/or not suitable for residential development.
7. Acquire existing residential and multifamily units that are for sale in the market. Seek an efficient tool for HANO families to be placed in quality homes.
8. Maintain HANO's fiscal and operational stability.

Currently, HANO has 215 vacant lots, including former single family, duplex, multifamily and former commercial properties across all districts. While there may be many ways to accomplish HANO's goals of putting vacant lots back into circulation for affordable housing, staff has chosen a combination of strategies over a five-year multi-phased approach that includes multiple council districts and provides affordable housing throughout the city.



HANO's Vacant Scattered Sites



3. SCATTERED SITES ANALYSIS & STRATEGIES

HANO staff in the Development and Modernization Department conducted a comprehensive review of HANO's 215 vacant scattered sites across each of the respective council districts. Of the five districts, staff considered several factors to determine the highest and best use of the property as it relates to HANO's overall affordable housing goals. Those factors included:

- Location (Neighborhood, HUD's Site and Standards, Access to transportation)
- Flood zone
- Zoning
- ACC Status (former public housing property)
- Lot size
- Committed lots to HANO's Developer Partners vs. Uncommitted lots
- Potential for packaging or bundling of lots by proximity
- Prior use
- Cost of construction (Assumption: \$200/sf)
- Timeline for construction (Assumption: 6 months single-family and duplex units)

HANO staff used the factors highlighted above to assign the HANO owner vacant scattered site lots to one of the following potential strategies:

- Disposition
- Partnerships
- Self-Development

This five-year plan outlines:

- a) strategies for HNAO's existing vacant lots-including disposition, partnerships and self-development;
- b) a supplemental strategy for acquisitions to expand HANO's portfolio and;
- c) steps for implementation.



3A. DISPOSITION

HANO currently owns vacant lots in areas that are not well suited for residential housing. These lots are not likely to pass HUD's Site and Neighborhood Standards for affordable housing development, specifically:

- 1) Is the site adequate in size, exposure and contour to accommodate the number and type of units proposed, and are adequate utilities and streets available to service the site?
- 2) Is the site suitable for facilitating and furthering compliance with applicable provisions of the title VI of the Civil Rights Act of 1964, the Fair Housing Act, Executive Order 11063 and HUD regulation?
- 3) Is the site in an area of minority concentration?
- 4) Does the site promote a greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high portion of low-income persons?
- 5) Is the housing accessible to social, recreational, education, commercial, health facilities, and services that are at least equivalent to those typically found in neighborhoods consisting largely of unassisted, standard housing of similar market rents?
- 6) Is the neighborhood one which is seriously detrimental to family life in which substandard dwellings or other undesirable conditions predominate?
- 7) Is the proposed development for the elderly?

Or is the property simply better suited to commercial or industrial use?

Accordingly, HANO plans to dispose of these lots at fair market values (FMV) as the first of three components under this Scattered Sites and Acquisitions Strategy. Sales proceeds from these lots will generate revenue that will allow HANO to support this plan. Below is a representative list of HANO owned Scattered Site lots recommended for disposition. Please note this list is not inclusive of all potential lots slated for disposition.

Address	Notes	DDA #	Date SAC Approval	Neighborhood	Council District
6601-03-05-07 Old Gentilly Rd	Not suitable for housing	DDA0003477	3/11/2010	VIAVANT - 70126	E
6609-11-13-15 Old Gentilly Rd	Not suitable for housing	DDA0003477	3/11/2010	VIAVANT - 70126	E
6617-19-21-23 Old Gentilly Rd	Not suitable for housing	DDA0003477	3/11/2010	VIAVANT - 70126	E
6630-32-34-36 Chef Menteur	Not suitable for housing	DDA0003477	3/11/2010	VIAVANT - 70126	E
6638-40-42-44 Chef Menteur	Not suitable for housing	DDA0003477	3/11/2010	VIAVANT - 70126	E
6641-43-45-47 Old Gentilly Rd	Not suitable for housing	DDA0003477	3/11/2010	VIAVANT - 70126	E
6646-48-50-52 Chef Menteur	Not suitable for housing	DDA0003477	3/11/2010	VIAVANT - 70126	E
6649-51-53-55 Old Gentilly Rd	Not suitable for housing	DDA0003477	3/11/2010	VIAVANT - 70126	E
6654-56-58-60 Chef Menteur	Not suitable for housing	DDA0003477	3/11/2010	VIAVANT - 70126	E
6662-64-66-68 Chef Menteur	Not suitable for housing	DDA0003477	3/11/2010	VIAVANT - 70126	E
6670-72-74-76 Chef Menteur	Not suitable for housing	DDA0003477	3/11/2010	VIAVANT - 70126	E
6678-80-82-84 Chef Menteur	Not suitable for housing	DDA0003477	3/11/2010	VIAVANT - 70126	E
6686-88-90-92 Chef Menteur	Not suitable for housing	DDA0003477	3/11/2010	VIAVANT - 70126	E

