ALIGNMENT OF PUBLIC INCENTIVES FOR STRATEGIC OUTCOMES

Mayor's Office of Economic Development,
City of New Orleans

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Draft

ACKNOWLEDGEMENTS

City of New Orleans, Office of Economic Development

The Mayor's Office of Economic Development is tasked with attracting, retaining, and growing business in New Orleans. Its mission is to ensure an inclusive economy where all New Orleanians have access to quality neighborhood amenities and good-paying jobs.

HR&A Advisors, Inc.

HR&A Advisors is an industry-leading public policy, real estate, and economic development consulting firm. For more than 40 years, we have provided strategic advisory and implementation services for some of the most complex public policy and development projects across North America and abroad. With offices in New York, Dallas, Los Angeles, Raleigh, and Washington, D.C., we have guided hundreds of clients in transforming real estate and economic development concepts, and public infrastructure, first into actionable plans then into job-producing, community-strengthening assets.

HR&A structures partnerships between the public and private sectors to achieve goals that strengthen community assets and facilitate economic growth. HR&A's consultants include former government officials, developers, economists, planners and lawyers. We work with diverse private clients to create value from government assets, and we help public officials maximize benefits from the expertise and capacity of the private sector. We approach assignments from diverse perspectives, enabling critical analyses that result in projects that meet our clients' economic and policy objectives.

Asakura Robinson

Asakura Robinson is a planning, urban design, and landscape architecture firm, which strengthens environments and empowers communities through innovation, engagement, stewardship, and an integrated design process. Founded in 2004 by Keiji Asakura and Margaret Robinson, the firm has built a reputation for proposing visionary yet achievable solutions and attaining design excellence. We strive to assist clients to spur positive change through a collaborative design process.

Asakura Robinson focuses on engaging communities in ever more diverse project contexts while maintaining a high level of creativity and collaboration in every endeavor. Three key values inform all of our work: interaction, diversity and innovation. We value the ability of the public to participate in our projects, creating places that encourage social interaction, and our staff's deep engagement in our communities. We value our diverse workplace and communities and seek to optimize existing community-based and ecological resources. Finally, we value creativity in our processes, materials, technology, collaborations, approach, and design palette.

Bright Moments

Bright Moments is a public relations, marketing, advertising, event planning, and community outreach firm based in New Orleans. Utilizing a "grassroots" marketing approach, Bright Moments has been the primary source for soliciting community input and keeping residents informed in the post-Hurricane Katrina years. reaching out to the community and keeping them informed as initiatives progress. Since Hurricane Katrina, Bright Moments has singlehandedly organized and produced more than one-thousand community and stakeholder meetings for clients that include the City of New Orleans, the Orleans Parish School Board, the Recovery School District, Jacobs/CSRS, the City Planning Commission, the BioDistrict, the New Orleans Public Library, and more. Bright Moments deploys a finely-tuned system of outreach that can be put into motion quickly and efficiently. It includes all forms of marketing and outreach into the community, including radio, television and video production, direct mail, flyers, door hangers, robo-calls, e-blasts and street signs placed by the Bright Moments "Street Team.

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I. INTRODUCTION & EXECUTIVE SUMMARY

INTRODUCTION

In New Orleans, cultures from around the world have blended to form a unique and resilient city, and its residents rightly take pride in its distinctive culture and sense of place and identity. Following years of stagnant economic growth and the devastation caused by Hurricane Katrina, the city has rebounded in the past decade, through the attraction of new residents, the introduction of major educational reforms, and an increase in new startup businesses. Today, the city is experiencing growth in areas such as software and biomedical research in addition to its more traditional strengths in tourism and trade.

New Orleans is a vibrant, energetic city, and its residents are optimistic about the future. As New Orleans prepares for this future, the City and community have enunciated a strong set of policy goals to make New Orleans more livable, to increase environmental sustainability, and to ensure that all residents have access to economic opportunity. It is important that the City's economic development toolkit be designed and applied in service to achieving these key policy goals.

PURPOSE OF STUDY

The City of New Orleans engaged HR&A Advisors, Inc. and Asakura Robinson, along with Bright Moments, (together, the "HR&A Team") to undertake a comprehensive review of its incentives portfolio. Specifically, the HR&A Team was tasked with:

- Assessing how incentives **align with broader citywide economic and community development policy goals**.
- Recommending refinements to the incentive toolkit to **drive greater efficacy and efficiency** in achieving desired outcomes.
- Providing a **strategic framework** for determining **how to deploy different incentive programs** to advance specific policy objectives.

This report presents the findings of the HR&A Team's research, outreach, and analysis, as well as subsequent recommendations for aligning the City's incentives portfolio with its broader strategic policy goals.

STUDY APPROACH

The HR&A Team designed a three-stage process culminating in a series of strategic recommendations for New Orleans's incentive portfolio:

Phase 1 (April–June 2017): Incentive & Policy Review.

- ***Plan review.*** Comprehensive review of public policy outcomes articulated in existing planning documents.
- ***Profile of incentive program landscape.*** Analysis of available program data, made to determine which programs are most utilized and constitute the greatest public investment. Profiling of other utilization characteristics such as location and use.
- ***Community engagement.*** Total of six small-group meetings with a diverse group of community leaders to gather perspectives on community priorities and discuss ideas for how the City can best address its economic development needs.
- ***Visioning & prioritization.*** Interactive visioning session with City staff and private stakeholders to confirm core economic priorities, review the initial program analysis findings, and prioritize a subset of programs for detailed assessment.

Phase 2 (June–September 2017): Incentive Program Deep Dive and Competitive Benchmarking.

- ***Detailed incentive program assessment.*** Cost-benefit analysis of four major incentive programs, focused on alignment with City objectives and the development of standardized evaluation metrics to demonstrate efficacy.
- ***Competitiveness review & benchmarking.*** Evaluation of economic competitiveness and incentive programs vis-à-vis 4 peer municipalities, helping to identify key strengths and weaknesses to be addressed through incentives, as well as demonstrate how other cities have deployed similar tools.

Phase 3 (September–December 2017): Framework Recommendations and Implementation Support

- ***Strategic Framework.*** Recommendations for (1) potential revisions to existing programs to increase their efficacy and (2) new tools employed elsewhere that could address gaps in the City's toolkit. Creation of a matrix to determine which specific incentives will most efficiently accomplish desired strategic outcomes under certain market conditions, and proposal of standardized metrics for evaluating deals and portfolio performance over time.

POLICY PRIORITIES

A key first step in defining the future deployment of incentives in New Orleans is aligning on the ultimate public policy goals that incentives should be serving. The HR&A Team identified the following ten public policy goals through: (1) a review of core plans and policy documents recently produced by the City; (2) six community roundtables conducted in each Council District and in Downtown; and (3) meetings with City staff and an Advisory Committee comprised of business, non-profit, and economic development professionals in New Orleans. These goals go beyond economic objectives to encompass all the key factors that inform overall quality of life in the city.

The following ten goals were used to evaluate existing incentive programs and inform recommendations as to how programs should ultimately be oriented to better-serve City policy objectives:

- Advance socioeconomic and racial equity
- Develop quality, comprehensive transportation options
- Encourage vital neighborhoods of opportunity
- Enhance public safety
- Expand and preserve affordable housing
- Foster economic competitiveness
- Foster the success of small businesses
- Preserve community culture and identity
- Promote climate resilience and green building practices
- Promote skill development and access to quality jobs

INCENTIVES OVERVIEW

New Orleans's incentives portfolio is currently comprised of more than a dozen programs administered as tax abatements, grant allocations, or low-interest/ forgivable loans. While many are made to effectively drive towards general strategic outcomes such as blight reduction, affordable housing, or commercial growth, few programs are specifically tailored towards one of the above goals. A summary of total program utilization and incentive cost to the City is provided in Figure 1 below.

Figure 1. New Orleans Incentives Portfolio - Program Summary

Incentive Program	*Total Deal Count*	*Total Cost to City[1]*
IDB PILOT	32	$109M
Restoration Tax Abatement	301	$52M
Soft-Second Mortgage	882	$51M
Rental Housing Program	41	$42M
Owner-Occupied Rehab. Program	21	$21M
Enterprise Zone	32	$10M
Home-Owner Development Program	16	$10M
Fresh Food Retailers Initiative	4	$4M
Home Modification Program	10	$2M
Commercial Gap Financing	9	$2M
Residential Construction Lending	59	$1M
Façade ReNew	43	$1M
Small Business Assistance Fund	30	$1M
Tax Increment Financing	5	$1M
Quality Jobs	1	$0

[1] Figures discounted to present value (PV) dollars.

DETAILED PROGRAM FINDINGS

The City selected the following four programs for further analysis, prioritizing those that were of greatest cost to the City, while also taking into account relative deal volume and opportunities for expansion:

- **Restoration Tax Abatement,** which represents the greatest source of forgone revenue, ranks high in terms of overall deal volume, and can be deployed for both commercial and residential projects.
- **Payment-in-Lieu-of-Taxes**, which ranks high in terms of cost to the City and has also operated on a relatively ad hoc basis to-date, particularly with regards to how levels of subsidy are determined.
- **Rental Housing Program,** an examination of which offers insights into the level of subsidy required to produce different types of affordable rental units (e.g. rehab versus new construction, units of varying affordability depth and duration) as well as the subsidy required when combined with other funding sources such as Low-Income Housing Tax Credits.
- **Tax Increment Financing,** which while only utilized a handful of times to date, was examined through a hypothetical lens to determine the property and sales tax revenues that could have been generated if applied to past catalytic investment projects to help inform future deployment of the incentive mechanism.

Restoration Tax Abatement

The Restoration Tax Abatement program exempts the incremental value of improvements made to existing residential and commercial structures in eligible historic, downtown, and economic development districts for five years following the completion of construction.

- The **301 RTA deals** approved between 2007-2016 drove **$1.2B in investment**, resulting in **3,970 new permanent jobs, 3,680 residential units** preserved or newly-inhabitable, and **$370M in incremental tax revenues** to the City (present value).

- To achieve these benefits, the **City forfeited $51M in property taxes.** This translates into a **strong breakeven ratio of 14%**, meaning that for every dollar of new revenue generated ($370M in total), the City forgoes 14 cents ($51M in total).[2]

- **Hotel, Multifamily Residential, and Mixed-Use projects captured 80% of total program costs** despite making up just 37% of total deals (Figure 2). One- to Three-Family homes, while responsible for the greatest number of deals (46%), captured a minimal share of total benefits (2%).

- **Hotel uses are fiscally-productive** projects over the long-term, bolstered by visitor spending impacts. **RTA hotel deals exhibit a very strong breakeven ratio of 7%**, meaning that for every dollar of new revenue generated, the City forgoes just 7 cents. Hotels also accounted for the greatest number of jobs created under RTA, though the average industry wage was two-thirds that of the citywide average.

- While 1-3 Family Residential deals were dispersed throughout neighborhoods of all socioeconomic levels, **the majority of Mixed-Use and Multifamily RTA incentive dollars were concentrated in higher-income areas**, with nearly half of Multifamily projects in the CBD/Warehouse District. That said, nearly **one-quarter of residential units in Mixed-Use and Multifamily RTA projects were affordable.** While not as fiscally-productive as hotel deals, **all residential-containing RTA projects exhibited a strong breakeven ratio of 34% to 38%**, meaning that for every dollar of new revenue generated, the City forgoes less than 40 cents.

Figure 2. RTA Deals & Cost by Asset Class

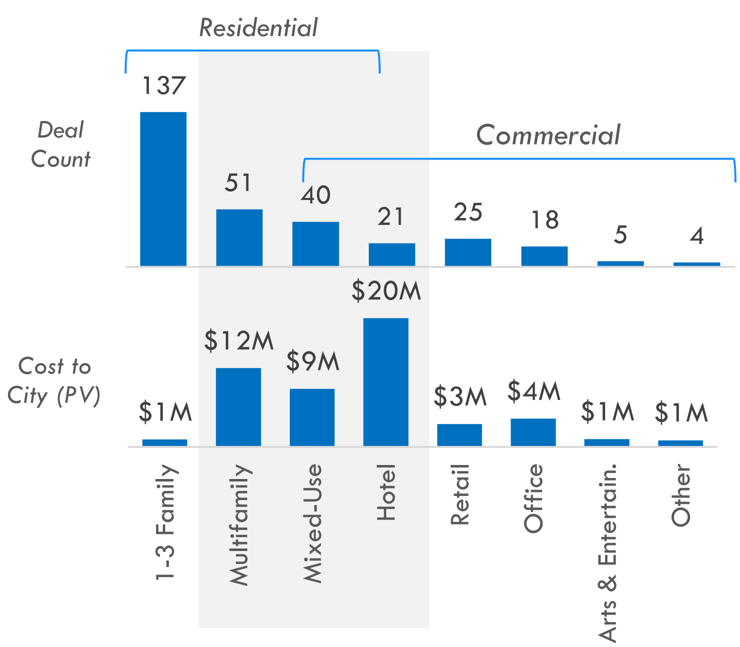


Figure 3. RTA Breakeven Summary by Asset Class (PV)

	Cost to City: Property Taxes		Benefits to the City: Property Taxes	Sales Taxes	New Visitors		Break-Even
Mixed- Use	$9M	÷	$13M	$7M	$7M	=	**34%**
Multi-Family	$12M		$18M	$16M	N/A		**35%**
1-3 Family	$1M		$2M	$1M	N/A		**38%**
Office	$4M		$6M	$2M	N/A		**53%**
Retail	$3M		$5M	$2M	N/A		**48%**
Hotel	$20M		$29M	$9M	$250M		**7%**

[2] The breakeven ratio is used to indicate the relative amount of benefit the City receives in the form of increased tax revenues relative to the fiscal cost of an incentive. A ratio of 0% indicates total fiscal rationality while 100% means that the City forgoes exactly what it can expect to bring in from a particular project or program.

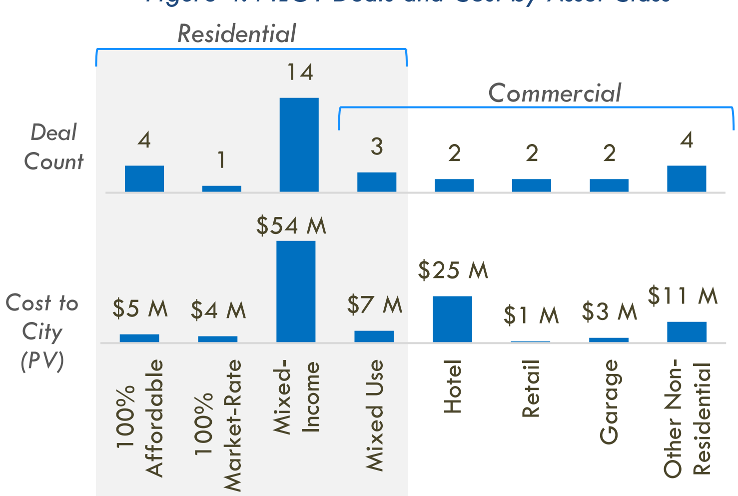
Payments-in-Lieu-of-Taxes

The Industrial Development Board (IDB), a not-for-profit public corporation, has the authority to issue tax-exempt revenue bonds and PILOTs to finance the acquisition and construction of development programs. PILOT rates can be set lower than the taxes that would otherwise be due on the improved property to constitute an added subsidy to developers. "Certainty PILOTs" have also been used to an increasing extent to offset risk associated with inconsistent and unpredictable tax assessments.

- The **32 PILOT deals** approved between 2007 and 2016 drove **$1.1B in private investment,** creating **1,750 new jobs, 4,210 residential units,** and **$158M in incremental tax revenues** to the City (PV). In return, the City offered **$109M in property tax abatements,** resulting in a **breakeven point of 69% across the program.** This breakeven ratio indicates that PILOT provides modest benefits to the City in the form of direct tax revenues relative to its fiscal cost, though not included in this analysis are ancillary benefits related to catalytic development.

- PILOT has been **particularly effective at encouraging the development of low-income housing,** producing more affordable units (**2,393 units** total) than market-rate since 2007. The majority of affordable units were co-located with market-rate in mixed-income developments, where **affordability ranged between 40%-90% of total units** in each participating building.

Figure 4. PILOT Deals and Cost by Asset Class



[3] The Commercial class performs less favorably when hotel deals are excluded, with a breakeven ratio in excess of 100%, meaning that they cost more in foregone tax revenues than can be expected to be recouped via future fiscal benefits.

- The **breakeven threshold for Residential PILOT deals exceeds 100%,** meaning that the City forgoes more in tax revenues than it can reasonably expect to gain from a project. Nonetheless, PILOT has provided significant support to the affordable housing stock, and may have also helped catalyze additional growth in surrounding neighborhoods.

- PILOT has spurred new commercial development, producing **1,400 new permanent jobs** paying an **average annual salary of $37,200,** just 60% of the citywide average. While PILOT deals have resulted in a greater number of jobs per deal, **RTA has been more effective in advancing quality job growth overall,** producing more than twice the number of jobs at higher wages and a lower cost to the City.

- Non-Residential PILOT projects vary greatly by asset class, but as a whole returned a **breakeven ratio of 37%, driven by a sizable hotel deal** that boosted program returns for non-residential uses.[3]

- Stakeholders noted that the **PILOT program lacks transparency,** and that its existing operating model requires little accountability to the public and other tax-collecting bodies. They further called into question **the costs and efficacy of third-party financial analyses** required as part of the application process.

Figure 5. PILOT Breakeven Summary by Asset Class (PV)

	Cost to City	Benefits to the City			Break-Even
	Property Taxes	Property Taxes	Sales Taxes	New Visitors	
Non-Residential	$39M ÷	$20M	$7M	$78M =	**37%**
Mixed-Use	$7M	$7M	$4M	N/A	**64%**
100% Affordable	$5M	$0.7M	$3M	N/A	**117%**
100% Market-Rate	$4M	$2M	$2M	N/A	**99%**
Mixed-Income	$54M	$8M	$26M	N/A	**156%**

Rental Housing Program

The Rental Housing Program (RHP) is a local incentive program that utilizes federal and local dollars to provide gap financing for affordable housing development in New Orleans.

RHP differs from other programs analyzed that its goal is explicitly to subsidize affordable units to meet the need for quality housing for low-income families, rather than to create a fiscal return for the City or stimulate general real estate development. The benefits of the program are therefore measured in its efficiency and effectiveness in ensuring the availability of affordable units to New Orleans residents over time.

- There were **41 RHP projects** approved between 2007 and 2016. This analysis focuses on 37 projects, representing a total of **$42 million** in City investment (2016$) and a 1:8 leverage ratio of public to private dollars for a total investment of **$400.9 million**.

- RHP deals produced **1,989 affordable housing units** at an average cost to the City of **$23,318 per unit** (2016$).

- The **average RHP unit was priced at 53% AMI,** and **72% of RHP units were within one-quarter mile of high-frequency public transit,** outperforming other incentive programs on providing access to transit for populations in affordable housing.

- **Currently, federal resources for RHP are declining** with cuts to programs like the HOME Investments Partnership Program. Local sources of funding, like the Neighborhood Housing Improvement Fund (NHIF), are therefore becoming more important sources of funding for the creation of affordable rental housing in New Orleans.

- Eighty-three percent of RHP units over the last ten years serve households between **50% - 60% of Area Median Income (AMI)**, or just above the median income for renters in New Orleans. **Renters at these income levels suffer from cost burden**. However, **renters below 50% AMI face even more severe cost burdens** – and while sources like Housing Choice Vouchers are available to some of these renters, these resources are not accessed by all renters in need. During the teams' stakeholder engagement work, developers noted that it would be nearly impossible for RHP to provide enough upfront subsidy to fill the long-term cash flow gap for deeply affordable units at 40% AMI or below. **Alternate mechanisms and funding sources** could be contributed to a development over time to continue to meet the need for deeply affordable housing.

- RHP contributes a **comparable amount in per-unit subsidy to rehabilitation and new construction projects,** although the total development cost per unit for rehabilitation projects is lower than the cost for new construction.

- RHP criteria currently offer **no additional reward in application points or total amount of subsidy** for projects that offer to keep units affordability-restricted for **more than 20 years.** Additional criteria could help drive investment in units that remain affordable for longer periods of time, stretching the City's scarce dollars further and growing the affordable inventory over time.

Tax Increment Financing

The City has the authority to issue property and sales tax TIFs to help fund public infrastructure and other improvements related to development, a tool it has seldom used to-date. Between 2007 and 2016, the City approved or renewed five TIF deals – three of them pertaining to select retail developments and two district-wide TIFs capturing the local share of sales tax revenues or income from a newly-instituted sales tax levy.

To determine the utility of TIF in helping fund future capital improvements projects going forward, the HR&A Team analyzed the incremental property and sales tax revenues that would have been generated had a TIF been instituted in conjunction with the construction of the Lafitte Greenway and the Rampart-St. Claude Streetcar.

- The City could have funded approximately 20-25% of total capital construction costs for both phases of the **North Rampart Street streetcar construction** using incremental property tax revenues collected from properties within a quarter-mile of the alignment.[4] Local sales tax revenues from new/pipeline development and major retail renovations within a quarter-mile radius would have yielded a near-equivalent amount. Taken together, the two TIF sources – incremental property taxes and sales tax revenues from new development – **could have funded nearly 45% of total capital construction costs**.

- Similarly, construction costs for the **Lafitte Greenway Bicycle and Pedestrian Path**, a 2.6-mile linear park and multi-use trail connecting the French Quarter to Mid City via a continuous 12-foot-wide asphalt path, **could have been fully offset through the dedication of property and sales tax revenues within a quarter mile of the improvement**, with enough revenues left over to fully fund 15 years of operations and maintenance.

[4] Both hypothetical TIF investments assumed to advance multiple City policy obejctives, thereby allowing more than 50% of the eligible tax increment to be collected.

PEER CITY BENCHMARKING

For this analysis, HR&A reviewed incentive programs and interviewed economic development staff in **Austin, TX; Cincinnati, OH; Kansas City, MO;** and **Pittsburgh, PA**. Cities were chosen based on geography, economic context, and the strength of their incentive portfolios. Austin represents a city that has experienced large population growth, as well as growth in its tech industry, which is one of New Orleans's target economic clusters. Like New Orleans, the latter 3 cities are former industrial hubs experiencing an urban renaissance fueled by downtown and inner urban revitalization.

Incentives and Administrative Organization

Each city's approach to economic development incentives is driven in part by the availability of revenue sources that can be leveraged (i.e., property taxes, sales tax, income tax) and in part by the administrative structure. In Austin and Cincinnati, economic development activities are housed within the city government, while in Kansas City and Pittsburgh, affiliated non-profit entities manage each city's incentive programs and redevelopment activities.

HR&A also identified a series data tracking and evaluation best practices based on peer city approaches. The economic development teams in some cities, like Austin and Kansas City, employ "scorecards" or bonus point systems to evaluate how well a given project aligns with identified policy goals at the application phase. Using this evaluation system as a guide, the cities then determine the length and depth of incentive offered, with a priority for projects that uphold one or multiple key policy goals.

Peer cities track a variety of metrics per program that assist them in preparing for project-specific negotiations and evaluating overall program performance. Metrics include leverage ratios, type of housing created, and percent of quality jobs created. Some cities, like Cincinnati, are transferring all incentive data to one platform to create further efficiencies in the tracking and evaluation.

Figure 6. Peer City Incentives

	Incentives
New Orleans	• Business Loans/Grants • Housing Loans/Grants • Property Tax Abatement • TIF
Austin	• Business Loans/Grants • Housing Loans/Grants • TIF (less common)
Cincinnati	• Housing Loans • Job Creation Tax Credit • Property Tax Abatement • TIF • Voluntary Tax Incentive Contribution Agreement
Kansas City	• Bond Financing • Property Tax Abatement • TIF
Pittsburgh	• Business Loans • Housing Loans/Grants • Property Tax Abatement • TIF • Venture Capital Fund

Alignment with Policy Objectives

Peer cities use incentive programs to support several of the policy goals outlined by the City of New Orleans. The activities pursued by peer cities include:

- Offering **greater incentives in underserved neighborhoods**, particularly those that exhibit weak or transitioning real estate markets.
- Incenting **mixed-income developments** that offer housing for disabled, homeless, and other marginalized residents.
- Providing larger **grants to employers that grow target industry clusters** and creating new incentive programs to attract and maintain quality jobs.
- Using **value capture to fund transit improvements**, both capital investments and ongoing operations.
- Offering by-right tax abatements for projects that **incorporate resilient and green building practices**.
- Supporting small businesses with **venture capital, façade improvement grants, and programming** in distressed commercial corridors.

STRATEGIC FRAMEWORK

HR&A's program analysis, in addition to lessons learned from peer cities and input from public and private stakeholders, inform a series of portfolio-wide recommendations for repositioning the City's incentives portfolio to better align with strategic policy outcomes. Further detail on the below recommendations, including a reference guide intended to assist in evaluating the strength of residential and commercial project applications on the basis of specific policy objectives, can be found in the Strategic Framework section of this report (p. X-X).