3B. PARTNERSHIPS

In this component of the Scattered Site and Acquisitions Strategy, HANO plans to procure partnerships with affordable housing developers to develop HANO-owned vacant lots over the next 5 years. The lots designated for partnerships will be those vacant lots that are deemed well suited to residential affordable housing within the community.

HANO anticipates exploring multiple potential partnerships with affordable housing developers, both non-profit and for-profit developers. HANO will when possible, intentionally conduct outreach and host workshops to encourage and expand the pool of smaller, emerging affordable housing developers.

HANO expects to issue an RFP to select developers for clusters or bundles of HANO-owned properties. HANO anticipates releasing the first Developer RFP in 2023. HANO estimates that between 20-50 properties would be available per Developer RFP solicitation. Respondents could include either non-profit or for-profit developers. HANO anticipates awarding at least four to five lots per developer.

HANO staff will work with selected developer partners to provide affordable housing opportunities as rental or homeownership properties. HANO expects to enter into a Master Development Agreement (MDA) with each developer. The MDA would provide a framework for developing each specific HANO vacant lot assigned to a particular developer. The MDA will include business terms, timelines with definitive milestones that will need to be met to prevent the lot being returned to HANO for delays within the developer's control. Developers will proceed with predevelopment activities including but not limited to: financing, environmental clearances and procurement processes, etc.

HANO may consider various forms of support for its selected development partners including but not limited to: predevelopment cost sharing, project-based vouchers rental assistance, and long term ground lease payments to HANO from cash flow in lieu of an upfront acquisition payment, etc.



The Scattered Sites development financial analysis below includes cost assumptions, operating expense assumptions and first mortgage assumptions for new construction of affordable housing. The financial analysis clearly indicates the need for significant additional resources based on the anticipated supportable first mortgage debit.

The financial projections further indicate a significant financial gap per unit. Therefore, developer partners will need to secure funding from outside sources such as city, state or federal agencies to create a financially feasible plan.

HANO Scattered Sites - Worksheet / Comparables for Income and Expense

DRAFT
3/21/2023

Total Development Cost Assumptions (per unit)

Land Value		\$30,000
Hard Cost		\$300,000
Soft Costs	25%	\$75,000
Developer Fee	15%	\$45,000
Total Development Cost		\$450,000

First Mortgage Assumptions

Interest Rate	6.50%
Debt Service Coverage Ratio	1.15
Amortization	30

Operating Expense Assumption

Operating Expenses	\$10,000 per unit per year
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HANO Payment Standards by Zip Code and by BR size

	2BR		3BR		4BR	
	PUPA	Rent	PUPA	Rent	PUPA	Rent
70130	\$22,836	\$1,903	\$29,436	\$2,453	\$34,188	\$2,849
70124	\$21,912	\$1,826	\$28,248	\$2,354	\$32,868	\$2,739
70118	\$15,972	\$1,331	\$20,592	\$1,716	\$23,892	\$1,991
Other	\$15,600	\$1,300	\$20,112	\$1,676	\$23,364	\$1,947

PBV Rents / Income

Assumed zip code	70130	70118	70130	70118	70130	70118
Annual PBV Rent Income	\$22,836	\$15,972	\$29,436	\$20,592	\$34,188	\$23,892
Less Operating Expenses	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Net Operating Income (5% vacancy)	\$12,194	\$5,673	\$18,464	\$10,062	\$22,979	\$13,197

Uses

Total Development Cost	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000
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Sources

Supportable First Mortgage	\$138,470	\$64,424	\$209,668	\$114,262	\$260,931	\$149,861
Gap	\$311,530	\$385,576	\$240,332	\$335,738	\$189,069	\$300,139
Total Sources	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000