> **PROGRAM OBJECTIVES:** Establish and confirm program objectives that align with the City's policy goals.

Recommendation #1: Improve coordination among entities responsible for program implementation and advancing economic development objectives. Leverage the Cooperative Endeavor Agreement approved in September 2017 that allows the NOLA Business Alliance to "develop and implement a new business model for economic development"[5] to consolidate incentive administration management, create a clear policy mandate for each program within the incentive portfolio, set actionable goals and guidelines for each program deriving from overall economic and community goals, and operationalize progress toward mandates with new benchmarking metrics.

Supporting Recommendations:

- ***PILOT-1: Set clear program mandate*** codifying the IDB's organizational mission, complete with actionable goals tied to furthering this mission and other key City policy goals. Operationalize new program objectives by devising new benchmarking metrics to track progress towards each.
- ***PILOT-2: Define roles and responsibilities and improve coordination with other City entities***, leveraging local public-private economic development entities such as the New Orleans Business Alliance (NOLABA) to consolidate incentives management and provide recommendations with respect to program guidelines and evaluation procedures. Ultimate decision-making capacities would remain with the City, with implementation responsibilities maintained among existing program administrators (e.g. the IDB).
- ***PILOT-7: Assess governance procedures to increase accountability***, establishing formalized procedures for engaging other local taxing entities.
- ***RHP-8: Continue to advocate for and promote increased LIHTC resource investment in New Orleans*** through the issuance of up-front commitment letters for projects that meet RHP criteria.

Recommendation #2: Use program objectives to develop project "scorecards" to guide decision-making and evaluation in the deployment of incentives. Key agencies and departments should convene to develop a common project scorecard framework to be customized by the entities charged with administrating each program, and leverage the scorecards to determine the appropriate rate and term of incentives based on a project's achievement of core policy goals, including the extent to which a proposed project effectively advances equity and economic development in disinvested areas.

Supporting Recommendations:

- ***Peer City Best Practices-3***: Prioritize residential and mixed-use projects that ***incorporate affordable housing*** through scoring system.
- ***Peer City Best Practices-5***: Evaluate commercial projects on their ability to produce ***a high quantity of quality jobs and/or jobs in target growth industries***.
- ***Peer City Best Practices-8:*** Prioritize projects that support the use of ***alternative transportation or provide access to existing transit systems*** through scoring system.
- ***Peer City Best Practices-9***: Prioritize projects that ***incorporate resilient building practices or contribute to resilient community-based infrastructure*** through scoring system.
- ***Peer City Best Practices-11: Use scoring system to credit projects that support small businesses*** by providing space or programming or who qualify as a DBE themselves.

Recommendation #3: Publicize incentive offerings, application guidelines, and evaluation criteria in an easily-accessible, one-stop location. Information on all local incentive programs and how to

[5] *Mayor Landrieu Announces New Business Model for Economic Development Delivered by NOLABA*, October 3, 2017.

qualify and apply for each should be made available in a single online location, with a sole entity (e.g. NOLABA) tasked with maintaining the site.

Supporting Recommendations:

- ***PILOT-8: Expand program accessibility*** through the introduction of sliding fee scales for application, administration, and closing costs based on project size, further eliminating existing mandatory financial testing to reduce redundancies, replacing them with the scorecard and repurposed financial test described in further detail in the PILOT and Strategic Framework sections of this report.
- ***RHP-1: Improve transparency and predictability*** by ensuring that Notice of Funding Availability for tax credits are released on a predictable schedule and increasing coordination with LIHTC timelines.
- ***RHP-5: Promote awareness of other incentives available to supplement RHP funds,*** ensuring that information regarding other incentives is readily available to developers and consolidated within a single source.

> **PROGRAM DESIGN:** Reposition existing and potential new suite of incentive programs to drive towards the program objectives at minimum cost to the City.

Recommendation #4: Tier benefits to drive towards multiple public policy goals. The depth of incentives provided should be made to better align with core strategic objectives, through, for example, the targeting of benefits to stategically-emphasized neighborhoods or the provision of deeper benefits for projects that advance affordability or commercial growth objectives. The geographic emphasis included as part of the project "scorecards" described under Recommendation #2 should be used to establish program guidelines that tier benefits for some programs according to location, offering deeper or longer incentives for projects in disinvested areas to spur community revitalization and advance equity, while allowing for more generous benefits for the provision of affordable housing in stronger markets.

Supporting Recommendations:

- ***RTA-1: Expand Economic Development Districts*** to extend eligibility to more economically-distressed areas and weaker real estate markets.
- ***Peer City Best Practices-1: Target benefits to under-invested and/or low-income neighborhoods*** to reflect the disproportionately large impact of incentives in transitional markets.
- ***RTA-2 / Peer City Best Practices-2: Deepen incentive terms in high-need geographic areas and for projects that advance equity objectives.*** These can include projects that meet equity objectives such as resiliency and affordable housing.
- ***RTA-3: Establish new eligibility thresholds*** to ensure that program expenditures are going towards areas with the greatest need, potentially through the institution of new limits on pre-improved Assessed Value for single-family applicants or by capping the value of abatements for high-value residential properties in strong markets.
- ***RTA-5: Encourage the activation of downtown office buildings*** by marketing the use of RTA to landlords of office properties in the CBD and/or offering direct fit-out assistance to tenants of long-vacant commercial space through a separate application of the Business Attraction and Expansion Fund.
- ***PILOT-4: Establish program guidelines to improve transparency****, outlining clear parameters for when deviations from such guidelines may be sought,* including when projects deliver on significant public policy objectives.

Recommendation #5: Leverage funds to support the Business Attraction and Expansion Fund and target it for industry growth. A better capitalized Business Attraction and Expansion Fund should be proactively marketed and used as a job attraction tool for employers in target industry sectors. The City should investigate sources to capitalize the Business Attraction and Expansion Fund, including new program-specific mechanisms. For instance, the City could dedicate a portion of revenues currently collected by the IDB (e.g. application fees).

Supporting Recommendations:

- ***PILOT-6: Utilize PILOT to grow target industries and employment centers*** by prioritizing high-potential industries and supporting target employment districts for commercial growth, including through dedication of annual IDB administrative fees to the Business Attraction and Expansion Fund.
- ***TIF-3: Leverage the tourist economy to help enhance New Orleans's economic competitiveness*** by

dedicating a portion of hotel sales tax revenues collected within designated TIF districts to the Business Attraction and Expansion Fund.

- ***Peer City Best Practices-6: Create niche incentive and workforce development programs*** that provide extra support to employers and developers that create jobs in target industries.
- ***Peer City Best Practices-10: Support a diversity of small business types*** through the provision of capital grants, public realm improvements, and new programs to support small businesses.

Recommendation #6: Use TIF to fund public improvements and capitalize funds that support policy goals. Increase the use of District and Sales Tax TIFs, in instances where the impacts of doing so on the General Fund are determined to be palatable, to fund public realm improvements to facilitate catalytic new development opportunities. Study the feasibility of diverting a portion of the value captured to fund the NHIF and Business Attraction and Expansion Fund, as well as support public safety, small businesses, and community infrastructure.

Supporting Recommendations:

- ***TIF-1: Study the feasibility of expanding use of District TIFs to help fund capital improvements and ongoing operating expenses,*** calibrating the amount of capturable tax increment to reflect the investment's ability to advance multiple public policy objectives.
- ***TIF-2: Continue to employ sales tax TIFs where expected to generate significant economic benefit,*** such as introducing much-needed neighborhood retail opportunities to underserved populations, ensuring that multiple public benefits are being served by the project.
- ***RHP-7: Extend the NHIF millage and leverage additional sources for NHIF*** via a concentrated campaign for voter approval and incorporation of NHIF payments into market-rate deals in strong markets.

Recommendation #7: Leverage evaluation process to encourage fulfillment of Local Hire, DBE, and Living Wage policies, including the option for a payment to capitalize funds that support community infrastructure, small businesses, and public safety. The City currently requires that projects exhibit good faith efforts in meeting Local Hire and DBE policies. Moreover, the City recently applied Living Wage and Hire NOLA ordinances to RTA projects receiving more than $100,000 and $150,000 in City benefits, respectively. The PILOT and RTA programs should better leverage high-cost, high-benefit projects going forward to advance the City's quality jobs goals. The City should encourage projects to fulfill the Local Hire, DBE, and Living Wage policies by incentivizing their fulfillment beyond baseline reqirements through the project scorecard process.

Supporting Recommendations:

- ***RTA-4: Leverage compliance with living wage and local hire ordinances,* using a scorecard to reward projects that go above and beyond Hire NOLA and/or Living Wage policies.** The scorecard could be used to encourage hotel projects in particular, which are by far the largest beneficiaries of the program from a value perspective, to go beyond minimum thresholds for Hire NOLA and/or Living Wage in order to receive a higher incentive.

DATA COLLECTION & EVALUATION: Improve operational procedures to increase transparency and accountability.

Recommendation #8: Standardize data collection. Transition to a single, integrated platform for all programs, owned by the City and overseen by respective program administrators and City agencies with NOLABA serving as overarching platform facilitator. The platform should enable staff to view both the full program portfolio as well as relevant details about each project associated with a particular program. The platform should also provide real-time connectivity of multiple datasets within and across programs. In order to ensure data accuracy and timeliness, NOLABA needs appropriate levels of staff familiar with the requirements of each program as well as platform functionality, the latter of which may include platform development and report generation. NOLABA (or an alternative responsible entity) should be provided sufficient financial support to identify, hire, train, develop, and retain the appropriate staff needed in order to execute such functions. Per Recommendation #2, consistent types of data (e.g. net new permanent jobs, affordability terms and duration) should be collected across all projects to allow for streamlined comparisons both within and across programs. GeoPINs for each project should be included so that projects accessing multiple incentive programs can easily be identified.

Supporting Recommendations:

- ***RHP-4: Monitor all leverage sources within project files and track reported changes in leverage over time,*** evaluating the potential for historic tax credits, LIHTC, NMTC, RTA, PILOT, and other sources to amplify the impact of limited RHP funds.
- ***Peer City Best Practices-4: Request and track project data*** to ensure that incentive projects continue to align with policy goals and desired outcomes.

Recommendation #9: Enhance in-house real estate capacity. Hire additional staff or procure further training to ensure proficiency in the data collection and evaluation procedures above. Qualifications for new hires should prioritize proficiencies in real estate financial analysis, particularly as regards the planned new Strategic Neighborhood Development director position, which could serve to oversee the implementation of many of the recommendations outlined in this report.

Supporting Recommendations:

- ***PILOT-3: Repurpose existing financial tests to directly evaluate project economics and ability to deliver against City policy goals,*** replacing existing cost-benefit analyses with evaluation of the level of incentive needed in order to achieve financial feasibility and advance key program objectives.
- ***Peer City Best Practices-7: Employ TIF*** to support the upfront capital costs and ongoing operations for transit projects.

Recommendation #10: Utilize program evaluation metrics in consistent and strategic manner to drive towards key program and City objectives. Use metrics to evaluate deals and improve portfolio performance over time. Revisit scorecard assumptions every three years to ensure that criteria remain up-to-date, simultaneously re-evaluating overall alignment with policy objectives to determine whether the introduction of new criteria and/or programs is warranted to drive towards all ten policy outcomes.

Supporting Recommendations:

- ***PILOT-5: Projects seeking certainty PILOTs should remain subject to the same baseline program requirements as other PILOT applicants.*** The City should continue to investigate reforms to property assessment procedures to improve their efficacy and predictability.
- ***RHP-2: Create new benchmarks for funding projects,*** with specific guidelines for instances in which projects may be allowed to deviate from benchmarks based on alignment with multiple City policy goals and local housing needs.
- ***RHP-3: Add additional standard tracking elements for all RHP projects*** to help the Mayor's Office of Community Development (OCD) monitor the existing affordable housing stock and determine how best to meet future housing needs.
- ***RHP-6: Weigh the benefits of small projects against the effectiveness of large projects in achieving program goals,*** with the OCD taking on an active role in ongoing discussions regarding changes to the Master Plan and Comprehensive Zoning Ordinance (CZO) to ensure that larger affordable and mixed-income projects can be permitted in high-opportunity neighborhoods without placing undue burdens on developers.
- ***Peer City Best Practices-5:*** Evaluate commercial projects on their ability to produce ***a high quantity of quality jobs and/or jobs in target growth industries.***

II. Community Context & Objectives

CONTEXT

Population and Employment Growth

From 2005 to 2010, the City of New Orleans confronted drastic population decline (30% decline) and job loss (17% decline) due in large part to Hurricane Katrina.[6] The majority of economic losses occurred in the year following Katrina—from 2005 to 2006 population declined by 53%—but the City began to recover in 2007 and fared positively throughout the Great Recession.

Today, driven in part by federal funding to support recovery efforts, New Orleans is experiencing a significant rise in population and residential development. Between 2010 and 2016, New Orleans's population grew by 13% and approximately 7,000 multifamily units were constructed during this same time period.[7] New Orleans's tourism industry has also bounced back since Hurricane Katrina. In 2016, the City recorded $7.4 billion in total visitor spending, up from $2.9 billion in 2006.[8]

Between 2005 and 2015, employment in New Orleans grew by 20%.[9] New Orleans's economy is concentrated in seven key industries:

- Accommodation & Food Services
- Arts & Entertainment; Educational Services
- Information
- Mining, Quarrying, & Oil and Gas Extraction
- Professional & Technical Services
- Transportation & Warehousing

With the exception of oil and gas extraction, New Orleans's most competitive sectors grew between 2010 and 2015.[10]

Equity & Resiliency

Despite this growth, New Orleans lags behind in offering quality jobs that ensure all residents benefit from economic growth. Over the past five years, annual average wages have declined by approximately $4,000, contributing to the New Orleans metro area ranking of 99th out of the 100 largest metro areas in the United States for wage growth (2010-2015).

In addition, a disproportionate share of minority residents lacks the education needed to fill current and project job opportunities. According to *Equity New Orleans*, "33% of [the] region's jobs will require an

Figure 7. Total Population, New Orleans vs. MSA

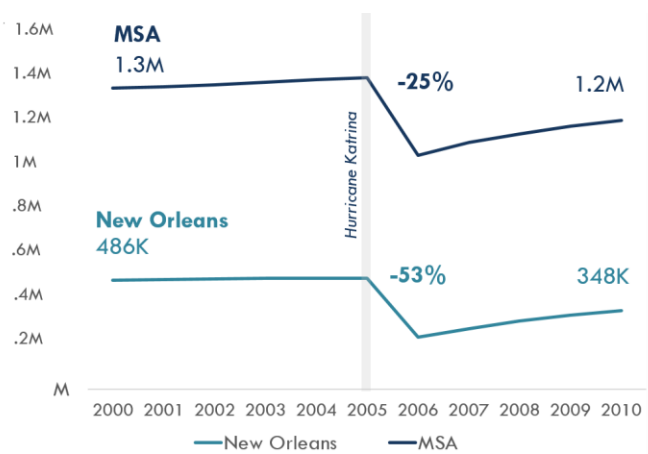
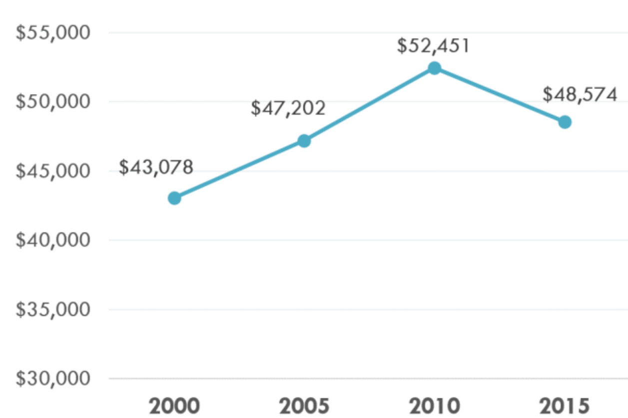


Figure 8. Avg. Annual Wage for Employees in New Orleans (2015$, CPI Adjusted)



[6] U.S. Census Bureau, American Community Survey; U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.
[7] U.S. Census Bureau, ACS; CoStar Data Analytics
[8] The University of New Orleans, New Orleans Tourism Marketing Corporation
[9] U.S. Bureau of Labor Statistics, QCEW
[10] U.S. Bureau of Labor Statistics, QCEW

Associate's degree or above in 2020… 21% of African Americans and 25% of Latino Immigrants have that level of education."

Geographically, residents are segregated into high- and low-opportunity areas, with concentrated poverty and economic decline disproportionately felt in neighborhoods with larger African American populations. Between 2006 and 2013, commercial corridors in Districts D and E experienced a 47% and 46% decline in jobs, respectively. Job loss in Districts A, B, and C were less pronounced, at approximately 4-5%.[11]

New Orleans faces climate shocks, such as major storm events, and stresses, including persistent poverty, aging infrastructure, and sea level rise. Climate-related impacts pose a constant challenge to the city and exacerbate racial and socioeconomic inequities. Those areas at disproportionate risk to flooding are home to majority minority populations. With a third of land comprised of wetlands and anticipated land loss, the City has placed a renewed focus on building Citywide resilience through investments in resilient infrastructure and community-level programs that prepare neighborhoods for climate change.

Key Questions for Analysis

The economic and social trends in New Orleans motivate three key questions as the City considers how to best leverage its incentive portfolio to spur economic development:

1. **How can the City ensure that economic growth benefits diverse neighborhoods and its most underserved residents?**

2. **What strategies can the City pursue to attract and/or grow businesses and quality jobs for all?**

3. **What role can economic development play in combatting inequity and building long-term resilience?**

[11] Data derived from "Analysis of New Orleans Commercial Corridors," The Reinvestment Fund, March 2016.

POLICY REVIEW & COMMUNITY ENGAGEMENT

Review of Policy Documents

A key first step in defining the future deployment of incentives in New Orleans is aligning on the ultimate public policy goals that incentives should be serving. To begin this process, the HR&A Team collaborated with the City to identify a series of key policy documents and plans that examine the most current and pressing issues in New Orleans. The City chose the following 14 documents for HR&A's review:

- 2012-2016 Consolidated Plan
- 2016 Annual Action Plan: Draft
- Affordable Housing Impact Statement
- Assessment of Fair Housing
- Equity New Orleans
- Housing for a Resilient New Orleans: A Five-Year Strategy
- Livable Claiborne Communities: Final Report
- New Orleans for Life
- New Orleans Mainstreet Resilience Plan
- New Orleans Smart Housing Mix Study
- Plan for the 21st Century: New Orleans 2030
- Prosperity NOLA
- Resilient New Orleans
- Where will People Live? New Orleans's Growing Rental Housing Challenge

HR&A reviewed each document and identified all stated policy objectives, with a focus on those related to economic development (i.e., from *Equity New Orleans*, "We seek a city where all people, irrespective of religion, gender, or sexual orientation, share opportunity and responsibility…and economic prosperity" and from *Prosperity NOLA*, "Promote entrepreneurship and small business development"). To synthesize findings, HR&A grouped objectives under a series of overarching policy goals related to equity, transportation, housing, and other key topics.

The HR&A team vetted the list of policy goals through meetings with City representatives and an Advisory Team of comprised of business, non-profit, and economic development professionals in New Orleans (see Appendix 1 for team members). In addition, as part of a community roundtable series facilitated by Asakura Robinson Company and Bright Moments, residents, developers, and other community leaders provided feedback on the policy goals identified. Based on this feedback, HR&A revised and finalized a list of 10 policy goals (featured on p. 21), which were then used as a tool for evaluating the current scope and strength of economic incentives.

Community Engagement

The HR&A engaged stakeholders through community roundtables in each of New Orleans's five council districts, as well as a sixth roundtable held Downtown that was designed to discuss special issues related to public incentives within the Central Business District. Participants in these roundtables included small business development and workforce development organizations; real estate developers (both for-profit and non-profit); community organization leaders; economic development organizations; social service providers; and other stakeholders on issues related to the City's public incentive programs.

In addition to discussing the policy goals, community roundtables sought feedback on the following question: ***How do we ensure that economic incentives are an effective part of the City's overall economic and community development strategy, and generate a good return on public investment?*** The HR&A Team synthesized the following key findings from the roundtable series:

Participants in the community roundtables see racial and socioeconomic equity as a framework or value system within which all of the policy goals should reside. They perceive economic growth of the past ten years as profoundly unequal, having particularly excluded low-to-moderate-income African-American families and created challenges of affordable housing and displacement of residents that were not previously present. Participants believe that all incentives need to tackle this inequality head-on.

Participants also do not conceive of incentives in isolation but as part of what must be a generational opportunity strategy at the City that follows children from birth, to working age, to retirement and passing on of wealth and businesses to their children. The strength of this generational perception is highlighted by the fact that the public education system came up in every roundtable group. Similarly, the Advisory Committee pointed to the role of incentives as part of a broader economic development toolkit, all which should be carefully coordinated in their deployment. Key opportunities identified in this area included:

- Job training, workforce development, and education systems that will allow small businesses and local workers to benefit.

- Developing career pipelines and focusing incentives on competitive sectors including water management, education, and health care.

Participants see clear links between lack of economic opportunity and high crime rates, but they also believe that safety issues must be addressed proactively in order to attract investment and jobs. Suggested interventions were not directly related to incentive programs, but participants generally felt that "more police are not the answer" and that community-based interventions and economic opportunities would address the root cause of the issue. Key opportunities identified to enhance public safety included:

- Proactive provision of community amenities to provide activities and after-school options for young people. This acts as an intervention that does not rely on a concentration of police officers.

- Availability of quality living-wage jobs.

Citywide, participants stressed a need for more access to affordable housing. This was of particular concern for commercial developers, those in the tourist industry, and the Downtown area stakeholders. These participants acknowledged that much of their workforce is moving farther away from Downtown, which creates transportation and workforce availability problems. They see the need as intrinsically connected to the prevalence of low-wage jobs. Key opportunities identified to address this issue through incentives included:

- Developing affordable housing near jobs and high-quality public transportation, while also increasing the number of areas served by frequent public transportation.

- Lengthening terms for affordable housing requirements.

Participants also saw a strong need for increased transparency in the City's public incentive programs. In several groups, participants mentioned that the criteria for awarding lacked transparency, and that they need more information on who is ultimately benefiting from the incentives being provided. Opportunities to address this issue included:

- Enhanced reporting on the results of the Section 3 and DBE requirements in bringing work to local residents and minority-owned businesses.

- Provision of a centralized source of information on all City incentives and their eligibility requirements.

- Clarity of requirements to streamline lengthy application processes.

ALIGNMENT WITH POLICY OBJECTIVES

The HR&A Team evaluated the efficacy of the incentive tools through consideration of the extent to which they drive towards the City's broader economic development and public policy objectives. Below, we list the ten citywide public policy goals identified, each supported by a set of core objectives further describing the goal. Recommendations for improvements to existing programs and the development of new programs are also intended to drive towards the following key goals:

Goal 1. Advance Socioeconomic and Racial Equity

- Eliminate embedded discrimination and promote inclusion.
- Support existing and new minority-owned businesses.
- Combat chronic, cross-generational poverty.
- Advance positive public health outcomes.

Goal 2. Develop Quality, Comprehensive Transportation Options

- Enhance pedestrian and bicycle safety through Complete Streets implementation.
- Increase multimodal transit options across the city.
- Integrate land-use decision making with transportation projects, including higher density transit-oriented development

Goal 3: Encourage Vital Neighborhoods of Opportunity

- Prioritize public investments in transit, quality schools, housing, parks, and other amenities in underserved communities.
- Ensure residents have access to neighborhood-serving retail and community services
- Reduce blight and improve the public realm.
- Support the revitalization of Main Street corridors and commercial centers throughout New Orleans.
- Pursue Smart Growth strategies.

Goal 4: Enhance Public Safety

- Invest in crime prevention strategies at the school, neighborhood, and community levels.
- Promote jobs and opportunities for formerly incarcerated people.

Goal 5: Expand and Preserve Affordable Housing

- Support the development and preservation of affordable rental and homeownership opportunities.
- Ensure access to quality, affordable housing for vulnerable populations and people with special needs.
- Prevent residential displacement in neighborhoods experiencing significant investment and development.
- Expand affordable housing in high opportunity areas through inclusive strategies.

Goal 6: Foster Economic Competitiveness

- Increase the economic competitiveness of New Orleans in a regional, national, and global context.
- Support existing and emerging industries.

Goal 7: Foster the Success of Small Businesses

- Grow the number of small businesses in New Orleans.
- Support small, local businesses.

Goal 8: Preserve Community Culture and Identity

- Support traditional culture and ensure that cultural producers benefit from the tourism economy.
- Preserve historic building stock for the benefit of all New Orleanians.

Goal 9: Promote Climate Resilience and Green Building Practices

- Prevent and plan for climate-related impacts.
- Invest in a resilient built environment.
- Reduce energy consumption and harmful emissions.

Goal 10: Promote Skill Development and Access To Quality Jobs

- Ensure all New Orleanians have access to quality jobs.
- Develop a robust employment pipeline that supports unemployed and underemployed residents, and connects individuals' skills to employment opportunities.

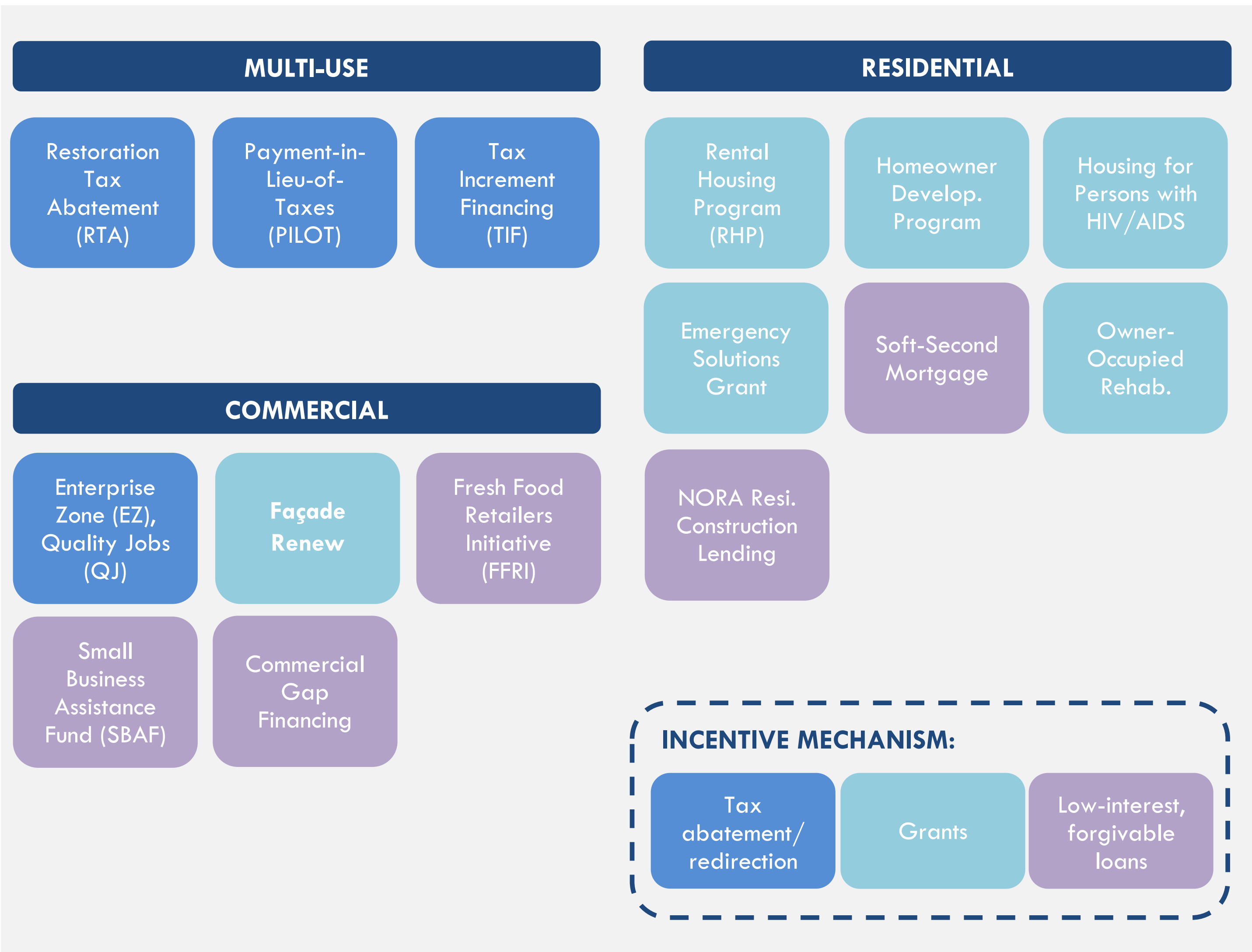
III. Incentive Program Evaluation

INCENTIVES OVERVIEW

The HR&A Team conducted a broad review of New Orleans's incentives portfolio to understand current patterns in program use and determine alignment of the portfolio with the City's public policy objectives.

New Orleans offers a diverse range of development incentives, which can be organized by mechanism employed (e.g. tax abatement, grant, low-interest or forgivable loan) as well as property types for which they apply (e.g. commercial, residential, multi-use).

This section presents a high-level comparison of program use by property type over the last ten years (2007-2016), with a focus on program utilization trends, total costs to the City, and programmatic alignment with public policy objectives. These factors were subsequently used to select a subset of priority programs to examine in greater depth.



Multi-Use Incentives

The two primary tax abatement programs in New Orleans – the Restoration Tax Abatement and Payment-in-Lieu-of-Taxes – cover both residential and commercial uses. Tax Increment Financing, (TIF), as used in New Orleans, diverts all or a portion of local sales tax revenues within a designated district to help cover public improvements associated with an economic development project.

Of incentive programs applicable to multiple asset classes, RTA is the most heavily utilized, while PILOT is the costliest to the City on an aggregate and per-deal basis, as demonstrated in Figure 9.

Figure 9. Project Count & Total Cost to City (PV) by Use – Multi-Use Programs, 2007-2016

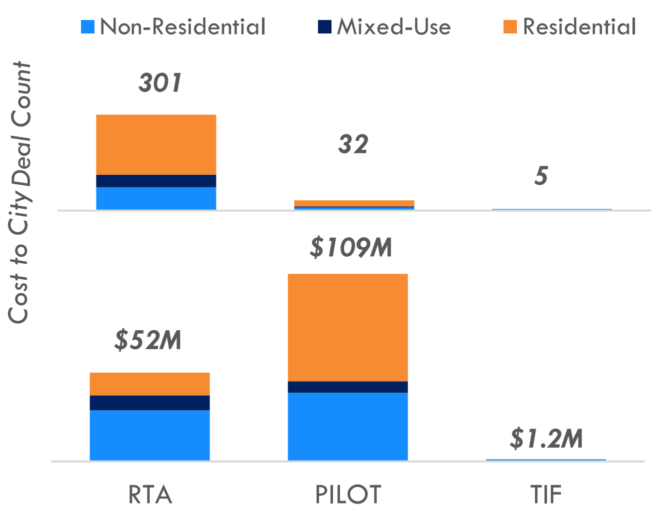
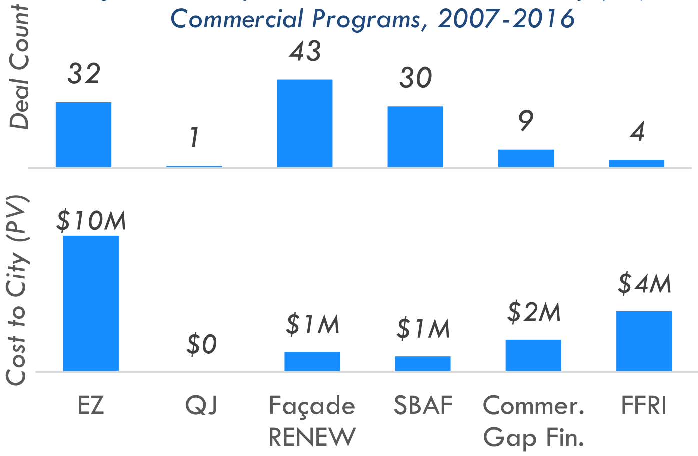


Figure 10. Project Count & Total Cost to City (PV) - Commercial Programs, 2007-2016



Commercial Incentives

Local Commercial incentive programs offer grant monies or forgivable and interest-bearing loans to address specific market inefficiencies, such as encouraging the development of grocery stores in underserved areas (FFRI), improving the aesthetics of storefronts to promote commercial revitalization (Façade Renew), assisting unbankable local enterprises in obtaining loans (SBAF) and helping new development projects close remaining funding gaps (Commercial Gap Financing).

Generally, most employment- and industry-oriented incentives are State programs, some of which have local matching incentives. Enterprise Zone, while less utilized in recent years, has disbursed the greatest amount of local benefits among Commercial-only programs (see Figure 10). Enterprise Zone and Quality Jobs are also the only incentive programs explicitly tied to employment growth, though the local incentive portion of each is comprised of a sales tax exemption on construction materials, with tax credits or rebates to employers based on the amount of jobs or payroll created available through the State.

Generally, the State has also assumed responsibility over industry growth incentives, including:

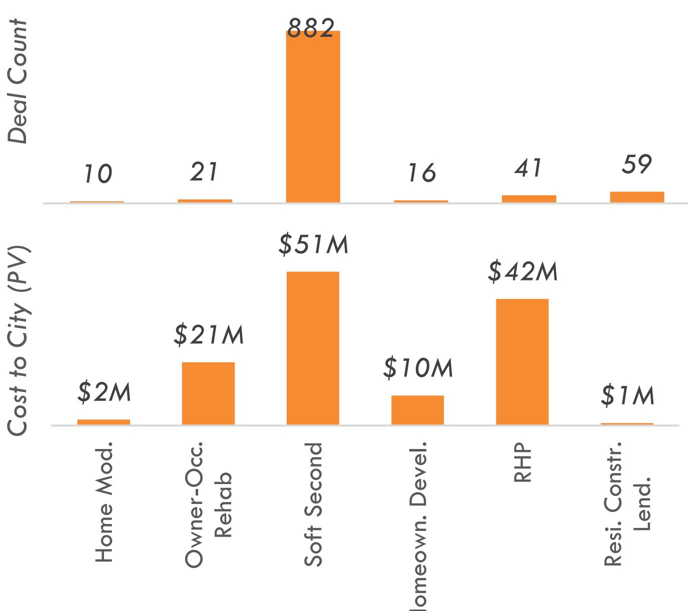
- The **Sound Recording Investor Tax Credit** and the **Motion Picture Tax Credit,** both of which provide tax credits on eligible expenses in the entertainment sector;
- The **Digital Interactive Media and Software Development Incentive** and the **Musical and Theatrical Tax Credit,** which provide tax credits on payroll and production-related expenses to encourage growth in the state's creative sector; and
- The **Research and Development Tax Credit** and the **Technology Commercialization Credit and Jobs Program,** which aims to grow the local research base and tech economy by offering tax credits/rebates to firms making qualified research expenditures and those that invest in the commercialization of new technologies and create new technology jobs in Louisiana.

Residential Incentives

Residential-only incentives are administered as grants or low-interest/forgivable loans, and primarily seek to promote the development of affordable rental housing (RHP, New Orleans Development Authority [NORA] Residential Construction Lending Program), affordable homeownership (Homeownership Development Program, Soft Second Mortgage Program, Owner-Occupied Rehab Program), and housing for at-risk populations (disabled and elderly residents in the case of the Home Modification Program, homeless populations in the case of Emergency Solutions Grants, and residents living with HIV/AIDS with respect to the Housing for Persons with HIV/AIDS).

The Soft-Second Mortgage program has been a success, growing homeownership throughout the city by offering forgivable second mortgages and closing cost assistance to first-time homebuyer households earning less than 120% area median income (AMI). While used heavily during the Katrina recovery, the program has been used less frequently in recent years as it reached a near-saturation point, with most residents who were both eligible for the program and qualified for a home mortgage having already been served.

Figure 12. Project Count & Total Cost to City (PV) – Residential Programs, 2007-2016

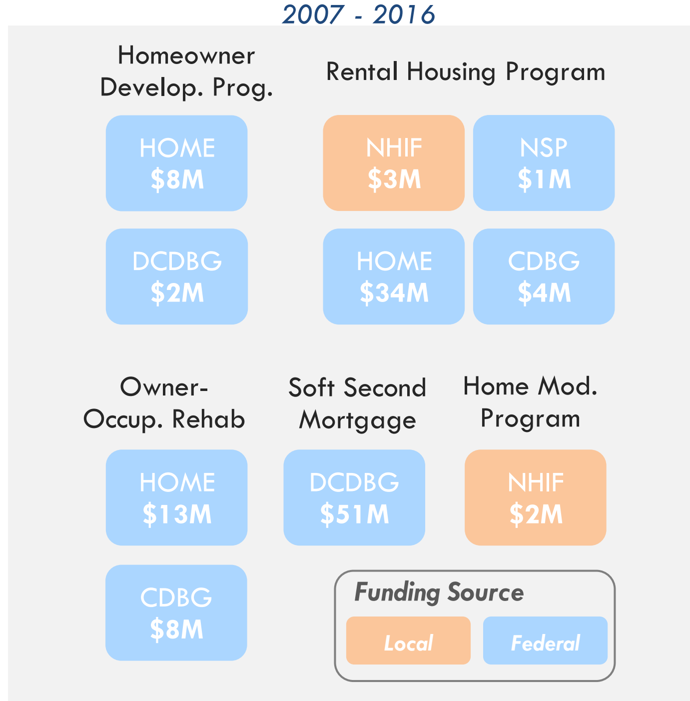


Over the course of the study period (2007-2016), the Rental Housing Program, which offers grants to encourage the provision of affordable multi-family housing for families of up to 80% AMI, was the second greatest source of local affordable subsidy after the Soft Second program, and the greatest source that continues to fund projects today (see Figure 11).

RHP and all other City affordable housing programs are funded by federal and local sources (see Figure 12). This analysis treats the distribution of both federal and local housing funds as costs to the City, as federal funds are limited and have an opportunity cost to their use. Federal and local sources for affordable housing include:

- **HOME Investment Partnerships Program,** a formula grant from the U.S. Department of Housing and Urban Development (HUD);
- **Community Development Block Grant** (CDBG) and Disaster Community Development Block Grant (DCDBG) funds;
- **Neighborhood Stabilization Program** (NSP) funding, a now-discontinued federal funding source created to address the foreclosure crisis;
- **The Neighborhood Housing Improvement Fund** (NHIF), a local housing trust fund established by New Orleans voters.

Figure 11. Affordable Funding Sources by Program, 2007 - 2016



Summary of Use

Across asset classes, RTA, PILOT, and RHP were the largest local incentive programs in terms of total cost to the City between 2007 and 2016. When RTA and PILOT benefits are categorized as either Commercial or Residential based on the asset class corresponding to each individual project, the amount of local incentive dollars dedicated to the promotion of affordable housing exceeds the amount allocated to commercial uses by more than two to one.[12]

More detail on the full range of local incentive programs can be found in Appendix II.

Figure 13. New Orleans Incentives Portfolio - Program Summary

Incentive Program	***Total Participation (2007-2016)***	***Incentive Cost to the City (present value)***
IDB PILOT	32	$109,000,000
Restoration Tax Abatement	301	$52,000,000
Soft-Second Mortgage	882	$51,000,000
Rental Housing Program	41	$42,000,000
Owner-Occupied Rehab. Program	21	$21,000,000
Enterprise Zone	32	$10,000,000
Home-Owner Development Program	16	$10,000,000
Fresh Food Retailers Initiative	4	$4,000,000
Home Modification Program	10	$2,000,000
Commercial Gap Financing	9	$2,000,000
Residential Construction Lending	59	$1,000,000
Façade ReNew	43	$1,000,000
Small Business Assistance Fund	30	$1,000,000
Tax Increment Financing	5	$1,000,000
Quality Jobs	1	$0

[12] Exclusive of mixed-use RTA and PILOT projects.

DETAILED INCENTIVES PROGRAM ANALYSIS

The HR&A Team conducted a broad review of New Orleans's incentives portfolio to determine alignment with the City's public policy objectives. A program-level cost-benefit analysis was then performed for a subset of programs to inform recommendations on how to make the City's existing portfolio – particularly those programs selected – drive towards more strategic outcomes.

Following extensive community engagement and a visioning session with City staff and stakeholders to confirm core community and economic priorities and review the initial program analysis findings, the City prioritized the following programs for in-depth analysis:

- Restoration Tax Abatement (RTA)
- Payment-in-Lieu-of-Taxes (PILOT)
- Rental Housing Program (RHP)
- Tax Increment Financing (TIF)

The first three programs (RTA, PILOT, and RHP) were chosen due primarily to their high cost to the City in terms of public dollars forgone. The latter (TIF) was selected in order to inform recommendations surrounding the program's potential to support future catalytic development projects through the funding of transportation and public infrastructure improvements.

METHODOLOGY

The HR&A Team worked closely with City staff, the New Orleans Redevelopment Authority (NORA), and the Industrial Development Board (IDB) to compile a comprehensive database of projects receiving incentives during the study period (2007 to 2016).

Analysis Period. This study includes deals over a 10-year period, executed between 2007 and 2016, and relies on data provided to HR&A in Spring/Summer 2017. Specifically, the analysis includes:

- ***RTA projects approved by City Council between 1/1/2007 and 12/31/2016.*** The cost to the City was calculated over the duration of the deal term (i.e., 5 years for new projects), while benefits were assumed to accrue over the 20-year useful life of the investment.

- ***PILOT projects that closed between 1/1/2007 and 12/31/2016.*** Costs to the City were calculated over the duration of the PILOT deal term as specified by each individual Lease Agreement. Benefits were assumed to accrue over the 30-year useful life of the investment.

- ***RHP projects*** awarded funding between 1/1/2007 and 12/31/2016. Costs to the City were calculated based on the total contract amount of funds awarded to each RHP project.

- ***Hypothetical property and sales tax TIFs*** and the revenues that could have been generated if applied to past catalytic investment projects (Lafitte Greenway and Loyola/Rampart-St. Claude Streetcar). The study period was assumed to begin in 2011, the earliest year for which tax liability data for the two study areas were readily available through the Department of Revenue and no later than the point at which each investment became "real" to the market – or sufficiently guaranteed via the awarding of funds. At this point in the pre-development process, incremental value was assumed to begin to be capitalized into the surrounding real estate, with TIF revenue collections continuing for the next 15 years, the maximum duration under existing TIF statute.

Data Sources. The HR&A Team partnered with the City of New Orleans to collect incentive data from its existing systems. To-date, New Orleans has maintained separate databases for its incentives programs, with the Mayor's Office of Economic Development, Business Services division serving as the repository for RTA information, the Industrial Development Board in charge of all PILOT information and deal terms, the Office of Community Development (OCD) for the City's housing data, and assessment data for properties within the TIF study areas provided by the Department of Revenue.

Data Caveats. As necessary, the Team supplemented the data provided by the City for each deal with data from the original agreement or application. In instances where it was not possible to obtain complete or verified data, particularly where records had not been digitized and/or predated the inclusion of key fields in the recordkeeping process, some deals were excluded from quantitative metrics, as documented below. Given the lack of integrated data sources and the HR&A Team's explicit focus on City subsidies, other leveraged sources such as State and Federal subsidies do not factor into the below analysis unless where explicitly stated. This analysis further focuses on direct benefits only, and, apart from district TIFs, does not consider ancillary impacts of subsidy-enabled investments on adjacent property values or the intrinsic benefits of placemaking and neighborhood revitalization efforts on economic growth and prosperity writ large.

STANDARDIZED OUTPUT METRICS

To evaluate fiscal costs and benefits, a series of one-time and ongoing fiscal costs and benefits were defined for each program and evaluated on a net present value basis. A summary of all impact metrics is shown in Figure 7. For capital improvement and job creation-focused programs such as RTA and PILOT, where expansion of the City's tax base is a primary goal, HR&A considered a standard set of fiscal cost and benefit metrics applicable to all projects. In order to facilitate appropriate comparisons of the stream of benefits and costs, HR&A discounted future values and inflated prior benefits and costs to present-day dollars (2016$) using a 3% discount rate.

For RHP, where affordability is the primary objective, public grant dollars per affordable unit produced reflected the cost to the City, while benefits were expressed in terms of affordability outcomes achieved (e.g. duration and depth of affordability). ARC inflated prior benefits and costs to present-day dollars (2016$) using a 3% discount rate.

For TIF, where benefits are tied to value created by a project, the capturable property or sales tax increments generated within the Tax Increment District are included as benefits to the City, with an initial capital outlays on public infrastructure or other improvements related to development comprising the costs.

To facilitate comparisons between and within programs, the HR&A Team further developed a series of standardized outcome metrics made to reflect composite costs and benefits, described in more detail below.

Figure 14. Cost-Benefit Metrics by Program

Economic Output

One-Time Construction Impacts	*One-time project investment (2016$)*	**RTA, PILOT**
	One-time construction jobs created	**RTA, PILOT**
Ongoing On-site Impacts	*Total payroll of jobs created (PV)*	**RTA, PILOT**
	Total permanent jobs created	**RTA, PILOT**
	Total on-site sales (PV)	**TIF**
Ongoing Household Impacts	*New HH income (PV)*	**RTA, PILOT**
	Total units created	**RTA, PILOT, RHP**
Ongoing Visitor Impacts	*Total new visitor nights*	**RTA, PILOT, TIF**
	Total hotel rooms created	**RTA, PILOT**

Fiscal Impacts

Fiscal Benefits & Costs to the City (PV)

Incremental property tax revenues	**RTA, PILOT, TIF**
Sales tax revenues from construction materials	**RTA, PILOT**
Sales tax revenues from new worker, resident spending	**RTA, PILOT**
Sales tax revenues from new on-site sales	**TIF**
Sales tax revenues from new visitor spending	**RTA, PILOT**
Hotel occupancy tax revenues from new visitors	**PILOT, TIF**
Forgone property tax revenues	**RTA, PILOT**
Total City subsidy/grant dollars	**RHP**
Total City investment in public improvements	**TIF**

Metric #1: Cost Per Job

Divides the full cost to the City by the number of permanent on-site jobs created to determine the relative costs of producing a single job.

This metric offers a normalized method of comparing how "cost effective" a deal or program is at creating jobs.

Applicable to: RTA & PILOT (Commercial)

Metric #2: Cost Per Unit

Divides the total cost to the City by the number of housing units created.

This metric allows for cost comparisons between and within programs, and offers insights into the cost of producing one unit of housing under different affordability parameters (e.g. 100% affordable vs. mixed-income) and the presence of other leveraged sources (e.g. LIHTC).

Applicable to: RTA & PILOT (Residential); RHP

Metric #3: Breakeven Ratio

Divides the total value of the incentive by the direct fiscal benefits created.

For example, a benefit ratio of 30% means that for every $1 in benefits the City receives from a project, it forgoes 30 cents. Assuming a developer would not have went forward with a project "but for" the incentive, the City receives a net benefit of 70 cents that it would not otherwise have received. Another way of looking at it is that the program is fiscally rational if it accounts for 30% of recipients' decision to invest in New Orleans. **Applicable to: RTA & PILOT**

Metric #4: Leverage Ratio

Divides the total value of the incentive by the total project investment.

This metric provides a normalized method of determining the extent to which projects have successfully sought other sources of capital, relying on City subsidy only to the extent needed to fill any remaining gaps in project funding. It is important to note that deals may be leveraging other types of public (state, federal) sources beyond City money to meet their financing gap.

Applicable to: RTA & PILOT (All Uses); RHP

GEOGRAPHIC ANALYSIS

Throughout this analysis, we analyze program utilization and cost to the City by geography using the Market Value Analysis (MVA) heuristic developed by The Reinvestment Fund for the City of New Orleans in 2016. Employed by many jurisdictions, MVA is "a tool designed to assist private market and government official to identify and comprehend the various elements of local real estate markets… based fundamentally on local administrative data sources."[13] Able to be replicated going forward, MVA typologies facilitate identification of market strength based on a series of variables that includes local sales activity, tenure, land use, subsidized property, recent investment, and measures of vacancy and future opportunity.

For the purposes of the Strategic Framework, we have consolidated the MVA's nine Market Types into three succinct categories: Strong Markets (MVA A-C), Transitional Market (MVA D-E2), and Soft Markets (MVA F-H), as illustrated in Figure 15 below.

Figure 15. MVA Market Clusters (2015)

[13] "Market Value Analysis (MVA): New Orleans," The Reinvestment Fund, March 2016.