3C. SELF-DEVELOPMENT

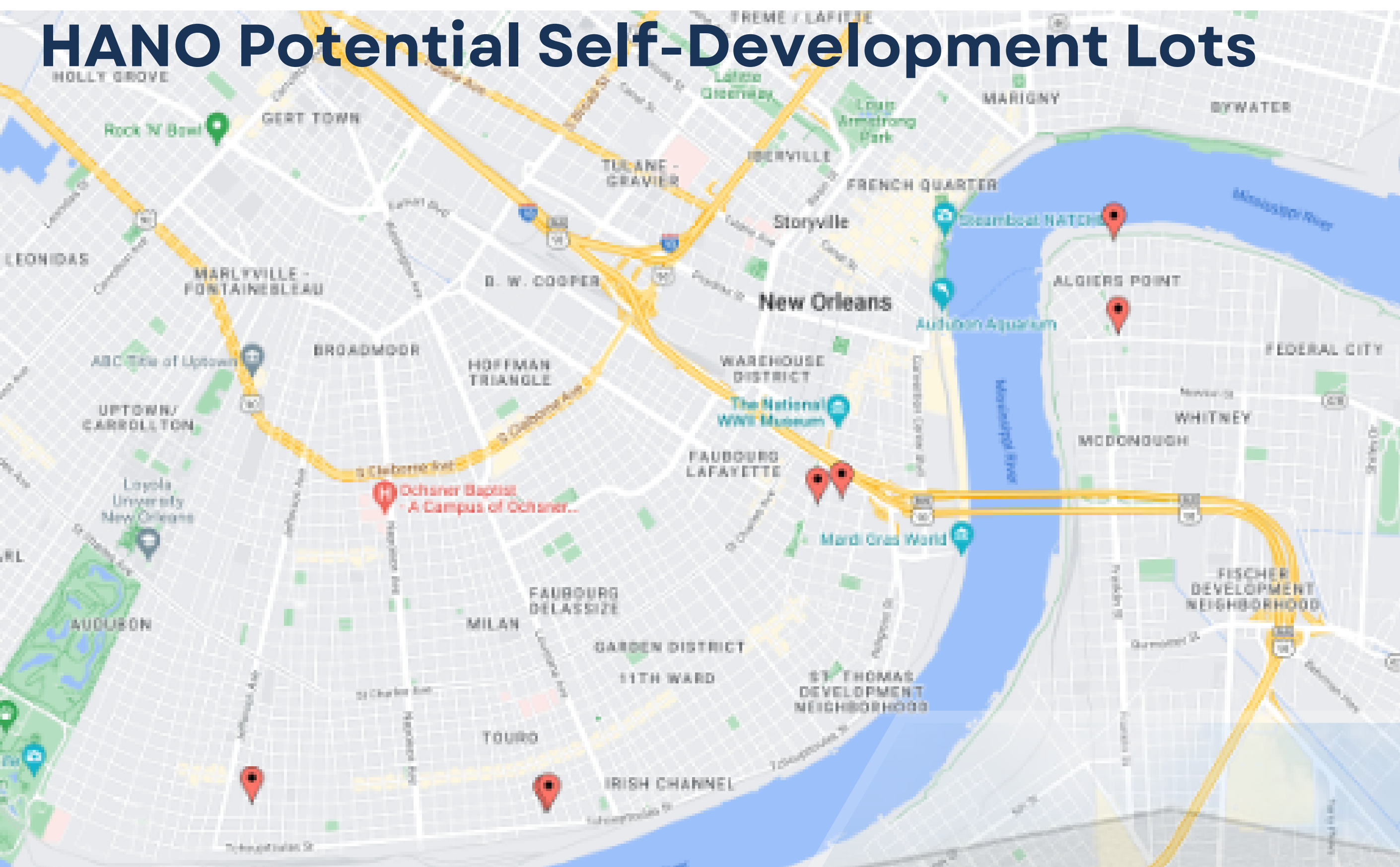
The third component of this plan contemplates retaining the vacant lots located in high opportunity communities where HANO desires to maintain a presence and provide more affordable housing for families in those areas.

HANO staff will self-develop those lots over the next five years utilizing sales proceeds from disposition activities listed in this plan as a source of funding for the same.