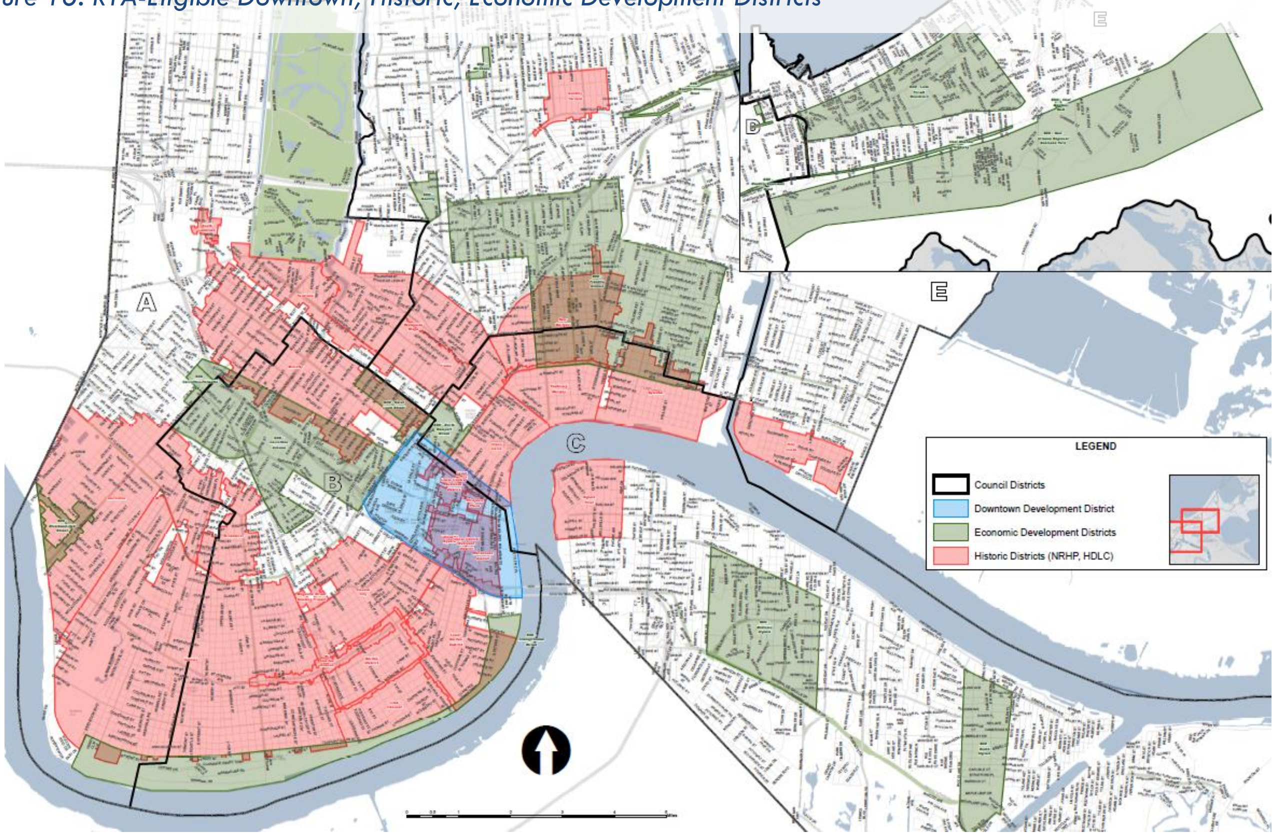
RESTORATION TAX ABATEMENT (RTA)

The RTA program offers property tax abatements on improvements to existing commercial and residential properties in designated districts, aiming to stimulate community revitalization and expand the local tax base through the activation of blighted properties. The program is administered by Louisiana Economic Development (LED) but requires City approvals.

RTAs are only permitted for existing structures in the Downtown Development District (1); historic districts (26) which include those designated by the Historic District Landmarks Commission (HDLC) and those listed on the National Register of Historic Places (NRHP); and economic development districts (18), a designation conferred upon areas by the City of New Orleans. Figure 16 illustrates those areas currently eligible for RTA.

Structure & Requirements			
Mechanism + Process	• Eligible in historic, downtown, and economic development districts • Discretionary property tax abatement • Evaluated by RTA Review Committee and subject to approval by City Council, State Industry & Commerce Board, Governor	**Job Requirements**	• 35% DBE participation (or good faith effort) for commercial and residential projects with >6 units • Compliance with Hire NOLA for projects of >$150,000, Living Wage for those of >$100,000 (effective 1/1/2016)
Maximum Term + Rate	• 5-year abatement term (with 5-year renewal option for commercial) • 100% abatement on improved AV	**Program Requirements**	• Minimum investment of 25% of pre-improved AV, such that useful life of building is extended by at least 20 yrs. • Expansions must not exceed 10% of original building footprint

Figure 16. RTA-Eligible Downtown, Historic, Economic Development Districts



RTA Deal Overview

There were more than 300 RTA projects approved from 2007-2016, spurring **$1.2 billion in investment** (2016$) at a **cost of $52 million** (PV) to the City in forgone property tax revenues.

RTA deals generated **$370 million in incremental tax revenues** (PV) over the useful life of the investment, assumed to be 20 years per the requirements of the program.

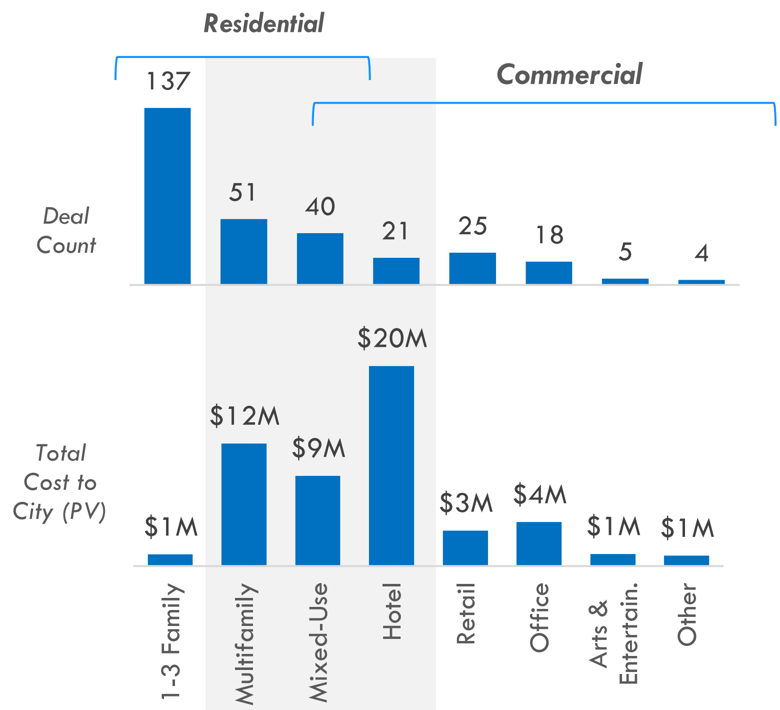
RTA deals resulted in **3,970 new permanent jobs** and **3,680 residential units** over the study period.

RTA exhibited a **breakeven ratio of 14%** between 2007 and 2016. In other words, for every dollar of new revenue generated, the City forgoes 14 cents. This breakeven ratio indicates that RTA **provides robust benefits to the City** in the form of increased tax revenues relative to its fiscal cost, in addition to any offsite community revitalization benefits it engenders. With a breakeven ratio approaching 0%, the City of New Orleans can have confidence that the program in aggregate provides fiscal benefits at relatively low risk, as the program would **only need to be responsible for 14% of fiscal benefits** catalyzed to be fiscally rational.

RTA Deals by Use

Hotel, Multifamily, and Mixed-Use projects captured the greatest share of RTA benefits approved between 2007 and 2016, comprising nearly 80% of total costs to the City with just over a third of all deals (see Figure 17).

Figure 17. RTA Utilization & Costs by Asset Class



Hotel

- From 2007 to 2016, RTA facilitated the rehabilitation and development of 14 hotel projects, concentrated in the Central Business District (CBD) and French Quarter. An additional seven hotel deals were renewed for another 5-year benefit term following subsequent investment.

- Unsurprisingly given their predominance over other types of Commercial deals, hotel uses have produced the majority of new permanent jobs facilitated through the RTA program, with 1,460 jobs reported by the participating projects. However, the average annual wage in the hotel sector ($42,000) was just two-thirds the citywide average of $62,000 in 2016.[14] Job outcomes for other commercial asset classes are shown in Figure 18.

Figure 18. RTA Employment Outcomes by Asset Class

	Permanent Jobs	Cost per Job	Avg. Industry Wage
Hotel	**1,460**	**$12,900**	**$42K**
Retail	**600**	**$5,700**	**$34K**
Office	**295**	**$14,700**	**$80K**

- Hotel uses comprised the greatest cost to the City on an aggregate as well as on a per-deal basis, averaging $940,000 in forgone property tax revenues per project, four times the average cost-per-deal found among other asset classes. 15 of the 21 Hotel RTA projects approved over the study period received benefits in excess of $100,000, the threshold for adherence to Hire NOLA and Living Wage provisions under the most recent RTA statute. Had such provisions been in place for the duration of the study period, nearly half (47%) of permanent hotel jobs at properties receiving RTA benefits would have been guaranteed a Living Wage.

- The median wage for Maids and Housekeeping Cleaners in Orleans Parish in 2016 was $10.60 per hour, below the current Living Wage rate of $10.76, which further guarantees seven days of paid leave per year.[15] Going forward, RTA could become an effective mechanism for ensuring quality employment opportunities in the hospitality sector.

- Hotel uses make for fiscally-productive RTA projects over the long-term, helping the city's established tourism sector support an ever-greater number of visitors. Increasing tourism activity combined with increasing occupancy rates indicates that the new hotel activity supported through RTA is likely incremental to the city.
  - In 2016, 4.9 million visitors stayed in hotels in New Orleans.
  - There were approximately 38,240 hotel rooms in New Orleans as of 2016, still below the citywide inventory of 39,525 rooms prior to Katrina.
  - Hotel occupancy rates in New Orleans have risen over the past five years, rising from 64.1% in 2011 to 68.8% in 2016.
  - The city recorded $7.4 billion in total visitor spending in 2016, up from $2.9 billion in 2006.

HOTEL RTA DEAL PROFILE

The Ace Hotel (2014)
600 Carondelet Street

- CBD/Warehouse District
- 234 rooms
- 300 permanent jobs
- 115 construction jobs

[14] Figures reflect new RTA projects only (renewals excluded).

[15] Source: EMSI Staffing Patterns (2016)

- Hotel RTA deals exhibited a very strong breakeven ratio of 7%. For every dollar in new revenue generated by the projects, the City foregoes 7 cents. The program is fiscally rational if accounting for just 7% of applicants' decision to invest in New Orleans. Put another way, of the 21 hotel projects approved over the study period, only two of them would have truly required RTA in order to move forward to justify benefits being provided to all 21.

- Other commercial uses such as Retail and Office saw fewer benefits as compared to hotels, with a breakeven threshold hovering around 50%. That said, hotel deals had the highest costs to the City on a per-deal basis, averaging more than $12M per deal versus roughly $500K and $6M for retail and office deals, respectively.

Figure 19. Breakeven Summary - Commercial RTA Deals

	Hotel	Retail	Office
Cost to the City (PV)			
Property Tax Revenues	$20M	$3M	$4M
÷			
Benefits to the City (PV)			
Property Tax Revenues	$29M	$5M	$6M
Sales Taxes from One-Time + Perm. New Activity	$9M	$2M	$2M
Taxes from New Visitors	$250M	N/A	N/A
=			
Breakeven	7%	48%	53%

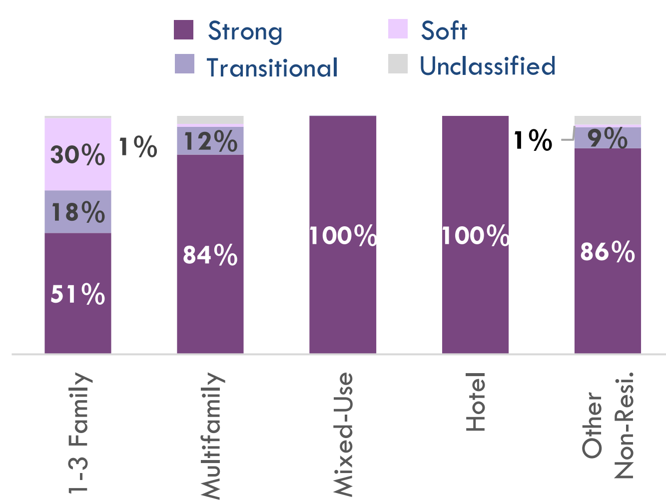
Residential

From 2007 to 2016, RTA spurred the development of 51 Multifamily Residential and 40 Mixed-Use projects, including five renewals.

- While 1-3 Family Residential deals were dispersed in neighborhoods representing a range of socioeconomic levels, the majority of Mixed-Use and Multifamily RTA incentive dollars were concentrated in higher-income Census tracts. Similarly, 1-3 Family Residential deals were the most geographically dispersed across MVA market clusters, with 14% of deals and 30% of public incentive dollars concentrated in Soft markets, the highest among all asset classes (see Figure 20).

- Nearly half (49%) of RTA incentive dollars for 1-3 Family homes flowed to the Central City-Garden District, followed by Mid City (21%), and the French Quarter (10%) – all in Strong or Transitional market clusters. Approximately half (49%) of RTA benefits dispersed among Multifamily Residential deals went towards projects in the CBD/Warehouse District, followed by Central City-Garden District (18%), and Marigny/Bywater (13%).

Figure 20. Share of Total RTA Cost to the City (PV) by Residential Market Cluster



- Nearly one-quarter of residential units in Mixed-Use and Multifamily Residential RTA projects are affordable. Over the last ten years, RTA has helped produce approximately *775* units of affordable housing.

- While capturing the largest combined share of RTA incentive dollars, Multifamily and Mixed-Use projects also produce strong benefits from increased property and sales tax revenues over the life of the investment. All residential-containing RTA projects exhibit a strong breakeven ratio of 34% to 38%, meaning that the program was fiscally rational if accounting for less than 40% of applicants' decision to invest in New Orleans (see Figure 21). In other words, for every dollar of new revenue generated, the City forgoes no more than 40 cents. Unlike PILOT, where deal terms can extend up to 30+ years, RTA's standard five-year deal term coupled with a required investment life of 20 years means that benefits accumulate over a 15-year period, resulting in favorable breakeven thresholds across asset classes.

Figure 21. Breakeven Summary - Residential RTA Deals

	1-3 Family	Multi-Family	Mixed-Use
Cost to the City (PV)			
Property Tax Revenues	$1M	$12M	$9M
÷			
Benefits to the City (PV)			
Property Tax Revenues	$2M	$18M	$13M
Sales Taxes from One-Time + Perm. New Activity	$1M	$16M	$7M
Taxes from New Visitors	N/A	N/A	$7M
=			
Breakeven	38%	35%	34%

RESIDENTIAL RTA DEAL PROFILES

Falstaff Apartments
(2008)
600 Carondelet Street

- Mid-City
- 147 units
- 100% market-rate

309-311 Chartres Street
(2016)

- French Quarter
- 6 market-rate units
- Ground floor retail: La Belle Galerie & Black Art Collection; The Ground Floor gift shop

Recommended Improvements to RTA Program

RTA-1: Expand Economic Development Districts. Consider expanding or creating new eligible districts in economically-distressed areas to help spur additional neighborhood revitalization, a stated objective of the RTA program. Ideal candidates for new EDD formations could be currently-ineligible "Soft" and "Transitional" market clusters as defined by the MVA. Between 2007 and 2016, fully 30% of all RTA transactions occurred in eligible market areas considered Soft or Transitional, demonstrating the potential for future demand in expanded districts with these market characteristics.

RTA-2: Deepen and extend incentives. In conjunction with the State, consider modifying standard deal terms to allow for deeper and longer benefits (i.e., 10-year abatement instead of 5-year, regardless of subsequent investment) for projects that meet additional policy goals such as resiliency or affordable housing, and/or those that encourage investment in economically-distressed areas. Examples of projects that could qualify for an automatic extension include: projects that incorporate storm water retention measures above and beyond that which is required; residential projects that include affordable units; and/or commercial projects that create quality jobs, expand target industries, and promote small businesses. The City should prioritize potential amendments to the enabling State legislation during the 2018 Regular Legislative Session convening March 12, 2018 and running through June 4, 2018.

RTA-3: Establish new eligibility thresholds. To continue to ensure that program dollars are being used to effectively reduce the prevalence of blight and bring vacant parcels back into commerce, consider introducing new eligibility thresholds for program participation to effectively limit the ability of high-value residential properties to participate. This could be done by limiting eligibility for single-family properties with assessed values above a certain threshold or by capping the value of the abatement for presently-occupied 1-3 Family properties in "Strong" markets at less than 100% of the pre-improved tax liability. There are challenges to either targeted approach, with the former reliant on assessment procedures that have systemic issues, while the latter could run the possibility of precluding use by blighted properties in otherwise wealthy areas. Unintended consequences such as these should be weighed carefully before enacting new eligibility restrictions.

RTA-4: Leverage compliance with living wage and local hire ordinances. Use a scorecard to reward projects that go above and beyond Hire NOLA and/or Living Wage policies. New Orleans recently applied Living Wage and Hire NOLA ordinances to RTA projects receiving more than $100,000 and $150,000 in City benefits, respectively. Had this policy been in place for the duration of the study period, the provisions would cover at least one-quarter of total jobs created through RTA, as these jobs were created at projects receiving more than $100,000 in benefits. The RTA program should better leverage high-cost, high-benefit projects going forward to advance the City's quality jobs goals. The scorecard could reward projects that go beyond minimum Hire NOLA and/or Living Wage thresholds with a longer abatement term.[16]

[16] The Living Wage ordinance specifies that beneficiaries remain 'covered employers' for ten years following the later of: "the date upon which [a beneficiary's] most recent applicable city City financial assistance agreement was executed; or the date upon which it ceased to receive applicable city financial assistance."

RTA-5: Encourage the activation of downtown office buildings. While Downtown New Orleans drew in more than $6.5 billion in investment between 2005 and 2015, many of the Central Business District's large office buildings are sitting partially vacant following the consolidation and subsequent exodus of large oil firms from the city. This has resulted in an oversupply of full-floor office space with few similarly-large firms coming in to occupy them. Marketing the use of RTA to landlords of office properties in the CBD could help to encourage the re-purposing and modernization of such spaces to attract new tenants in target industries. For tenants occupying long-vacant space, a specific application of the Business Attraction and Expansion Fund (see inset) could be introduced, offering direct grant allocations to help cover a portion of tenant fit-out costs.

BUSINESS ATTRACTION AND EXPANSION FUND

The Business Attraction and Expansion Fund was created in 2017 as a closing fund to support priority economic development projects for the City. The fund is intended to provide priority projects with one-time payments, and has been used only once to date. The fund lacks a sustainable source of ongoing funding.

NHIF

The Neighborhood Housing Improvement Fund (NHIF) is a City-controlled housing trust fund dedicated to production and/or rehabilitation of homeowner- or renter-occupied housing that is affordable to low- and moderate-income residents. Revenues derive from a 0.91 property tax millage.

PAYMENTS-IN-LIEU-OF-TAXES (PILOT)

PILOTs are a local incentive tool administered by the Industrial Development Board (IDB), a not-for-profit public corporation established by the City Council in 1973 pursuant to State authorizing legislation. Typically, PILOTs are paired with revenue bond issuances used to help finance development projects that improve blighted areas and expand the local tax base. The IDB takes title to the property and leases it back to the original owner until the bond financing is paid off.

Since the IDB is a tax-exempt entity, a payment-in-lieu-of-taxes (PILOT) is negotiated to help offset the loss in property tax revenue that accrues while the property remains off of the tax rolls. In addition to cases where low cost financing is provided, PILOT provides an incentive to a developer when the prescribed payments are set lower than the property taxes that would otherwise be due on the improved property.

Structure & Requirements	
Mechanism + Process	• Administered by Industrial Development Board (IDB), a non-profit, public corp. with authority to issue revenue bonds and PILOTs to finance the acquisition and construction of "anti-pollution" and "development" projects • 15-member Board appointed by City Council (2 each) and Mayor (1) to unpaid six-year terms. There are no term limits
Maximum Term + Rate	• Variable terms • Variable rates
Job Requirements	• 35% DBE target • 40% local hire requirement • Perm. job creation claw-back provisions included as part of some deals
Program Requirements	• Cost-benefit, "but for" analyses required from 3rd-party analyst • Fees charged for: application ($3K), closing (0.1% of capital costs), and ongoing administration (typically 0.2% of capital costs or post-investment AV)

PILOT Deal Overview

There were **32 PILOT projects** approved between 2007 and 2016, constituting **$1.1 billion in total investment** (2016$) and approximately **$109 million in forgone City tax revenues** (PV) over the useful life of the improvements.

PILOT deals resulted in **1,750 new permanent jobs** and **4,210 residential units**.

PILOT deals generated **$158 million in incremental tax revenues** (PV), with a **breakeven ratio of 69%**. In other words, for every dollar of new revenue generated, the City forgoes 69 cents.

The breakeven for PILOT deals is much higher than for RTA, owing primarily to longer deal terms. This breakeven ratio indicates that **PILOT provides modest benefits to the City in the form of direct tax revenues** relative to its fiscal cost. The City of New Orleans should exhibit caution in determining whether an individual project is poised to provide more in fiscal benefits than it will costs from forgone tax revenues, as a breakeven ratio of 69% suggests the program need be responsible for a majority of fiscal benefits in order to prove fiscally rational.

PILOT Deals by Use

Residential

- As shown in Figure 22, Residential uses comprise more than two-thirds of PILOT deals and a nearly-equivalent share of total cost to the City, consistent with the IDB's mission to "help eliminate blighted properties, create housing and job opportunities that improve the quality of life for [New Orleans] citizens, and aid in increasing the tax base and economy of the City."[17]

- Over the course of the study period, the PILOT program supported the development of 19 Multifamily Residential projects, including seven that included Public Housing, and the development of three Mixed-Use projects with a residential component. Development costs for residential-containing projects totaled $806 million (2016$); these projects were associated with nearly $70 million (PV) in forgone City tax revenues.

- PILOT has been particularly effective at encouraging the development of low-income housing, producing more affordable units (2,393) than market-rate (1,815) since 2007 (see Figure 23).[18] Public Housing units comprised 23% (or 560 units) of the total affordable housing stock produced through PILOT over the study period, in all instances included as part of other affordable or mixed-income developments. All public housing projects benefited from Low Income Housing Tax Credits, often in combination with other forms of affordable housing financing. According to IDB officials, Public Housing ventures involving PILOT largely reflect the state of the housing market post-Katrina, and are not necessarily representative of the types of residential developments typically facilitated through PILOT. Where possible, this analysis attempts to break out Public Housing deals, all seven of which were executed between 2008 and 2011, from other types of Residential PILOT deals.

Figure 22. PILOT Deals and Value by Asset Class

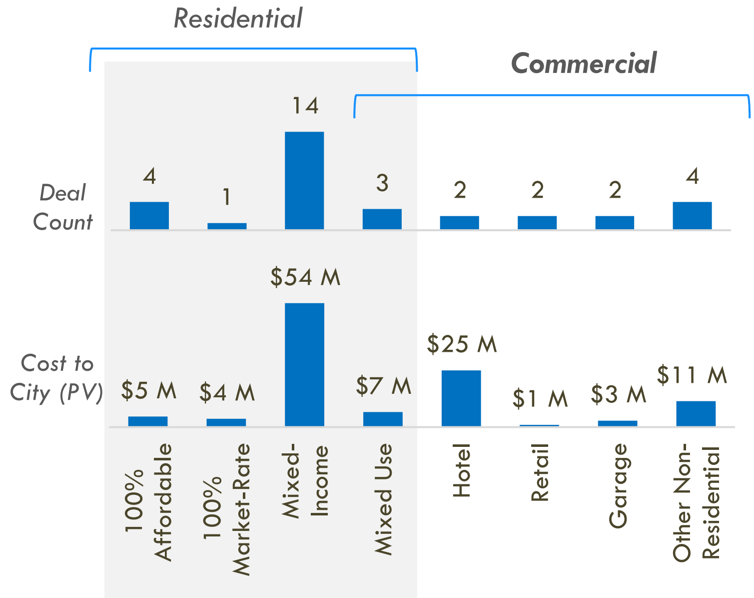
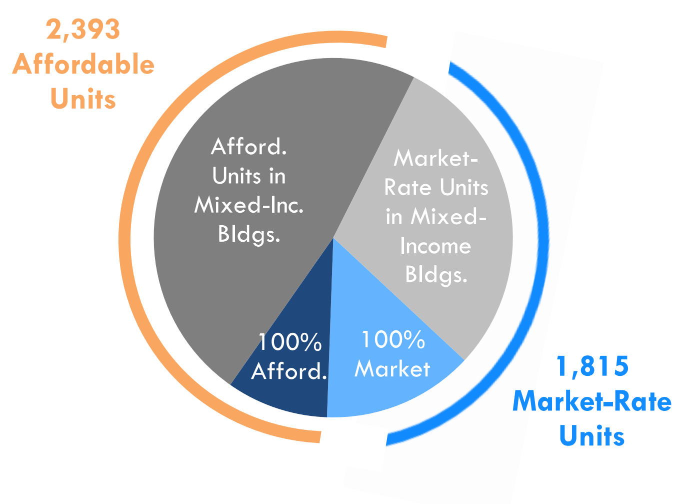


Figure 23. Total Housing Units Created through PILOT



** Public Housing units comprise 23% of total affordable units*

[17] Industrial Development Board of the City Of New Orleans, Louisiana, Inc. 2012-2014 Annual Report

[18] It is important to note that tax-exempt financing and PILOT benefits are likely one of several subsidy sources leveraged for affordable housing deals. As a potential follow-up to this report, the HR&A Team anticipates examining other sources of leverage for PILOT and affordable housing programs more generally in greater depth.

- The majority of affordable units (84%) were co-located with market-rate units in mixed-income developments, where the affordability mix ranged between 40% and 90% of total on-site units. When present, Public Housing units comprised between 2% and two-thirds of total units in Affordable and Mixed-Income developments (see Figure 25 below).

- In addition to being most common, Mixed-Income units also tended to be the costliest, with forgone tax revenues of nearly $20,000 (PV) per unit over the lifetime of the investment. In comparison, the sole 100% market-rate project (excluding mixed-use) came at a cost to the City of $14,700/unit, while 100% Affordable projects averaged $12,400/unit in forgone tax revenues. Lower costs for affordable units are driven primarily by the disproportionate inclusion of Public Housing units, which, owing to their tax-exempt status, do not result in forgone tax revenues. Among fully-affordable projects without public housing, the cost to the City per unit is $14,700.[19]

- As shown in Figure 24, less than half of Affordable/Public Housing units built using PILOT are located in "Opportunity" neighborhoods, defined here as Strong or Transitional market clusters per MVA. Two-thirds of market-rate units, in comparison, are located in Opportunity areas. Going forward, additional provisions regarding the use of PILOT subsidies for market-rate developments in strong markets may be warranted to ensure that subsidy dollars are flowing to areas with the greatest need and/or to projects that will produce the most equitable outcomes.

Figure 24. Share of Units by Housing Type and Residential Market Cluster

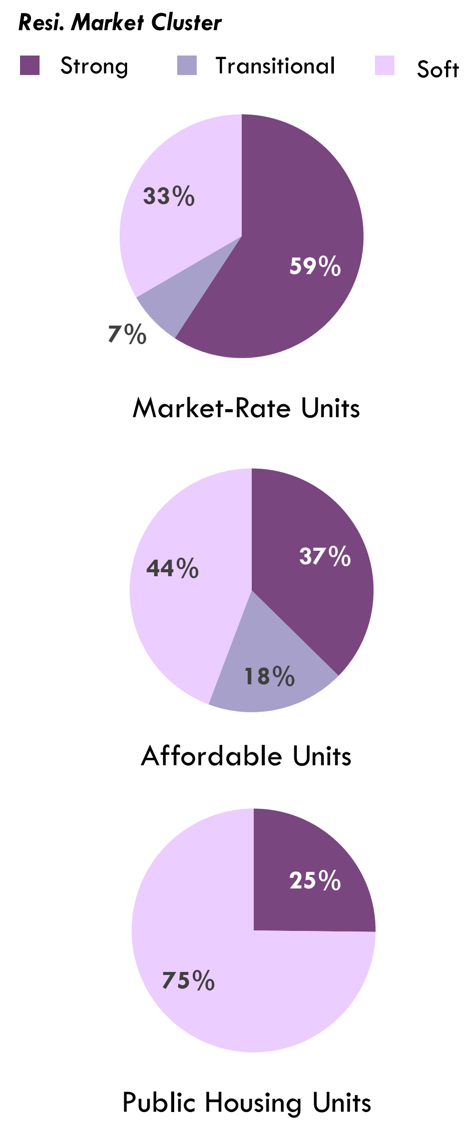
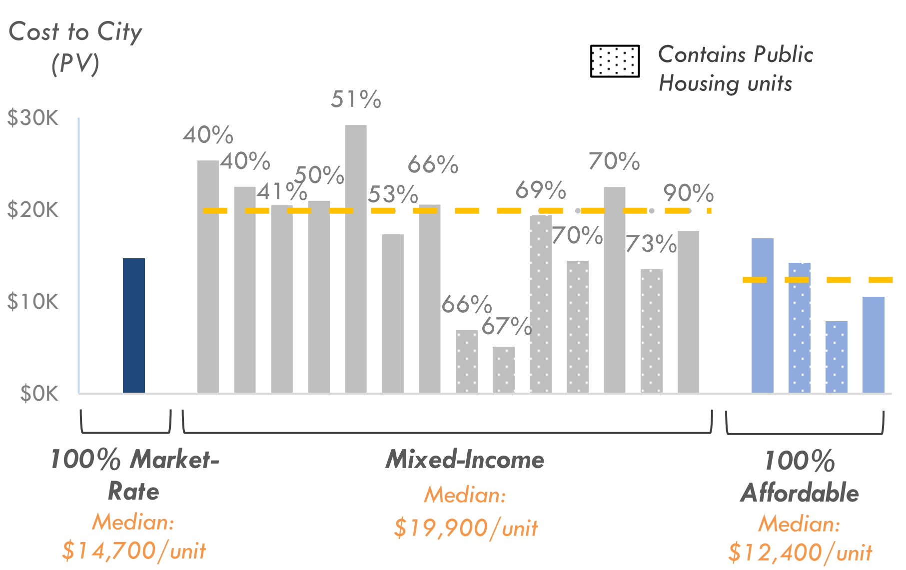


Figure 25. PILOT Cost to City by Residential Typology



[19] Note: All cost per unit figures exclude mixed-use development projects to avoid including commercial components and their associated costs in per capita figures.

- The distribution of Residential PILOT projects by geographic location and market cluster is further illustrated in Figure 26 below.

- Similarly, while nearly three-quarters of market-rate housing units approved for PILOT between 2007-2016 were located near high-frequency public transit, fewer than 40% of low-income units enjoyed such proximity (see Figure 27). Access to quality and reliable transportation is a necessary precondition for ensuring individual economic opportunity for all New Orleans residents.

Figure 26. PILOT Locations by MVA Cluster

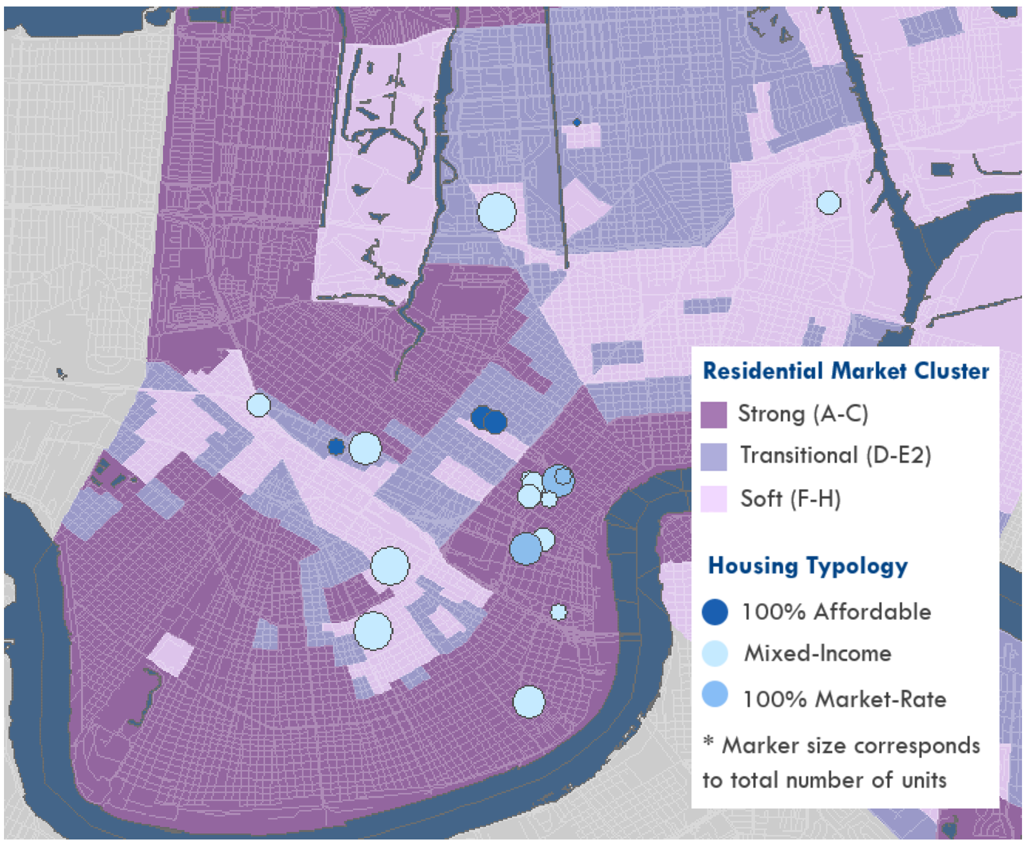
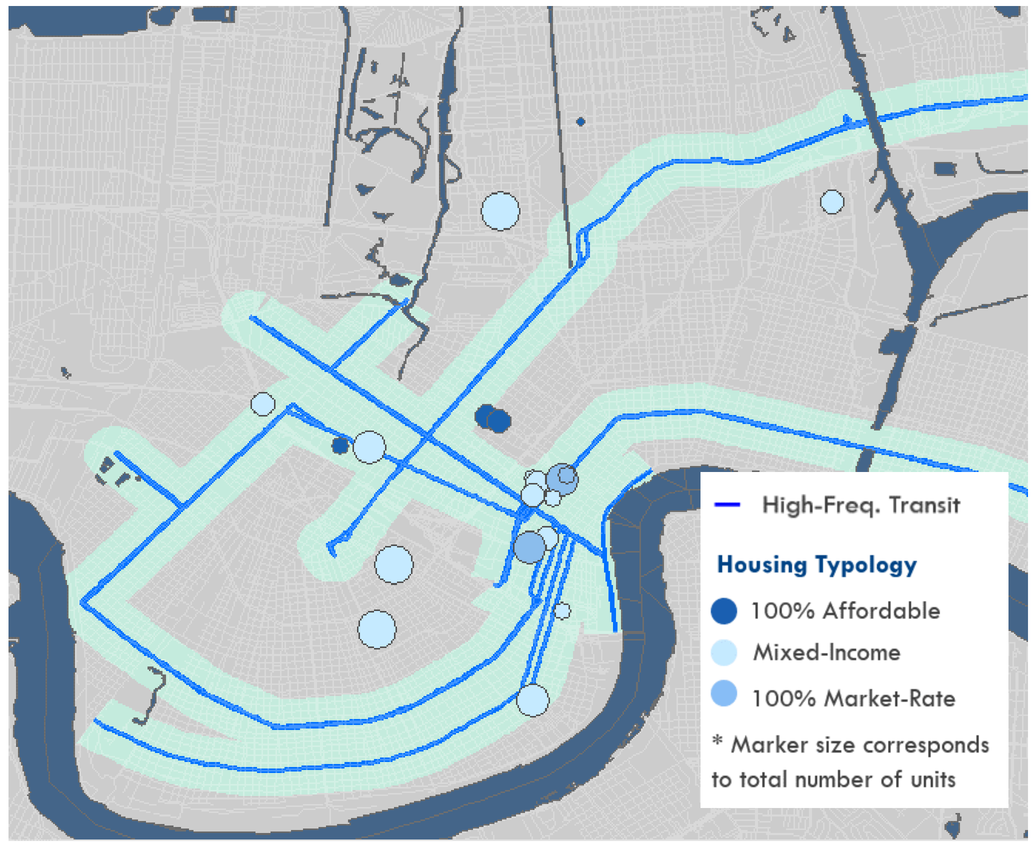


Figure 27. PILOT Locations & Proximity to Transit



- The median duration of Residential PILOT benefits (17 years) extends well beyond that of Mixed-Use (12 years) and Non-Residential projects (11 years). Including projects that contain Public Housing, the median duration (24 years) of Residential PILOTs is more than double that of non-residential uses, the result of standard 30-year deal terms for Public Housing-containing projects (see Figure 28).
- As shown in Figure 29, the breakeven threshold for Residential PILOT deals exceeds 100%, meaning that the City forgoes more in tax revenues than it can expect to bring in via future fiscal benefits associated with each project. While Residential PILOT projects may not seem fiscally rational under this metric alone, it is important to also consider that PILOT has been effective in supporting the construction of new affordable housing since Hurricane Katrina, and the City might find it in their best interest – fiscally or otherwise – to incur future revenue losses for the benefit of advancing affordable housing production in New Orleans.

Figure 28. Duration of PILOT Benefits by Asset Class

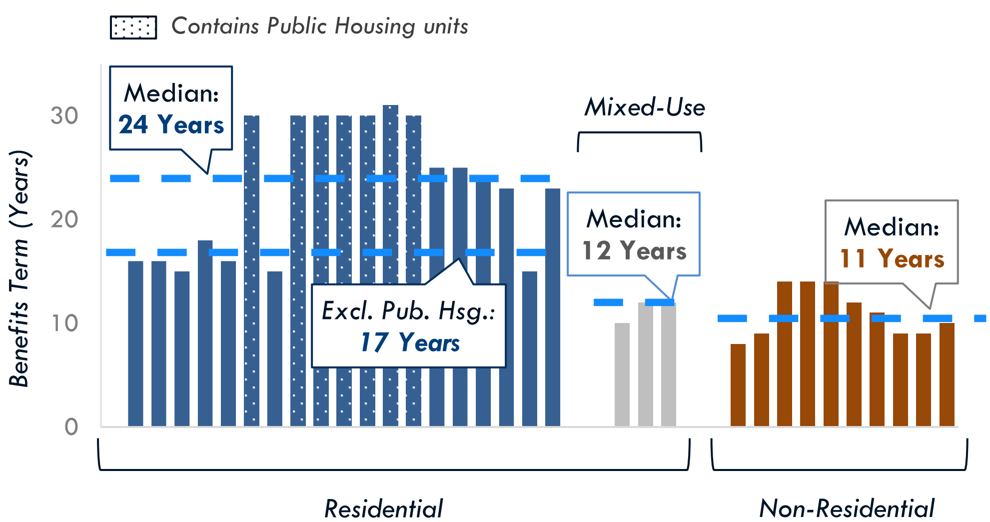


Figure 29. Breakeven Summary - Residential PILOT Deals

	100% Affordable	100% Market-Rate	Mixed Income
Cost to the City (PV)			
Property Tax Revenues	$5M	$4M	$54M
÷			
Benefits to the City (PV)			
Property Tax Revenues	$0.7M	$2M	$8M
Sales Taxes from One-Time + Perm. New Activity	$3M	$2M	$26M
=			
Breakeven	117%	99%	156%

Implications for Affordable Housing

- With the 15-year anniversary of Hurricane Katrina quickly approaching, many members of the housing community have voiced concerns that much of the affordable housing stock built in the storm's aftermath will similarly soon be entering its 15th year, a pivotal year for many developments whose affordability terms were set to an equivalent duration. This is particularly true of units built using the extra Low Income Housing Tax Credit (LIHTC) allocations granted to the City of New Orleans after Katrina. There are currently some 11,000 LIHTC units in New Orleans, exceeding the total number of public housing units in the city, many of which have been replaced with mixed-income developments financed, in part, by LIHTC and PILOT.[20] The City estimates that nearly 5,000 affordable units subject to 15- or 30-year terms under LIHTC are set to expire over the next fifteen years.

- For PILOT deals executed over the last ten years, the duration of affordability ranged anywhere from 8 years to 99 years, exceeding the duration of PILOT benefits in all but one instance. In the sole instance for which the affordability term was set lower than the benefit period, the expiration of affordability was instead determined by the parameters of the project's New Markets Tax Credits (NMTC) allocation, which comes with a 7-year compliance period. In total:

    - For 11 PILOT projects representing 49% of all affordable units, the affordability term was set longer than the PILOT term
    - For seven projects covering 46% of all affordable units, the affordability and deal terms were equivalent.
    - For one project representing 5% of all affordable units, the benefits period exceeded the required duration of affordability.

RESIDENTIAL PILOT DEAL PROFILES

Mixed-Use

The Paramount at South Market District (2013)
600 S. Rampart Street

- CBD
- 209 market-rate units; 42,700 SF retail
- LEED Silver

Multifamily Residential

Bastion, Phase I
(2016)
1917 Mirabeau Avenue

- Gentilly
- 38 affordable units dedicated to 9/11 veterans

PILOTs and Tax Certainty

- Stakeholders have noted that current property assessment procedures are inconsistent and lack transparency, leading to the increasing need for 'certainty PILOTs' to facilitate new development. Embodying the same sale-leaseback structure as traditional PILOTs, sometimes without the use of revenue bonds, certainty PILOTs offer no benefits in the way of reductions in post-improvement property taxes, and are instead used to infuse predictability into a developer's pro forma by codifying a site's future tax liability using more nuanced methods of determining the site's Fair Market Value (FMV). Such certainty around future tax payments is needed, applicants argue, in order to secure financing for the project. The need to provide certainty PILOTs is a solution to compensate for the unpredictability of underlying issues with the existing assessment procedures.

[20] New Orleans Public Radio, "American Can's Affordable Units are Expiring Now, but Thousands More will Follow City-Wide." January 24, 2017.

- The subject of a recent lawsuit, existing assessment procedures are seen as particularly onerous for new affordable housing developments given the prevailing use of replacement cost or comparable-sales approaches in determining an affordable property's FMV, rather than an income-based approach, which is able to account for the burden of restricted rents on a property's net operating income (NOI). Comparison to market-rate sales comps fails to account for the vast income differential between market-rate and affordable properties. For affordable projects operating with narrow profit margins, the difference in a tax bill calculated using an income-based versus a comparable-sales approach can be what makes or breaks overall feasibility.

- In 2016, Opportunity Homes Limited Partnership, the developer of two-family affordable housing residences across New Orleans, filed suit against the Assessor, arguing that the office overvalued its properties by relying on sales comps ill-suited to drawing comparisons between market-rate and affordable properties. The Louisiana Tax Commission, the ruling tax authority for the state, sided with the developer, and the joint suit won at trial. But in Spring 2017, the Fourth Circuit Court of Appeals in New Orleans reversed the decision, arguing that "a plain reading of the statute supports the Assessor's position that he may use any of the three (3) generally-accepted methodologies in assessing affordable housing."21 In recent years, proposed laws to clarify FMV assessments have twice been introduced and summarily killed in the State legislature– the first a 2014 bill that would have favored assessors' discretion, the second a 2015 bill that would have favored developers.

Commercial

- Since 2007, PILOT has spurred the construction of new stand-alone commercial space, including hotel, office, retail, industrial, and parking uses. Taken together, eight Commercial PILOT deals have driven $261 million (2016$) in investment, at a total cost to the City of $36 million (PV), or $5 million per deal.[22]

- Commercial PILOT deals have resulted in approximately 1,400 new permanent on-site jobs. These jobs paid $37,200 per year, on average, just 60% of the citywide average of $62,000.

- The average cost to the City per job varied significantly across Commercial projects – from a low of $6,100 to highs exceeding $200,000. The cost-per-job metric is highly sensitive to type of use, with retail projects having considerably lower costs per job and industrial uses, which tend to have far lower employment density, among the highest.

- While PILOT deals have resulted in a greater number of jobs per deal, RTA has been more effective in advancing quality job growth overall, producing more than twice the number of jobs at higher average wages and a lower cost to the City as compared to PILOT (see Figure 30).

Figure 30. RTA vs. PILOT Employment Outcomes

	RTA	**PILOT**
Total Perm. Jobs, All Uses	**3,970**	**1,750**
Average Annual Wage (2016$)	**$44,300**	**$36,750**
*Average No. Jobs per Deal**	**45**	**175**
*Average Cost per Job (PV)**	**$9,200**	**$25,700**

[21] Errol G. Williams, Assessor, Parish of New Orleans versus Opportunity Homes Limited Partnership and Louisiana Tax Commission, Appeal from Civil District Court, Orleans Parish.

[22] "Commercial" uses as defined here excludes Mixed-Use and Non-Profit (i.e., school) projects.

- As shown in Figure 31, Commercial and other Non-Residential projects result in positive fiscal returns to the City, with a breakeven ratio of 37%, driven by increased visitor spending associated with new hotel development. When hotel uses are excluded, the Commercial class performs much less favorably, with a breakeven ratio in excess of 100%, meaning they cost the City more in forgone tax revenues than what they can reasonably be expected to provide in terms of future fiscal benefits.

Figure 31. Breakeven Summary - Commercial PILOT Deals

	Non-Residential	Mixed-Use
Cost to the City (PV)		
Property Tax Revenues	$39M	$7M
÷		
Benefits to the City (PV)		
Property Tax Revenues	$20M	$7M
Sales Taxes from One-Time + Perm. New Activity	$7M	$4M
Taxes from New Visitors	$78M	n/a
=		
Breakeven	37%	64%

NON-RESIDENTIAL DEAL PROFILES

Industrial

Starlight Studios (2016)
13701 Gentilly Road

- New Orleans East
- Two stages, 45K SF

Hotel

Hyatt Regency (2010)
500 Poydras Plaza

- CBD
- 1,193 keys, helping restore room inventory lost during Katrina

Program Administration

Stakeholders offered the following perspective on the current administration of PILOT, sharing the following themes:

- There was general agreement among stakeholders that the approach to evaluating and awarding PILOT benefits could be more transparent and predictable. Additional efforts can be taken to ensure that IDB decisions are tied to overall economic development objectives and that subsidies drive towards the City's greatest strategic priorities in the most efficient manner.

- Stakeholders noted that the required third-party cost-benefit and but-for analyses could be re-tooled to ensure greater alignment with City priorities. The cost benefit analysis seeks to determine whether the tax benefit provided will result in an overall benefit to the City, while the but-for test measures the financial need for the level of abatement requested. Existing evaluation procedures do not provide a means of prioritizing between projects or provide established benchmarks against which new projects can be evaluated vis-à-vis past program performance. Applicants are expected to bear the costs of the analyses up-front, having received little indication of whether their application will ultimately be allowed to move forward. Stakeholders have noted that the high costs associated with required analyses – in addition to sizeable legal fees – may be cost-prohibitive for small businesses and emerging developers seeking to gain a foothold in the New Orleans real estate market.

- Stakeholders feel as though the IDB could operate with more accountability to the public and/or the elected officials who appoint its Board. In addition, tax-collecting bodies, most notably the school boards, could be included at the table more often when key decisions affecting their future revenue capacity are being made.

Recommended Improvements to PILOT Program

PILOT, in combination with other local, State, and Federal sources, is an effective tool for leveraging affordable housing creation in New Orleans. To improve outcomes going forward, the program should be repositioned to address additional policy objectives, while simultaneously working to improve program transparency, accessibility, and accountability.

PILOT-1: Set clear program mandate. In conjunction with the City and relevant stakeholders, codify the IDB's organizational mission and set clear program objectives, aligned with broader City policy goals for incentive use. Focus IDB efforts on facilitating large, catalytic development projects that fundamentally grow the economy and make New Orleans a more attractive place to live, work, and do business. Set actionable goals tied to this mission and other key City policy goals, such as the growth of targeted industries, activation of key commercial corridors, and development of transit-accessible affordable housing in Opportunity markets. Operationalize new program objectives by devising new benchmarking metrics to track progress towards each.

PILOT-2: Define roles and responsibilities and improve coordination with other City entities. Clarify the roles and responsibilities of the IDB vis-à-vis other relevant stakeholders. Leverage other local public-private economic development entities such as the New Orleans Business Alliance (NOLABA) to consolidate incentives management. NOLABA should coordinate the production of program guidelines and evaluation procedures in close collaboration with the IDB, retaining the IDB to implement new guidelines as the administrators of PILOT. As described further in the Strategic Framework section of this report, such a structure would be consistent with a recent City ordinance that codified NOLABA's role as the primary point of contact for business attraction, retention, and workforce development efforts in New Orleans in an effort to consolidate the management of incentives to provide consistency and predictability for developers while remaining consistent with existing State law governing the IDB's authority.[23]

[23] On September 28, 2017, the City the Council passed an ordinance authorizing a Cooperative Endeavor Agreement between the City of New Orleans and NOLABA for the development and implementation of a new business model for economic development.

PILOT-3: Repurpose cost-benefit and financial tests to directly evaluate project economics and ability to deliver against City policy goals. Enhance the current cost-benefit analysis required as part of the application process with an evaluation fundamentally tied to a wider range of City policy objectives.[24] An amended deal evaluation template, such as that recommended in the Strategic Framework section of this report, could be used to facilitate initial deal assessment. The evaluation template should enable the calculation of key metrics for each deal, including projected cost per job or housing unit, leverage or gap financing ratio, and breakeven threshold. The template should also enable City staff to project the full costs and benefits of each deal to the City of New Orleans, as well as to other public entities (Orleans Parish School District) and public funds (Business Attraction and Expansion Fund, Industrial Development Board coffers), as well as facilitate comparisons of key metrics across and within programs.

The City should also undertake an exercise to devise a new methodology for assessing financial feasibility, made to include an evaluation of the level of incentive needed in order to advance key program objectives, such as the delivery of affordable housing or creation of new quality jobs.

PILOT-4: Establish program guidelines to improve transparency, outlining clear parameters for when deviations from such guidelines may be sought.