HANO's Development and Modernization team will also collaborate with our internal stakeholders and partners to move this component of the strategy forward in Years three to five.

This component of the initiative will likely include utilization of project-based vouchers, and may further include HANO's Housing Choice Voucher Program (HCVP) Homeownership Program.

HANO Potential Self-Development Lots



3D. ACQUISITION

Acquisition, with or without rehab is the final component of the overall Scattered Sites and Acquisitions Strategy. Acquisition of existing multifamily housing will supplement the strategies proposed for the existing HANO Scattered Sites and expand HANO's overall affordable housing portfolio. HANO acknowledges the cost of new construction is a major hurdle, which may limit HANO's ability to provide affordable housing options.

Another potential option to increase affordable housing is to acquire existing multifamily properties. Under this approach, HANO will seek to acquire properties that have been recently constructed or rehabilitated as acquisitions. Additionally, HANO may consider the acquisition of existing multifamily properties that require rehabilitation as well.

The acquisition approach, with or without rehab, is limited to the availability of existing properties and the Seller's willingness to work with HANO during the acquisition process. HANO's acquisition process is typically more involved than a sale to a private party. Relocation of existing residents under the acquisition approach is another concern to be considered. The acquisition approach has the following potential benefits:

- Often lower cost per unit when compared to new affordable housing construction;
- Less time required to place units in service for affordable families; and
- Choice of location(s) to expand HANO's portfolio throughout the city.

The chart below includes recent multifamily properties listed in the community provided for reference only.

Address	Unit count	Bedrooms	Bath	Sq Ft	Lot size	Cost
3011-13 Wall Blvd. 70114	2	3	2	2430		\$439,900
3015-17 Wall Blvd. 70114	2	3	2	2430		\$439,900
8213 Spruce 70118	2	4	4	1950	3485	\$524,000
1132 Melpomene St. 70130	2	4	4	2500	2040	\$749,000
6258-6276 Bellaire Dr. 70124	10	20	10	12000	.92	\$2,060,000
401 10 th st 70124	2	6	4	2200	5880	\$499,000
5630 Canal Blvd	2	6	4.5	3776	6000	\$715,000

4. IMPLEMENTATION

The HANO Development and Modernization team has outlined a series of actionable items to implement the HANO Housing and Scattered Sites Strategy.

Year One

- **Disposition of selective vacant lots**

- Review inventory of HANO vacant lots that are not well suited for residential development and/or are not likely to pass HUD's Site and Neighborhood Standards for affordable housing development.
- Request HUD approval for disposition at Fair Market Value as applicable
- Advertise lots for sale.
- Utilize sales proceeds for future HANO self-development.

Years Two through Five

- **Partnerships**

- Non-profits
 - Develop partnerships with non-profits who have established homeownership models that create sustainable and successful development.
 - Coordinate efforts with city, state and federal agencies to identify potential resources for affordable housing development.
- Emerging Small Developers
 - Work with internal stakeholders to coordinate release of Developer RFPs (Project Based Voucher and/or development RFP)
 - Host Small Developer symposium(s) to promote developer interest
 - Issue Developer RFPs over Three Years: 2023, 2024 & 2025
 - Negotiate with highest ranked developers in each round to determine specific lots and projects that are in HANO's best interest.
 - Establish a Master Developer Agreement (MDA)
 - Coordinate efforts with:
 - City, state and federal agencies and lenders
 - Environmental Review agencies (under Part 58 and Section 106)
 - And assist in securing additional affordable housing resources from local, state and federal agencies as well as private foundations and lenders.

Complete all development construction activities in all rounds by 2028.



Years Three through Five

• **HANO Self-Development**

- Identify and retain selective vacant lots for self-development
- Release RFP for architects to design homes to outlined specifications
- Chose designs or multiple designs based on neighborhood(s)
- Issue Invitation for Bids for general contractors
- HANO Sr. Construction Manager and/or Project Manager will manage projects

• Acquisitions

- Issue RFP for Real Estate Agent/Broker
- Identify potential multifamily properties listed for sale
- Identify potential source(s) of funds for acquisitions
- Negotiate sales agreements for acquisitions with or without rehab
- Obtain appraisal(s)
- Obtain HUD approval if federal funds are contemplated for acquisition
- Develop Relocation Plan for occupied properties if applicable
- Place units in service for affordable housing





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Thrive.

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