Set new program guidelines that:

- Standardized a series of guidelines for incentive amount and term by project type.
- Acknowledge that deviation should be allowed under prescribed circumstances. Rather than serve as a straightjacket, guidelines should allow for deviation under certain conditions – particularly when projects deliver significant public policy goals – provided such deviation is within an agreed-upon framework and the program administrator seeks to maintain consistent application across the program.

PILOT-5: Projects seeking certainty PILOTs should remain subject to the same baseline program requirements as other PILOT applicants. The City should continue to investigate reforms to property assessment procedures to improve their efficacy and predictability and limit future need for certainty PILOTs.

PILOT-6: Utilize PILOT to grow target industries and employment centers. New Orleans's incentives portfolio currently lacks tools to attract new commercial enterprises and grow local industry. The PILOT program could be deployed more strategically to prioritize quality job growth by targeting high-potential industries and supporting target employment centers for commercial growth, including through the dedication of a portion of application and annual IDB administrative fees to the Business Attraction and Expansion Fund.

PILOT-7: Assess governance procedures to increase accountability. Consider establishing formalized procedures for engaging other local taxing entities in the decision-making process while safeguarding the expediency of individual project negotiations. Columbus, OH, for example, provides advance notice to all impacted taxing jurisdictions, reserving the need for consent for instances in which the total abatement rate rises above 75%. The State of Ohio further stipulates that permission be granted automatically should a formal opposition fail to be lodged within 30 days of notification.

New Orleans should consider the introduction of pre-arranged agreements with local School Boards to determine how PILOT redirections should be handled, ensuring that such agreements are applied consistently across the City's incentives portfolio to limit the need for negotiating the parameters of each individual deal.

PILOT-8: Expand program accessibility. Introduce sliding fee scales for application, administration, and closing costs based on project size to enhance program accessibility. Eliminate cost-benefit analysis from application process to reduce redundancies, instead utilizing the repurposed financial test and the scorecard described in the PILOT-3 recommendation above and the Strategic Framework section below to determine alignment with strategic program objectives.

[24] For further detail on existing evaluation procedures, refer to the IDB's website.

RENTAL HOUSING PROGRAM

The Rental Housing Program (RHP) is a local incentive program that utilizes federal and local dollars to provide gap financing for affordable housing development in New Orleans. RHP usually forms one part of a large capital stack of public and private dollars within a given affordable development. One major source of leverage for RHP is the Low-Income Housing Tax Credits (LIHTC) that are provided by the Louisiana Housing Commission (LHC). RHP has also been used in conjunction with PILOTs, project-based vouchers, historic tax credits, Restoration Tax Abatements, and numerous other sources that help make affordable housing development economically feasible in a city with rising costs of living.

RHP differs from RTA and PILOT in that its goal is explicitly to subsidize affordable units to meet the need for quality housing for low-income families, rather than to create a fiscal return for the City or stimulate general real estate development. The benefits of the program are therefore measured in its efficiency and effectiveness in ensuring the availability of affordable units to New Orleans residents over time.

Structure & Requirements	
Mechanism + Process	• Administered by the Mayor's Office of Community Development • Reimbursable grant awarded on a competitive basis to projects meeting affordability criteria • Primary funding sources are federal (HOME, CDBG) and local (NHIF)
Terms	• Varied, addressing reimbursement of costs for acquisition, new construction, rehabilitation, and/or soft development costs. • All subsidized units must be 80% Area Median Income (AMI) or below.
Affordability Requirements	• For projects rehabilitating an existing building, the length of affordability period is based on federal HOME guidelines and lasts between 5 and 20 years depending on the amount of subsidy requested per unit: <$15,000 per unit = 5 years; $15,000-$40,000 per unit = 10 years; >$40,000 per unit = 15 years • New construction or acquisition of new housing requires 20 years of affordability

RHP Deal Overview

There were **41 RHP projects** approved between 2007 and 2016.[25] Three of these projects were excluded from analysis based on a lack of essential information, and one was excluded because it was a tenant-based rental assistance program that produced no permanent units. This analysis focuses on 37 projects, representing **a total of $42 million in City investment** (2016$) and a **1:8 leverage ratio** of public to private dollars for **a total investment of $400.9 million.**

RHP deals produced **1,989 affordable housing units** at an **average cost to the City of $23,318 per unit** (2016$).

The average RHP unit was **priced at 53% AMI**, and 72% of RHP units were within one-quarter mile of high-frequency public transit, outperforming other incentive programs on access to transit for populations in affordable housing.

[25] Three of these projects were excluded from analysis based on a lack of essential information such as AMI levels, and one was excluded because it was a tenant-based rental assistance program that produced no permanent units.

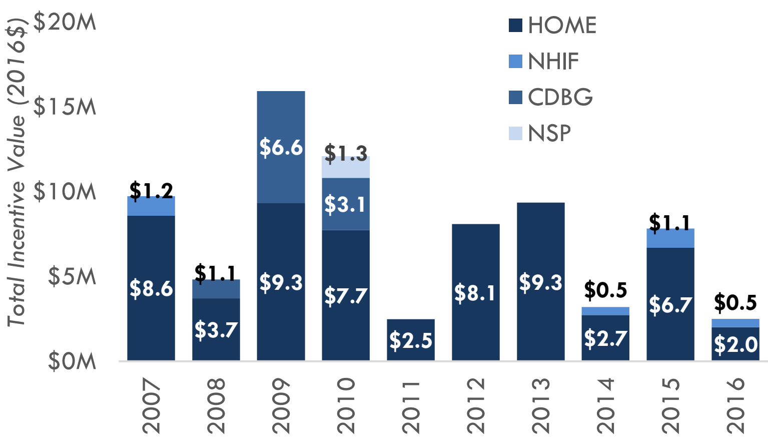
RHP Funding Sources and Expenditures

RHP is funded by federal sources received by the City, including HOME and CDBG dollars, as well as the Neighborhood Housing Improvement Fund (NHIF), a local housing trust fund dedicated by voters as a millage.

As shown in Figure 24, decreasing amounts of federal funds, and the repurposing of CDBG dollars to other municipal uses after 2010, have caused a decline in the dollars available to RHP. The increasing use of NHIF dollars to support affordable rental housing has helped the program create additional units in recent years.

Annual RHP expenditures tend to vary partially due to coordination with state LIHTC timelines, which often do not coordinate neatly with an annual calendar.

Figure 32. RHP Expenditures by Source Over Time



Determinants of Cost to the City[26]

The cost of a single affordable unit to RHP is most strongly correlated with two particular factors: the size of the project, and whether the project is also leveraging LIHTC dollars, as shown in Figures 33 and 34 at right. These two factors are related, because the LIHTC application criteria tend to reward larger projects and the application process is overly complex for a small project to undertake. On average, projects without LIHTC required approximately $30,000 more in funding per unit from RHP than projects with LIHTC dollars ($47,150 per unit versus $18,400, respectively). In addition, smaller projects also tend to require greater subsidy on a per unit basis due to higher per unit costs from more limited economics of scale and, in some cases, the nature of infill development for single-family projects bundled as a single project.

In recent years, OCD has intentionally adjusted its timeline and processes to enable local developers to leverage LIHTC funds. The state-level LIHTC application process has unpredictable timelines and the evaluation period can be lengthy, which makes it difficult for OCD to commit a large percentage of time-constrained federal dollars to projects that did not yet have a LIHTC commitment. However, projects that have a commitment from OCD are much more competitive for LIHTC dollars. Today, OCD tends to focus locally-generated NHIF funds on LIHTC projects, because NHIF funds do not have the same restrictive timeline for expenditure as federal HOME and CDBG dollars. However, HOME and CDBG have been successfully used to leverage LIHTC as well.

Figure 33. Cost to RHP per Affordable Unit by Project Size

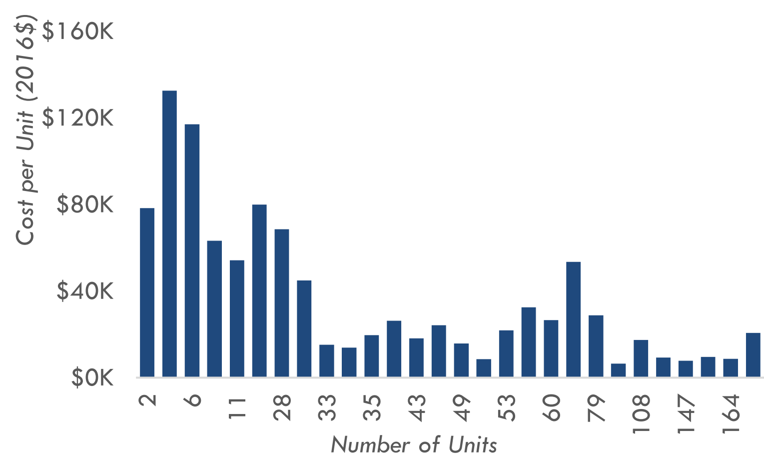


Figure 34. LIHTC-Leveraged vs. Non-LIHTC Projects

	LIHTC	Non-LIHTC
Average RHP Funding Per Unit (2016$)	**$18,400**	**$47,150**
Average Leverage Ratio	**1:10**	**1:5**
Average Afford. Units per Project	**81**	**34**

[26] For the purposes of this analysis, federal dollars expended on RHP are still considered to be an opportunity cost to the City because these funds could have been used for other housing-related or non-housing-related purposes.

Other factors, like the project's location in a particular market type, did not have a consistent impact on the amount RHP needed to spend to produce an affordable unit.

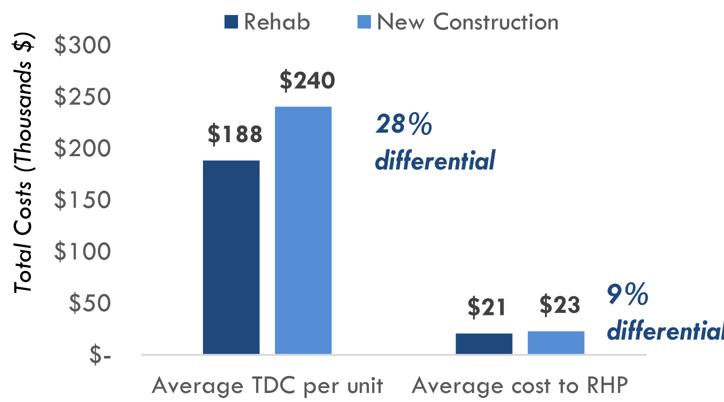
Analysis also shows that RHP pays a nearly equal amount to subsidize units in rehab projects and new construction projects, when new construction units are significantly more expensive to build than rehab units (see Figure 35).

One potential hypothesis is that rehab projects may not be taking advantage of other available incentives, like RTA and state and federal Historic Tax Credits (HTCs). RHP project applications and documentation from 2007-2013 have few consistent details about sources of leverage, but our team was able to check the RTA database against the RHP project list and draw some tentative conclusions.

- RTA has been used successfully as a source of leverage for RHP, but only seven of 23 RHP-funded rehab projects used RTA as an additional source of funding during the study period. While not every rehab project is necessarily eligible for RTA, there is an opportunity for OCD to ensure that projects for which RTA is an appropriate source are applying for and utilizing the program in order to reduce the usage of scarce housing dollars.

- State and federal HTCs are another important source of funding for rehab projects in New Orleans. Just seven of 23 rehab projects reported using HTCs. Because of the limited data in earlier-period OCD applications, this study does not provide a conclusion on whether eligible projects fully utilized HTCs. However, OCD should also continue to ensure that projects eligible for state and federal HTC funds are applying for and receiving these credits.

Figure 35. TDC and RHP Subsidy for Rehab & New Const.

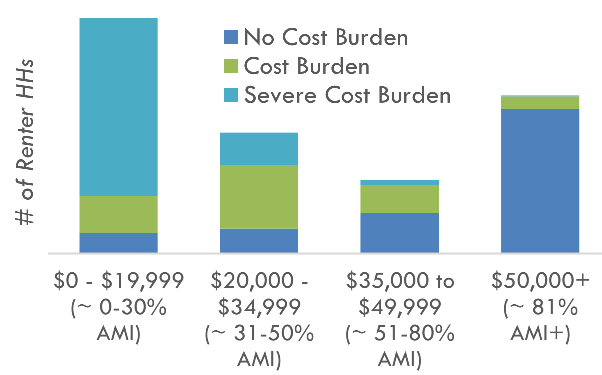


Role of RHP in Meeting New Orleans' Housing Needs

The City and HousingNOLA have been working to track the need for subsidy in New Orleans's rental market by examining the number of "cost burdened" (30-49% of household income spent on gross rent) and "severely cost burdened" (50% or more of household income spent on gross rent) households.

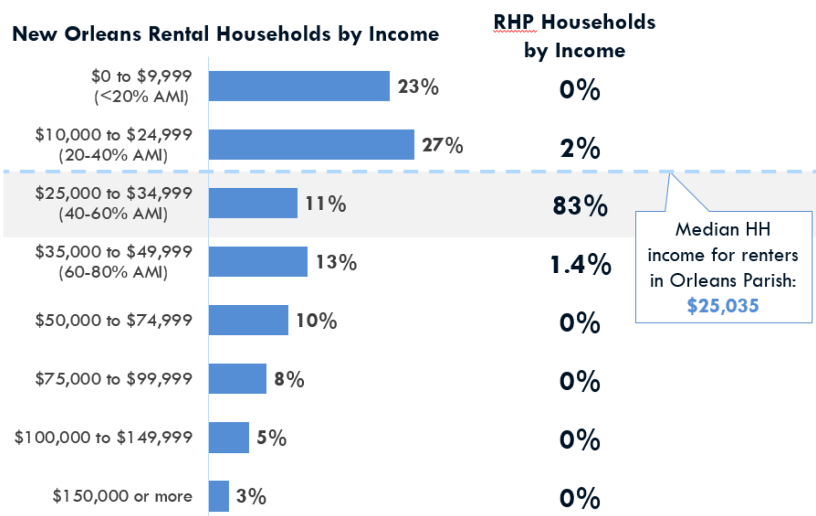
Based on Figure 36, it is clear that there is a strong need for additional affordable housing options for renters below 80% AMI, and that the severity of cost burden is worst for renter households at the lowest income levels. Households earning between $0 and $19,999 per year are the most likely to suffer from severe cost burdens (76% pay more than half of their income in housing costs). This population also makes up nearly half of New Orleans' renters. Households earning $20,000 to $34,999 are still predominantly cost-burdened (80%) but their challenges are less severe (just 27% are severely cost burdened). Forty-five percent (45%) of households earning $35,000 to $49,999 are cost burdened, but very few are severely cost-burdened.

Figure 36. Cost Burden by Renter Household Income



As shown in Figure 37, between 2007 and 2016, the RHP has predominantly served households between 40% and 60% AMI, or approximately $25,000 to $34,999. This is just above the 2016 median household income for renters in Orleans Parish ($25,035). One of the drivers for the number of units serving residents at 50% to 60% AMI is the program requirements of LIHTC, which caps income levels served at 50% or 60% AMI depending on the total percentage of affordable units in a project. Because 80% of renters in this category are cost-burdened, there is clearly a need for additional affordable options at this income level, and these units are meeting this need. Because the most severe cost burdens are experienced by households at the 0-30% AMI levels, it is useful to consider whether RHP should look to serve lower-income individuals as well.

Figure 37. New Orleans Rental Households versus RHP Households by Income



There are other sources of funding that focus on serving extremely low-income renters, such as public housing vouchers. However, the large waiting list for vouchers (21,000 households, according to HousingNOLA's 2017 Annual Report Card) shows that there is still a need for other sources to serve these extremely low-income renters as well. From developers, we heard that it would be difficult for a one-time grant funding source like RHP to provide enough up-front subsidy to compensate for the significantly reduced cash flow from residential units serving residents at 0-30% AMI. A preferable option could be to continue focusing on RHP as a leverage source for LIHTC dollars at 50-60% AMI, and to examine PILOT or other options that offer ongoing financial relief in order to encourage additional development of housing for extremely low-income residents.

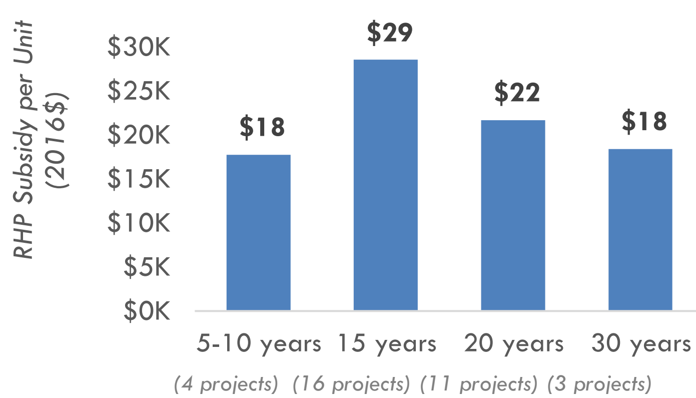
Measuring the Benefits of RHP

The 37 RHP projects analyzed have produced 1,989 affordable units at an average of 53% AMI over the course of the study period. At a fundamental level, the number of units produced and depth of affordability are good base indicators for RHP's success in meeting its stated goals. Additional indicators can also help paint a more nuanced picture, including length of affordability period, proximity to transit, and project geography.

Affordability Period

While the RHP program currently follows HOME guidelines that require longer affordability periods for projects with greater per-unit subsidy requests, longer affordability periods did not correlate with higher amounts of per-unit subsidy from RHP over the course of the study period, as shown in Figure 38. For example, developments that are affordable for 30 years received similar per-unit subsidies to projects that are affordable for 5-10 years. This may be partially because of the small sample size of 5-10 year and 30-year projects within the study period. It also relates to the fact that RHP's most stringent affordability period requirements for the largest per-unit funding requests are 15 years (for rehab projects) and 20 years (for all new construction projects), aligned with affordability terms for LIHTC deals.

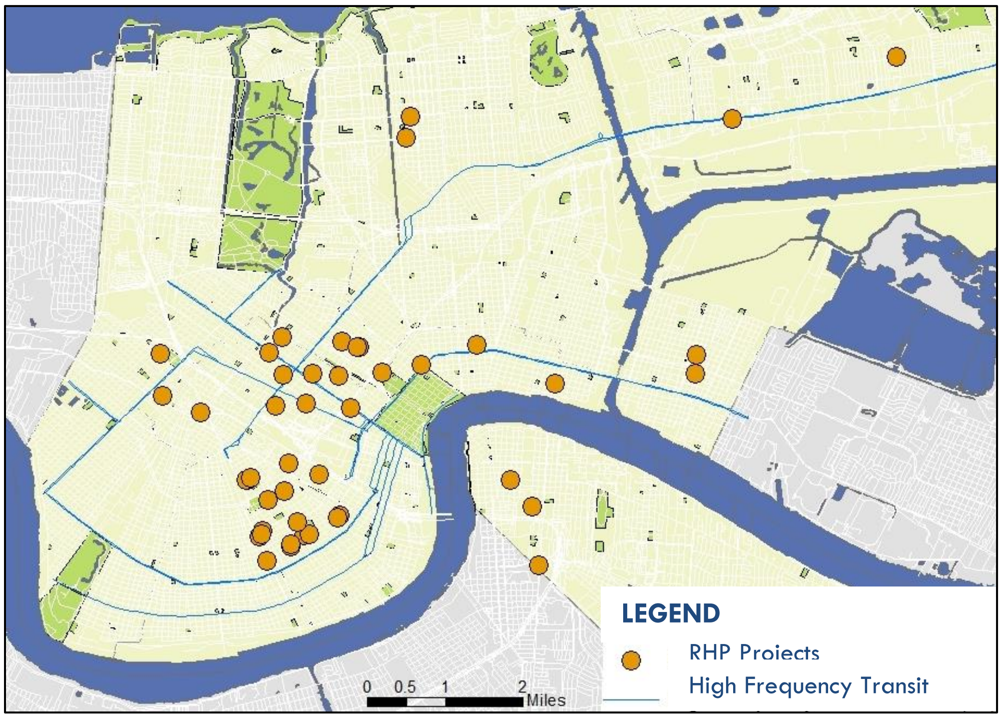
Figure 38. Subsidy per Unit by Affordability Period



Proximity to High-Frequency Transit

One of RHP's evaluation factors on the application is the level of proximity to transit, and the results are clear: 72% of RHP projects are within a quarter-mile of high-frequency transit, as illustrated in Figure 40. This is a larger percentage than PILOT projects and indicates a successful strategy that should be preserved, providing greater access to employment for low- and moderate-income residents.

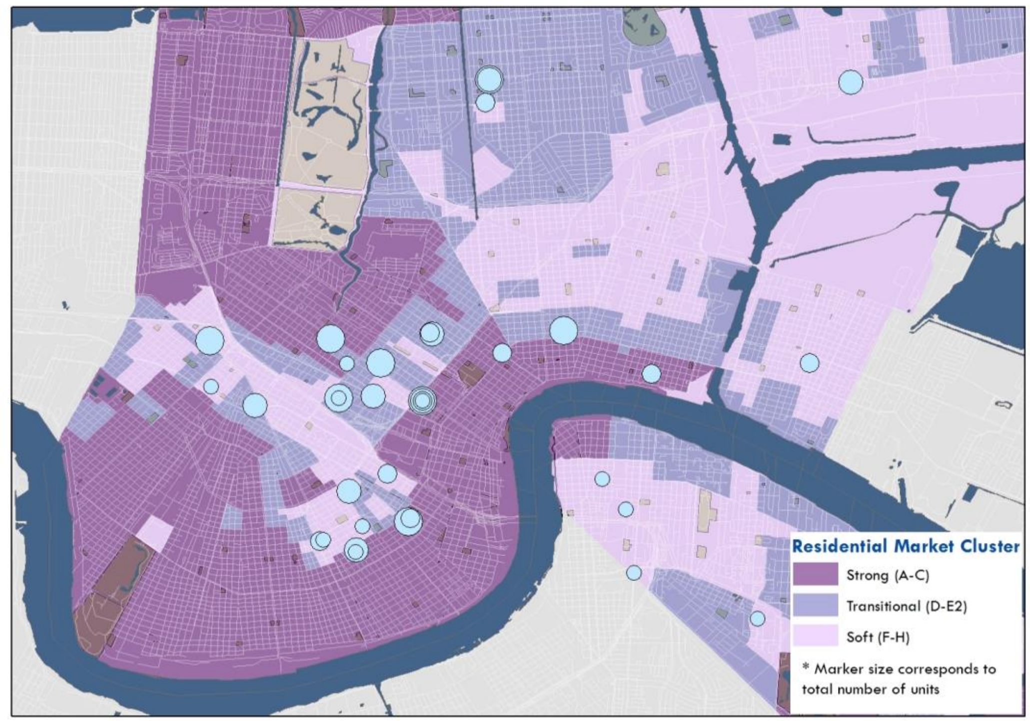
Figure 40. Proximity to High-Frequency Transit



Project Geography

A comparison of RHP projects to the Market Value Analysis (MVA) geographies reveals a fairly even split of projects between market types. Eleven of the 37 projects analyzed (30%) are in strong-market areas; 13 (35%) are in transitional market areas; and 13 (35%) are in soft-market areas. Ongoing monitoring of new projects using the same three market categories, based on a consistently updated MVA, can help support the City's goal of locating more affordable units in high-opportunity areas.

Figure 39. RHP Projects by MVA Cluster



Recommendations

RHP effectively spurred significant affordable housing investment during the study period, especially when it served to leverage State LIHTC dollars. Ensuring that the program is equally effective at leveraging other incentives and subsidies could help make the program even more efficient in the future. In addition, further program transparency, including setting and publicizing project criteria and per-unit benchmarks, can help produce quality applications from developers and improve predictability for applicants.

RHP-1: Improve transparency and predictability. Ensure that NOFAs are released on a **predictable schedule** as much as possible while coordinating with LIHTC timelines. OCD is also currently considering an **all-call** process to encourage developers to submit projects at various stages of development for review and dialogue that will help develop competitive projects for all OCD funding sources; formalizing this process would assist in growing a sense of transparency for developers, especially if combined with a checklist and benchmarks as defined in recommendations RHP-2 and RHP-5.

RHP-2: Create new benchmarks for funding projects. Use the existing average cost of $23,000 per affordable unit as a **benchmark for evaluation** of project proposals; this benchmark should be adjusted based on inflation each year and re-evaluated every 2 to 3 years to ensure continued accuracy and utility. Within the evaluation criteria, create specific guidelines indicating that proposals may vary from this benchmark based on **additional factors that meet the City's policy goals and local housing needs,** such as:

- Does the project serve households at 40% AMI or below, potentially justifying a higher investment from RHP?
- Is the project a small rehabilitation project that helps build local developer capacity and reduce vacancy, potentially justifying a higher investment from RHP?

RHP-3: Add additional standard tracking elements for all RHP projects. The tracking spreadsheet that OCD maintains for all deals includes elements such as the contract amount of funding provided by the City, the number of units in a project, and the federal or local funding source for the dollars allocated to the project. It does not include such items as the **number of units at various AMI levels**; the **bedroom sizes** of units; and the **affordability period** and projected expiration date for affordable units. Tracking these elements as a standard practice will help OCD better monitor its affordable inventory and determine how to meet future housing needs.

RHP DEAL PROFILES

LIHTC Project

Photo credit: Neville Development

George O. Mondy School Apartments
(2015)
2327 St Philip St.

- Historic school rehab: 35 affordable apartments at 50-60% AMI
- Leveraged with LIHTC, HTCs. RTA

Small Affordable Project

Photo credit: Google

Jane Place
(2013)
2739 Palmyra St.

- Rehab of vacant four-unit complex
- Provides three-bedroom family-sized units at 60% AMI

RHP-4: Monitor all leverage sources within project files and track reported changes in leverage over time. In addition to tracking the above metrics related to the nature of the City's affordable inventory, OCD should also track the amount of leverage provided by various sources to each RHP project. This data can be used for ongoing evaluation of the impact of historic tax credits, LIHTC, NMTC, RTA, PILOT, and other sources on increasing the impact of limited RHP funds.

RHP-5: Promote the use of other incentives available to supplement RHP funds. Some projects eligible for RTA and HTC funding may not have taken advantage of these sources in the past, increasing the burden on RHP to fill project financing gaps. OCD should ensure that information regarding federal and state funding sources and incentives is readily available and transparent, and

maintain a consolidated list of available funding sources that developers can consult to ensure they are aware of all available sources of project funding. Currently, OCD is contemplating an **"all call" process** that would enable City staff to review projects in the predevelopment stage. This would be an ideal process to utilize such a list and encourage developers to submit quality projects to RHP.

RHP-6: Weigh the benefits of small projects against the effectiveness of large projects in achieving program goals. Larger projects cost the RHP less per unit, tend to be in stronger-market areas, and leverage more dollars per unit. Small projects can meet policy goals such as building capacity of local developers, but these benefits should be weighed carefully and predictably against the potential to generate more units and years of affordability. OCD should also take an active role in ongoing discussions about changes to the Master Plan and CZO to ensure that larger affordable and mixed-income projects can be permitted in high-opportunity neighborhoods without undue burden on developers.

RHP-7: Extend the NHIF millage and leverage additional sources for NHIF. The Neighborhood Housing Improvement Fund (NHIF) serves as a critical source of local funding in an era of diminished federal resources for affordable housing, and is an important component of RHP's long-term stability. A concentrated campaign should work to gain voter approval for extending the NHIF millage upon its scheduled expiration in five years. In addition, the recent Odeon project model, which incorporated NHIF payments into a PILOT deal, should be explored as a model for bringing additional resources to the NHIF as a balance to market-rate developer incentives.

RHP-8: Continue to advocate for and promote increased LIHTC resource investment in New Orleans. LIHTC is a critical source of leverage that decreases the cost per unit of RHP projects and promotes longer-term investments in affordability. OCD has already reformed their processes and taken steps to ensure New Orleans can secure an appropriate amount of LIHTC allocation, including issuing up-front commitment letters for projects that meet RHP criteria and are proposing to apply for LIHTC, in order to increase these projects' chances of success at the State level. These practices should be maintained, and opportunities to secure a dedicated portion of state LIHTC dollars and to ensure the State's Qualified Action Plan accommodates New Orleans projects should be high priorities in the future.

TAX-INCREMENT FINANCING (TIF)

TIF Overview

TIF refers to a special tax levied or a portion of incremental taxes diverted to raise funds for public infrastructure or other improvements needed in order to enable new development projects in designated districts.

TIF Analysis

All TIF projects in New Orleans to date have focused on sales tax increments (see Figure 41), though the City is also authorized to issue property tax TIFs. Robust quantitative analysis of past TIF deals was not feasible due to the small number of deals as well as confidentiality issues surrounding project-specific revenues.

Structure & Requirements			
Mechanism + Process	• Eligible in federal renewal communities, blighted or recovery areas, and economic development districts • Contingent upon matching State tax increments • Approvals by the Mayor and the City Council	**Maximum Term + Rate**	• Property TIFs only allowed to capture undedicated portion of total millage[27] • 50% of incremental tax revenues, unless TIF would "address multiple priority re-development goals," in which case rates can be altered • Can also include a special tax levied (typically sales) • Terms vary; TIF dedicated to construction or renovation must be no more than 15yrs
Job Requirements	• Projects receiving >$100K in direct financial assistance subject to Living Wage requirements	**Program Requirements**	• Quarterly report to the Mayor and City Council on incremental revenues for businesses within the Tax Increment District • Can "claw back" portion of increment if TIF revenues exceed projections

Figure 41. TIF Deals by Location, 2007-2016

[27] 15.1 out of total 151.78 millage in 2016.

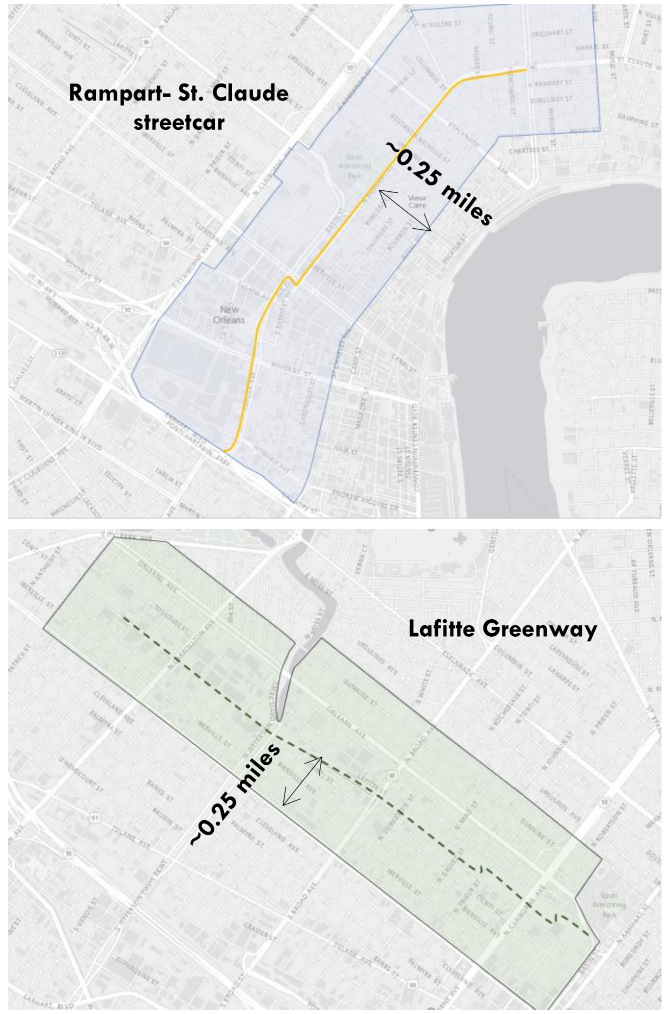
In lieu of historical analysis, the HR&A Team devised a methodology to examine two large-scale capital investment projects implemented or announced over the last ten years – the construction of the Lafitte Greenway and the Rampart-St. Claude Streetcar –, estimating the revenues that could have been realized had a property and sales tax TIF structure been in place. This analysis focused specifically on hypothetical property and sales tax TIFs and the revenues that could have been generated if applied to the construction of the Lafitte Greenway and the Rampart-St. Claude Streetcar. While the Greenway received funding from Disaster Community Development Block Grants and Louisiana Recreational Trails grants and the Streetcar was funded through the combination of U.S. Department of Transportation grants and local bond sale proceeds, the analysis is intended to demonstrate the utility of TIF in funding future capital improvements projects if previously employed revenue streams are not available in the future.

The HR&A Team compared property values and associated tax revenues in the year prior to project initiation, here defined as 2011, with property values, development activity, and associated tax revenues in the years following implementation.[28] Only revenues accruing from the undedicated portion of the total property tax millage were considered, and both projects were further assumed to advance multiple re-development priorities, thereby enabling the capture of the full share of undedicated tax revenues.

Rampart-St. Claude Streetcar

- The restoration of the historic streetcar line along North Rampart Street was completed in October 2016, helping expand the city's frequent transit network to key commercial hubs like the French Quarter and Central Business District and historic neighborhoods like Treme, Marigny, and St. Roch. The Rampart-St. Claude line built on the success of the Phase I streetcar line that launched along Loyola Avenue in 2013 with the help of Federal stimulus funds, an investment credited with more than $2 billion in private development, including much of downtown's South Market District development.[29]

Figure 42. TIF Study Areas



- Development costs for the new streetcar line totaled approximately $120 million across both phases. Had a property tax TIF been established at the time that funding for Phase I was secured (2011), the City could have funded approximately 20 to 25% of total capital construction costs using incremental property tax revenues generated by properties within one-quarter of a mile on either side of the streetcar line. The total tax liability among all properties within the study area increased at a compound annual growth rate of 11% between 2011 and 2016, the latest full-year of tax data available. Under the conservative assumption that this accelerated growth rate reflected the full extent of the infrastructure investment "bump" to be realized, and that the acceleration in property values and new development activity would return

[28] Start year selection partially informed by data availability, with geo-coded data from the Department of Revenue only available as far back as 2011.

[29] *Mayor Landrieu and RTA Celebrate Opening of New North Rampart Street/St. Claude Avenue Streetcar, 10/3/2016.*

to more modest levels in all subsequent years (3% annual growth), the capturable portion of property tax revenues totals $27 million (present value) over the maximum duration of the TIF term (2011-2025).

- Local sales tax revenues from new/pipeline development and major retail renovations within a quarter-mile radius of the streetcar line are estimated to have furnished an additional $27 million (present value) between 2011 and 2025 that could have been purposed towards helping offset a portion of upfront capital costs. Taken together, the two TIF sources – incremental property taxes and sales tax revenues from new development – could have funded nearly 45% of total capital construction costs.

Lafitte Greenway

- The Lafitte Greenway Bicycle and Pedestrian Path is a 2.6-mile linear park and multi-use trail connecting the French Quarter to Mid City via a continuous 12-foot-wide asphalt path. Streetscape improvements such as improved lighting and landscaping, new ball fields, improved drainage, and new sidewalks were also introduced as part of the Lafitte Corridor Revitalization Plan were. The Greenway officially opened in November 2015 following more than $9 million in public investment. Funds for the project were sourced from Disaster Community Development Block Grants and Louisiana Recreational Trails grants.

- Tax collections among properties within a quarter-mile of the Greenway grew at a compound annual growth rate of 10% between 2011 and 2016. Again, assuming a more modest 3% annual growth rate for subsequent years, the total capturable property tax increment would have netted the City nearly $4 million (present value) over a 15-year period, funding more than 40% of upfront capital costs associated with the Greenway's construction.

- Local sales tax revenues collected from new, pipeline, and renovated retail establishments within the study area are estimated to have resulted in an additional $14 million (present value) between 2011 and 2025, bringing total TIF revenues within the Greenway study area to more than $18 million, enough to fully fund the entirety of upfront capital costs plus roughly 15 years of operations and maintenance expenses.

CATALYTIC INVESTMENT PROJECTS

Rampart-St. Claude and Loyola Streetcar

Photo credit: RTA/transdev

Lafitte Greenway

Photo credit: Friends of Lafitte Greenway

Recommendations for Improving the TIF Program

The City has the authority to issue property and sales tax TIFs to help fund public infrastructure and other improvements related to development, a tool it has seldom used to-date. An analysis of property values and development activity around recent catalytic investments suggests that the use of TIF could be expanded to help fund improvements in targeted areas.

TIF-1: Study the feasibility of expanding the use of District TIFs to help fund capital improvements and ongoing operating expenses. TIFs should be used to enable transformative investments – public or otherwise – that have diffuse benefits across multiple property owners. As is already the case, the full increment should only be capturable if the project meets multiple public policy objectives, and care should be taken to ensure that remaining revenues are sufficient to cover the increase in public services costs associated with new development. The City should further examine potential legal hurdles to expanded use of District TIFs, particularly as regards required approvals.

TIF-2: Continue to employ sales tax TIFs where expected to generate significant economic benefit. Retail-focused TIFs should ensure that multiple public benefits are being served, such as bringing expanded offerings to under-retailed areas, providing Living Wage jobs to local residents, and/or contributing to commercial revitalization in disinvested areas.

TIF-3: Leverage the tourist economy to help enhance New Orleans's economic competitiveness. As of January 1, 2016, short-term rentals in New Orleans became subject to the local Hotel/Motel Sales Tax (4%), Hotel Occupancy Privilege Tax ($0.50/night), and an additional assessment ($1.00/night), all of it dedicated to the NHIF. As with leveraging home shares to help address housing affordability, the City should similarly commit to dedicating all or a portion of its eligible share of hotel occupancy taxes collected from traditional hotels within District TIFs to the Business Attraction and Expansion Fund to support the diversification of New Orleans's economy and promotion of quality job growth in target sectors.

IV. Peer City Benchmarking

OVERVIEW

HR&A assessed how other cities use economic incentives to support economic growth and the fulfillment of their own policy goals. For this analysis, HR&A reviewed incentive programs and interviewed economic development staff in Austin, Cincinnati, Kansas City, and Pittsburgh. These cities were chosen based on geography, economic context, and the strength of their incentive portfolios. Austin represents a City that has experienced large population growth and economic development in the tech industry, one of New Orleans's target economic clusters. Like New Orleans, the latter three cities are former industrial hubs currently experiencing an urban renaissance fueled by downtown and inner urban revitalization.

Austin: One of the fastest-growing cities in the United States, Austin has seen its population grow by 174% since 1980, and 20% by 2010. Long known for its arts and music culture, Austin also boasts a growing tech industry due to its combination of incentives, public-private partnerships, and quality of life investments.

Cincinnati: A former industrial hub, Cincinnati had previously struggled to recover from past population loss and grow its economy. In recent years, revitalization efforts in downtown and the historic Over-the-Rhine neighborhood have driven renewed growth and development.

Kansas City: The Great Recession impacted Kansas City's robust manufacturing and telecommunications sectors. After a decades-long decline in population from 1970 to 1990, the city has recently experienced modest population growth and revamped its economic incentive program to creative competitive advantages for businesses and developers.

Pittsburgh: Historically known for its steel industry, and subsequent population and employment decline, Pittsburgh is recognized today for its concentration of educational institutions, including Carnegie Mellon, Duquesne, and the University of Pittsburgh, and its corresponding R&D sector. A robust incentive portfolio has driven revitalization in East Liberty, among other neighborhoods.

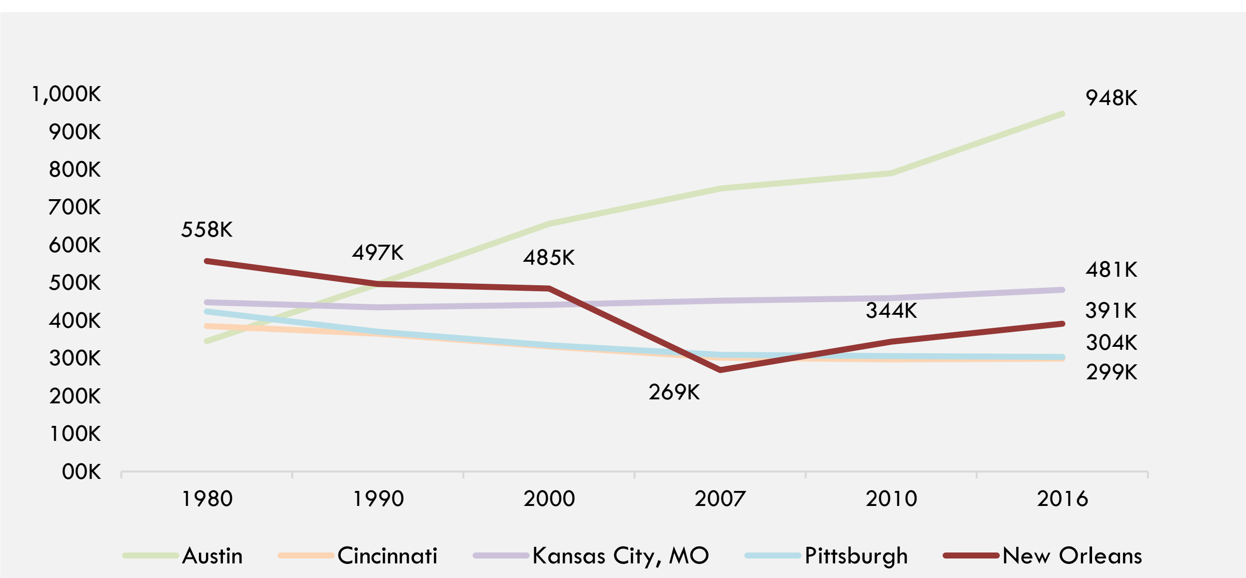
ECONOMIC AND SOCIAL CONTEXT

Population

Similar to Cincinnati and Pittsburgh, New Orleans has seen an overall decline in population since the 1980s. While a portion of New Orleans's historical population loss is due to structural economic shifts, the City's recent population and job losses are due in large part to the devastating impacts of Hurricane Katrina. From 2005 to 2006, in the year following the storm, New Orleans's population declined by 53%.

However, in recent years, New Orleans's recovery has led to significant population increases, on par with population growth in Austin. Since 2007, New Orleans's population has grown by 46%, while Austin's population grew by 26% during this same time period.

Figure 43: Peer City Population Growth, 1980-2016



Industry, Jobs, and Wages

With the exception of Austin, New Orleans demonstrates similar rates of educational attainment at the college level as the other examined cities. However, the industries in which New Orleans is especially concentrated do not offer high-wage jobs. In New Orleans, education services offer the highest paying jobs (among concentrated industries); whereas education services offer the lowest paying jobs among Pittsburgh's concentrated industries. In Pittsburgh, high wages industry, such as Finance and Insurance, balance lower-wage education jobs.

	% of Pop. w/ Bachelor's	Top Industries by Location Quotient (2016 Avg. Wage)
New Orleans	20%	-Educational Services ($54K) -Accommodation & Food Services ($30K) -Arts, Entertainment, and Recreation ($32K)
Austin	31%	-Professional, Scientific, and Technical Services ($103K) -Information ($108K) -Real Estate ($62K)
Cincinnati	21%	-Management of Companies and Enterprises ($125K) -Finance and Insurance ($99K) -Health Care and Social Assistance ($65K)
Kansas City	21%	-Management of Companies and Enterprises ($106K) -Professional, Scientific, and Tech. Services ($98K) -Finance and Insurance ($97K)
Pittsburgh	21%	-Educational Services ($52K) -Management of Companies and Enterprises ($142K) -Finance and Insurance ($99K)

* Zip-code level data aggregated at the city level. Other data drawn from city-level data provided by the U.S. Census Bureau. Sources: ACS 2015 1-year estimates; EMSI 2016.

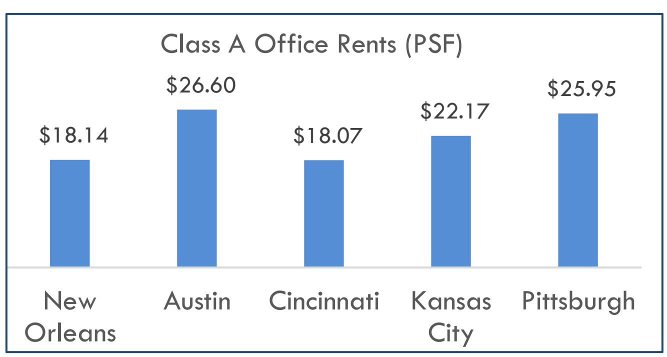
Unemployment in New Orleans (5.4%) is on par with Pittsburgh (5.2%) and remains higher than Kansas City (4.4%) and Cincinnati (4.6%).[30] At 3.4%, Austin boasts the lowest unemployment rate of peer cities. While unemployment in New Orleans has reached post-Recession lows, the City continues to struggle with growing income inequality. According to a 2016 Brookings Institute report, between 2013 and 2014, household incomes in New Orleans for residents in the top 95Th income percentile grew by 5%, while incomes for residents in the bottom 20th percentile declined by 8%. (Between 2007 and 2014, incomes declined by 3% and 26%, respectively).[31] Gini coefficients, which also provide a measure of income inequality, place New Orleans highest for income inequality among peer cities, with a .56 coefficient compared to Kansas City (.47), Austin (.49), and Cincinnati and Pittsburgh (both .54).[32]

Property Value and Commercial Development

Compared to peer cities, New Orleans boasts higher than average residential land and home prices. The city's higher-than-average land and home values should indicate a destination residential market, but low wages and a weak office market demonstrate the city's ongoing struggle to attract new business and quality jobs. Between 2014 and 2016, only 22,400 square feet of Class A office space delivered in New Orleans, a small proportion of the amount of delivered in peer cities: Austin (4.7M sf), Cincinnati (1.4M SF), Kansas City (1.4M SF), and Pittsburgh (1.5M SF).[33]

	MSA Land Value Ranking*	MSA Home Price Ranking*
New Orleans	89	92
Austin	99	110
Cincinnati	111	131
Kansas City	151	150
Pittsburgh	167	179

*Ranked 1-218, with 1 being the highest. Sources: Metropolitan Land Values and Housing Productivity 2005-2010.



30 August 2017, Bureau of Labor Statistics.
31 "City and Metroplitan Inequality on the Rise, Driven by Declining Incomes," Brookings Institute. Jan. 2016.
32 2015 1-Year Estimates, American Community Survey. Data based on the Gini Index as calculated by Social Explorer. A Gini coefficient of 0 represents perfect income equality and 1 represents perfect inequality.
33 CoStar Data Analytics. 2017.

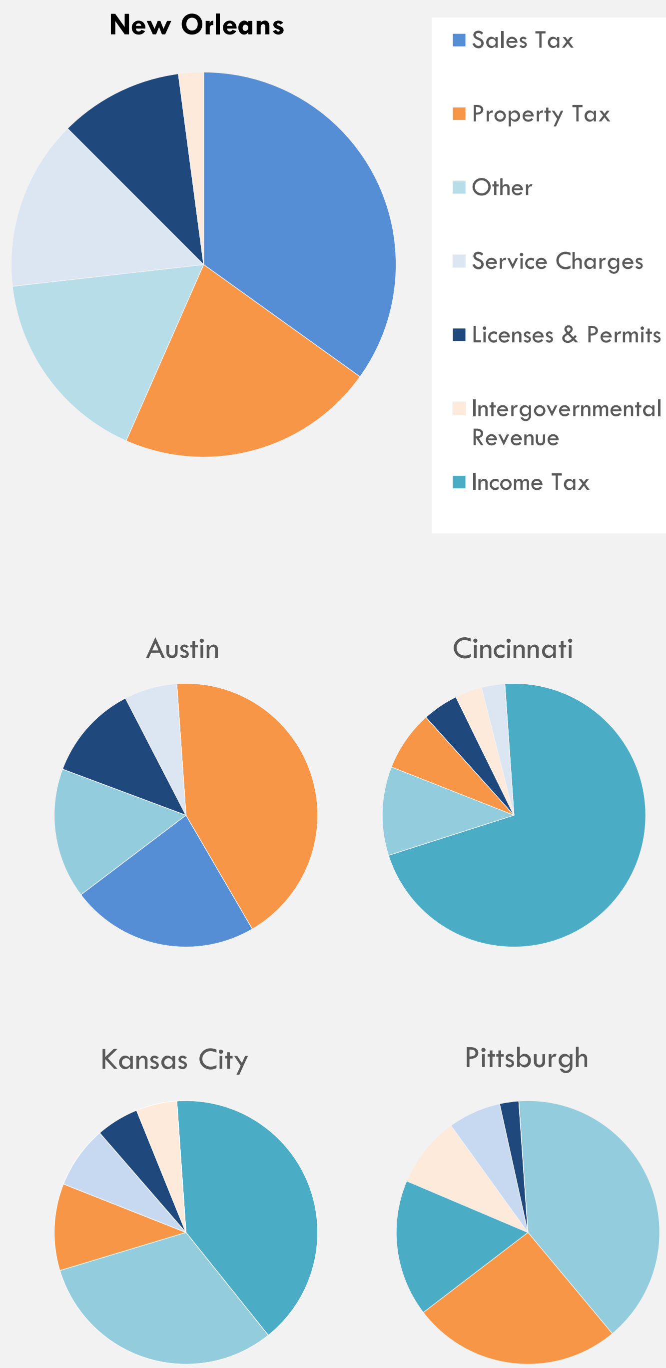
Incentive Programs

While peer cities use similar economic development tools as New Orleans— property tax abatement, business loans, TIF— the emphasis of each program varies within the larger economic development portfolio.

Each city's economic development toolkit is driven in part by the revenue sources that support their General Funds. In Austin, New Orleans, and Pittsburgh, property tax revenues are a primary source for the General Fund. However, in Cincinnati and Kansas City, income tax represents the majority of General Fund revenues. When combined with the unique State regulatory environment and policy priorities of each city, New Orleans's peers demonstrate a diversity of economic development tools and approaches.

	Incentives
New Orleans	• Business Loans/Grants • Housing Loans/Grants • Property Tax Abatement • TIF
Austin	• Business Loans/Grants • Housing Loans/Grants • TIF (less common)
Cincinnati	• Housing Loans • Earnings Tax Abatement • Property Tax Abatement • TIF • Voluntary Tax Incentive Contribution Agreement
Kansas City	• Bond Financing • Property Tax Abatement • TIF
Pittsburgh	• Business Loans • Housing Loans/Grants • Property Tax Abatement • TIF • Venture Capital Fund

General Fund Revenue Sources Adopted FY17 Budget



AUSTIN

Administrative Organization

Austin's Economic Development Department ("EDD") is divided into five primary divisions: Global Business Expansion; Small Business; Cultural Arts; Redevelopment; and Music and Entertainment. The Global Business Expansion division is the main entity charged with determining incentives to spur employment growth and real estate development. Under Chapter 380 of the Texas Local Government Code, the EDD is authorized to propose incentive programs for a given project, but the City Council must approve incentive proposals. A separate City department, Neighborhood Housing and Community Development, is responsible for administering homebuyer and rental assistance, as well as technical assistance for small and minority-owned businesses.

Incentive Program Application

Unlike New Orleans and other peer cities, the City of Austin rarely uses tax abatements as an incentive tool, and instead relies primarily on grant and loans to form incentive packages. Loans (often reserved for capital-intensive projects) and grant programs are performance-based with stringent job creation and investment schedules. Grants are most frequently used to negotiate with large enterprises looking to locate in Austin. Tax increment financing has not been a commonly used tool to-date.

Prior to presenting a given package to the Austin City Council, the EDD evaluates the level of incentive offered based on a scoring mechanism. Projects receive "bonus points" if they achieve various policy goals, including the provision of on-site daycare, the inclusion of green building practices, and job growth in target industries. For business grants, each bonus point awarded corresponds with a percentage increase in the amount of incentive offered to businesses.

In recent years, the City Council has placed emphasis on the socioeconomic implications of proposed projects, requesting that projects demonstrate some level of public benefits, such as investment in the community or assistance for underserved neighborhoods. In 2017, the City Council approved an incentive program for Merck Pharmaceuticals to develop a new tech center. As part of their proposal, the company agreed to apply research conducted at the facility to work with communities in Austin to address public health challenges.

CINCINNATI

Administrative Organization

Cincinnati's Department of Community and Economic Development (DCED) is responsible for administering the City's incentive toolkit as well as tracking jobs data and promoting industry growth through events and specialized workforce trainings. The DCED works on behalf of businesses and developers when coordinating with various City agencies on a development project.

Incentive Program Application

Similar to New Orleans, the City of Cincinnati can turn to a diverse array of economic development programs to incentivize revitalization. The DCED most frequently employs tax abatements and job tax credits, which prioritize new investment and job creation.

Authorized by Ohio Law, Cincinnati's Community Reinvestment Area Tax Abatement (CRA) program can be used to support multifamily, commercial office, retail, industrial, and mixed-use development. The CRA offers up to 100% tax abatement on the incremental value of a project, but property owners must submit a payment in lieu of taxes to the City school district. For firms that create a set number of net new jobs (or a smaller number of high-wage jobs), can receive the Job Creation Tax Credit (JCTC) on their net business profits. JCTC and CRA can be offered a joint incentive package.

Alongside the Residential CRA, Cincinnati uses Homeownership and Rental Development loans to support new and rehab housing projects, with an emphasis on homeownership and affordable housing.

Cincinnati uses project-based TIFs for mixed-use and commercial office development to fund right-of-way improvements and structured parking garages. A complementary value capture program, Voluntary Tax Incentive Contribution Agreement (or VTICA), captures incremental property values to support larger community infrastructure projects, such as transit routes.

In 2017, the DCED has taken steps to update its tools for project evaluation and metrics. Currently, the department is transferring all project data to Salesforce, a decision which has already paid dividends in terms of the time needed to prepare reports and the data available for incentive negotiations.

KANSAS CITY

Administrative Organization

The Economic Development Corporation of Kansas City (EDCKC) is a non-profit agency under contract with the City of Kansas City, Missouri to perform economic development services. A primary liaison between the City, the State of Missouri, business owners, and developers, EDCKC is primarily focused on business attraction and retention and creating opportunity in historically disadvantaged neighborhoods. EDCKC helps structure incentive packages, while the City Council creates governing regulations and relevant City agencies must approve incentive deals.

Incentive Program Application

The EDCKC's primary economic incentive tools are Chapter 100 bond financing and property tax abatements. The City also offers tax increment financing, but due to the high administrative costs, only pursues TIFs for projects worth $5 million or more. To-date, the City has been hesitant to share earned income taxes as part of its incentive portfolio.

Tax abatements are authorized in a variety of geographically based areas, including Urban Renewal Areas, Enhanced Enterprise Zones, and Planned Industrial Expansion Authority Planning Area. Urban Renewal Areas are established by City Council and allow for 100% property tax abatement on the incremented value for up to ten years. Approximately 2-3 Urban Renewal Areas are created each year with footprints that match project- or parcel-specific boundaries. Planned Industrial Expansion Authority Planning Areas provide up to 100% tax abatement for 10 years on the incremental value, with renewal options. These areas are used primarily to incentivize commercial and multifamily developments.

Similar to Austin, the EDCKC scores potential projects to determine the desired level of incentive. As of 2016, the EDCKC has deployed two scorecards, one for residential projects and one for commercial, which evaluate how well a given project aligns with the City's priorities. Projects can fall into one of four categories: Not Recommended, Low Impact, Standard Impact, and High Impact. In 2016, the City Council adopted an ordinance requiring that only projects scored as High Impact or located in a continuously distressed area (based on data from two Censuses) are able to receive a full abatement.

PITTSBURGH

Administrative Organization

The Urban Redevelopment Authority ("URA") is a non-profit economic development agency that works on behalf of the City of Pittsburgh to manage its real estate portfolio (acquisition and disposition), large-scale developments, and housing and economic development functions. Although a legally separate entity, the Mayor's Chief of Staff serves as the URA board chairman to align the work of the URA with City policies.

Incentive Program Application

The City and the URA offer a robust portfolio of programs to incent residential and commercial developments as well as small business growth. While the State administers jobs-based incentives, the URA is focused primarily on local business growth. According to staff at the URA, the City of Pittsburgh was eager to incentivize most any development ten years ago. Today, the URA is exploring new incentive requirements that would align development with larger City objectives. The

Pennsylvania's Act 42 and the Local Economic Revitalization Tax Assistance (LERTA) law authorize municipalities to offer tax abatements in target geographic areas. Act 42 provides by-right tax abatement for owner-occupied housing, while LERTA offers tax credits for large commercial and multifamily developments. The City also offers Act 42 Enhanced, 10-year tax abatements for new construction and for-sale housing in 28 of Pittsburgh's neighborhoods. These neighborhoods were identified based on criteria, including building permit, school performance, and crime data.

There have been 23 project-based or district-wide TIFs in Pittsburgh since State-enabling legislation was passed in the 1990s (many of these TIF areas have since expired). The URA offers loans for small business start-ups and expansion efforts. Similar to New Orleans, Pittsburgh also offers loans for affordable and mixed-income residential projects that leverage HOME, CDBG, and LIHTC to fill funding gaps. Pittsburgh's Revolving Loan Fund and Large Development fund finance market developments and land acquisition, respectively.

ALIGNMENT BETWEEN INCENTIVES & POLICY GOALS

Socioeconomic and Racial Equity (Creating Opportunity Neighborhoods)

Across the board, peer cities struggle to spur investment and equitable revitalization in areas known for historical segregation and blight. The following peer city approaches provide guidance for New Orleans as it considers ways to use incentives to tackle institutionalized disinvestment. It is worth noting that this policy goal category is intricately related to other City and community priorities.

Kansas City annually expands and modifies areas eligible for economic incentives to ensure that blighted and distressed neighborhoods (or parcels) can leverage the full range of incentives. EDCKC favorably scores projects that align with equity goals, such as location in economically distressed areas, serving homeless populations, serving victims of domestic abuse, and persons with disabilities.

In **Pittsburgh**, Act 42 Enhanced provides deeper incentives in low-performing neighborhoods, as defined by school, building, and crime metrics. The City has found the program to be most successful at incentivizing projects in transitional neighborhoods. The neighborhoods with the weakest real estate markets have not seen the same levels of new growth or development in response to incentives as have transitional markets.

Peer City Best Practices-1: Target benefits to under-invested and/or low-income neighborhoods. New Orleans should prioritize the use of economic incentives in areas characterized by historic disinvestment and poverty. The City should first evaluate which geographic areas are eligible for incentives and expand eligibility (i.e., via Economic Development Districts) to include weak and transitional markets that are currently unable to leverage aspects of the incentive portfolio.

Peer City Best Practices-2: Deepen incentive terms in high-need geographic areas and for projects that advance equity objectives. HR&A's analysis found that RTA deals are especially fiscally sound investments for the City. As such, the City should take steps to deepen the level of incentive offered to projects that meet significant socioeconomic and racial equity goals, such as commercial and mixed-use projects located in high-need geographic areas or that produce jobs and housing for high-need populations.

Affordable Housing

To improve access to affordable housing, peer cities focus on calibrating the initial upfront incentive award assessment process and the post-implementation evaluation process to prioritize affordable housing.

In **Kansas City**, residential and mixed-use projects receive a more favorable score when applying for incentives if they incorporate affordable housing.

Using a new Salesforce system for tracking data, the **Cincinnati** aims to consistently monitor the leverage ratio, City investment per unit, and the types of units that receive funding (<2-bedroom v. more family friendly 3- or 4-bedroom units).

Peer City Best Practices-3: Use a scoring system to evaluate affordable housing as part of potential projects. An internal scorecard with criteria related to affordable housing should be used to help determine incentive eligibility and/or terms. Such a system would standardize the process for evaluating mixed-use and residential projects that incorporate affordable housing compared to projects with strict market-rate units. A given project might be evaluated by the number of affordable units created, the location of housing units—affordable housing in high-opportunity areas being more favorable—and the target income of residents.

Peer City Best Practices-4: Request and track data on affordable housing funding sources to ensure that incentive policies efficiently support affordable housing production. Affordable housing projects can leverage a variety of funding sources to support their development and operations. Especially given the uncertainty associated with LIHTC and other federal funding sources, the City should consistently gather data on project funding sources and calculate corresponding leverage ratios to ensure the efficient allocation of available funds. Doing so will enable New Orleans to better target City resources and determine where the NHIF can best be leveraged to support a diverse affordable housing stock.

Economic Competitiveness and Quality Jobs

Ensuring economic competitiveness remains at the forefront of most economic development departments, although peer cities vary in how they balance job creation with *quality* job creation and targeted industry growth.

Kansas City and **Austin** award projects higher scores or bonus points when jobs are created in target industry clusters. Kansas City's scorecard includes a multiplier for jobs created that is based on anticipated average wages (granting greater scores to high-wage jobs).

In **Austin**, the City's Creative Content program offers targeted incentives to film and digital media projects to support local employment with union or union-equivalent wages. The City's Creative Content program was developed to complement Texas's Moving Image Industry Incentive Program. The EDD is currently considering how this model can be used to support growth in other industries that provide quality wages.

Cincinnati uses their Job Creation Tax Credit program to incentivize projects that create jobs with quality wages. To address the supply side, the CECD has also started the Hand-Up Initiative with Christ Hospital, a model they hope to recreate for new and planned developments. The initiative provides training for specific job tracks and establishes Memoranda of Understanding between trainees and employers.

Peer City Best Practices-5: Evaluate commercial projects on their ability to produce quality jobs and jobs in target growth industries. HR&A's analysis of RTA and PILOT deals highlights the range of job types created by projects that receive economic incentives. Given the Living Wage ordinance, the target growth industries identified in Prosperity NOLA, and efforts to promote socioeconomic equity, the City should evaluate projects on the basis of the wages and job types produced. Incentives should prioritize projects that create quality jobs in target industries.

Peer City Best Practices-6: Create niche programs to support job creation in target industries. While employment has grown in New Orleans, growth has not been concentrated in the target sectors identified in Prosperity NOLA. The City should further support developers and employers whose projects will create jobs in target industries. Niche incentives can take the form of targeted applications of the Business Attraction and Expansion Fund that provides support for business attraction and retention.

Quality Transportation

Accessible and reliable quality transportation remains a priority across all cities. Value capture mechanisms are frequently used to support the development of new transit routes; however, cities vary in how they support transportation through non-value capture programs.

In **Cincinnati**, the Voluntary Tax Incentive Contribution Agreement (VTICA) model supported the development of a new streetcar line. VTICA reduces total property tax abatements within a given corridor to redirect funds to support transit improvements.

Austin and **Kansas City** incorporate transportation goals into their scoring mechanisms. While Austin provides bonus points for projects that support alternative transportation for employees or the community, Kansas City awards a higher score to projects located next to transit. Kansas City's model, while promoting denser, urban development, does not address transit needs in areas that currently lack public or alternative transit access.

Pittsburgh's Transit Revitalization Districts (TRIDs) function like TIFs to support upfront capital and ongoing operations costs. To date Pittsburgh has successfully implemented one TRID in the East Liberty neighborhood, creating significant transit-oriented development. Other proposed TRIDs have not moved forward due to a lack of financial feasibility.

Peer City Best Practices-7: Employ TIF to support the upfront capital costs and ongoing operations for transit projects. To date, the City has used TIF to fund district and site-specific improvements or fund public safety services. The City should evaluate the potential for TIF to also finance costs associated with new and expanded permanent fixed transit routes. Federal funds that supported the City's past transit improvements, such as the Loyola line, may not be available under future budget conditions, making TIF and other financing sources important for expanding transit access.

Peer City Best Practices-8: Reward commercial and residential projects that support the use of alternative transportation or provide access to existing transit systems. The City should incorporate transit-related criteria into its future incentive application scorecard and prioritize projects that are located proximate to high-capacity public transit, encourage access to mobility programs like bike share, or support other means for increasing the mobility of residents and workers.

Resilience and Green Building

For the most part, peer cities infuse resiliency measures into the built structure of new development and rehab projects.

Within its CRA Tax Abatement program, **Cincinnati** provides maximum abatement terms to projects that achieve LEED Silver certification or above, without subjecting the projects to financial gap analysis testing.

Similarly, **Pittsburgh** offers reduced interest rates on loans for LEED-certified projects on a sliding scale, with the interest rate reduction maxing out at a 2.5% reduction for projects achieving LEED Platinum status.

Peer City Best Practices-9: Use a scoring system to evaluate resilience and green building as part of potential projects. As with affordable housing and other policy goals, an internal scorecard with criteria related to resilience and green building practices should be used to determine incentive eligibility and/or terms. Projects should receive a more favorable score if they commit to developing stormwater infrastructure, open space, or other community-based resilience investments. Similarly, the scorecard should prioritize projects that incorporate green building practices, which may be evaluated by the level of LEED certification they achieve.

Successful Small Businesses & Cultural Preservation

Multiple cities are wrestling with concerns about ongoing and future displacement of small businesses. Often, small businesses are intergenerational establishments that provide jobs for specific ethnic and racial groups and are key to neighborhood vibrancy and cultural identity.

In **Pittsburgh**, the Urban Redevelopment Authority operates a Mainstreets Program, providing capital dollars to small businesses for façade improvement grants and additional funds for events and programming within certain commercial corridors. The URA also contributes to a venture capital fund to support accelerators and co-working spaces, which serve a different type of small business than those targeted through the URA's other programs.

Austin's Economic Development Department provides a Family Business Loan Program as well as targeted assistance for arts, music, and film companies. In the past, the City managed a revolving loan fund to support façade and building improvements for small businesses (a portion of nearby construction and lane closure fees were redirected into the loan fund).

Peer City Best Practices-10: Support a diversity of small business types. The City should evaluate how its incentive portfolio can support existing and new small businesses in underserved areas and in areas experiencing high levels of growth. The City should consider expanding the capital grants available to small businesses for façade or site improvements and/or create new programs that drive demand for small businesses (e.g., corridor-specific events, public realm improvements, etc.). In addition, the City should explore ways to support new and promising small businesses that are unable able to bear the risk of rent and fit-out in more traditional office spaces.

Peer City Best Practices-11: Use scoring system to credit projects that support small businesses. Projects that will include space or programs that support small businesses should receive consideration on the project scorecard. Similarly, applicants who qualify as a DBE themselves should also receive consideration on the project scorecard.

V. Strategic Framework

STRATEGIC FRAMEWORK RECOMMENDATIONS

The study's program and peer benchmarking analyses, along with input from public and private stakeholders, informs a series of overall recommendations for repositioning the City's incentives portfolio to better align with strategic policy outcomes and improve the effectiveness and efficiency with which incentive programs work towards those broader goals. Overall recommendations fall into three categories: Program Objectives, Program Design, and Data Collection & Evaluation.

PROGRAM OBJECTIVES: Establish and confirm program objectives that align with the City's policy goals.

Recommendation #1: Improve coordination among entities responsible for program implementation and advancing economic development objectives. Leverage the Cooperative Endeavor Agreement approved in September 2017 that allows the NOLA Businesses Alliance (NOLABA) to "develop and implement a new business model for economic development" to consolidate incentive administration .[34] Working in conjunction with the City and other relevant stakeholders, NOLABA should be responsible for carrying out a clear policy mandate for each program within New Orleans's incentive portfolio based on objectives set forth by the City. The City of New Orleans and associated stakeholders should work towards actionable goals tied to each of these mandates and operationalize progress toward each mandate with new benchmarking metrics.

Supporting Recommendations:

- ***PILOT-1: Set clear program mandate*** codifying the IDB's organizational mission, complete with actionable goals tied to furthering this mission and other key City policy goals. Operationalize new program objectives by devising new benchmarking metrics to track progress towards each.
- ***PILOT-2: Define roles and responsibilities and improve coordination with other City entities***, leveraging local public-private economic development entities such as the New Orleans Business Alliance (NOLABA) to consolidate incentives management and provide recommendations with respect to program guidelines and evaluation procedures. Ultimate decision-making capacities would remain with the City, with implementation responsibilities maintained among existing program administrators (e.g. the IDB).
- ***PILOT-7: Assess governance procedures to increase accountability***, establishing formalized procedures for engaging other local taxing entities.
- ***RHP-8: Continue to advocate for and promote increased LIHTC resource investment in New Orleans*** through the issuance of up-front commitment letters for projects that meet RHP criteria.

Recommendation #2: Use program objectives to develop project "scorecards" to guide decision-making and evaluation in the deployment of incentives. Key agencies and departments, including NOLABA, IDB, the Mayor's Office of Economic Development, NORA, and OCD, should convene to develop a common project evaluation framework used to facilitate decision-making by the agencies charged with administering each program (i.e., IDB, Office of Economic Development, OCD). For each program, the evaluation framework would be memorialized in a project scorecard, reflecting common policy objectives such as equity and location within strategically-emphasized neighborhoods, while also recognizing the specific needs and objectives of each individual incentive program.

The HR&A Team will provide the City of New Orleans and other invitees with initial training on the use of the Strategic Framework, helping to develop a sample scorecard and associated cost-benefit metrics as described in more detail under the Strategic Framework Matrix section below.

Supporting Recommendations:

- ***Peer City Best Practices-3***: Prioritize residential and mixed-use projects that ***incorporate affordable housing*** through scoring system.
- ***Peer City Best Practices-5***: Evaluate commercial projects on their ability to produce ***a high quantity of quality jobs and/or jobs in target growth industries***.
- ***Peer City Best Practices-8:*** Prioritize projects that support the use of ***alternative transportation or***

[34] *Mayor Landrieu Announces New Business Model for Economic Development Delivered by NOLABA*, October 3, 2017.

provide access to existing transit systems through scoring system.

- ***Peer City Best Practices-9***: Prioritize projects that ***incorporate resilient building practices or contribute to resilient community-based infrastructure*** through scoring system.
- ***Peer City Best Practices-11: Use scoring system to credit projects that support small businesses*** by providing space or programming or who qualify as a DBE themselves.

Recommendation #3: Publicize incentive offerings, application guidelines, and evaluation criteria in easily-accessible, one-stop location.

Information on all local incentive programs and how to qualify and apply for each should be made available in a single online location, with a sole entity (e.g. NOLABA) tasked with maintaining the site.

Supporting Recommendations:

- ***PILOT-8: Expand program accessibility*** through the introduction of sliding fee scales for application, administration, and closing costs based on project size, further eliminating existing mandatory financial testing to reduce redundancies, replacing them with the scorecard and repurposed financial test described in further detail in the PILOT and Strategic Framework sections of this report.
- ***RHP-1: Improve transparency and predictability*** by ensuring that Notice of Funding Availability for tax credits are released on a predictable schedule and increasing coordination with LIHTC timelines.
- ***RHP-5: Promote awareness of other incentives able to supplement RHP funds***, maintaining a list of available funding sources and implementing an "all call" process for projects in predevelopment.

PROGRAM DESIGN: Reposition existing and potential new incentive programs to drive towards program objectives at a minimum cost to the City.

Recommendation #4: Tier benefits to drive towards multiple public policy goals.

The depth of incentives should be made to better align with core strategic objectives, through, for example, the targeting of benefits to strategically-emphasized neighborhoods or the provision of deeper benefits for projects that advance affordability or commercial growth objectives. The geographic emphasis included as part of the project "scorecards" described under Recommendation #2 should be used to tier benefits for some programs according to location, offering deeper or longer incentives for projects in disinvested areas to spur community revitalization and advance equity, while allowing for more generous benefits for the provision of affordable housing in stronger markets.

Supporting Recommendations:

- ***RTA-1: Expand Economic Development Districts*** to extend eligibility to more economically-distressed areas and weaker real estate markets.
- ***Peer City Best Practices-1: Target benefits to under-invested and/or low-income neighborhoods*** to reflect the disproportionately large impact of incentives in transitional markets.
- ***RTA-2 / Peer City Best Practices-2: Deepen incentive terms in high-need geographic areas and for projects that advance equity objectives.*** These can include projects that equity objectives such as resiliency and affordable housing.
- ***RTA-3: Establish new eligibility thresholds*** to ensure that program expenditures are going towards areas with the greatest need, potentially through the institution of new limits on pre-improved Assessed Value for single-family applicants or by capping the value of abatements for high-value residential properties in strong markets.
- ***RTA-5: Encourage the activation of downtown office buildings*** by marketing the use of RTA to landlords of office properties in the CBD and/or offering direct fit-out assistance to tenants of long-vacant commercial space through a separate application of the Business Attraction and Expansion Fund.
- ***PILOT-4: Establish program guidelines to improve transparency, outlining clear parameters for when deviations from such guidelines may be sought,*** including when projects deliver on significant public policy objectives.

Recommendation #5: Leverage funds to revitalize the Business Attraction and Expansion Fund and target it for industry growth.

A better capitalized Business Attraction and Expansion Fund should be proactively marketed and used as a job attraction tool for employers in target industry sectors. Specifically, the Fund should be used to grow employment in core industry sectors, including those identified in Prosperity NOLA (Advanced Manufacturing; Bioinnovation and Health Services; Creative Digital

Media; Sustainable Industries; and Transportation, Trade, and Logistics). The City should investigate sources to capitalize the Business Attraction and Expansion Fund, including new program-specific mechanisms. For instance, the City could dedicate a portion of revenues currently collected by the IDB (e.g. application annual administrative fees), or require contributions for major commercial projects not meeting Living Wage and HireNOLA requirements under RTA.

Supporting Recommendations:

- ***PILOT-6: Utilize PILOT to grow target industries and employment centers*** by prioritizing high-potential industries and supporting target employment districts for commercial growth, including through dedication of annual IDB administrative fees to the Business Attraction and Expansion Fund.
- ***TIF-3: Leverage the tourist economy to help enhance New Orleans's economic competitiveness*** by dedicating a portion of hotel sales tax revenues collected within designated TIF districts to the Business Attraction and Expansion Fund.
- ***Peer City Best Practices-6: Create niche incentive and workforce development programs*** that provide extra support to employers and developers that create jobs in target industries.
- ***Peer City Best Practices-10: Support a diversity of small business types*** through the provision of capital grants, public realm improvements, and new programs to support small businesses.

Recommendation #6: Use TIF to fund public improvements and capitalize funds that support policy goals. Increase the use of District and Sales Tax TIFs, where financially feasible, to fund major infrastructure and public realm improvements to facilitate catalytic new development. Consider instances in which a portion of the value captured can be dedicated to the NHIF and/or Business Attraction and Expansion Fund, as well as to providing direct support for public safety, small businesses, and community infrastructure.

Supporting Recommendations:

- ***TIF-1: Study the feasibility of expanding the use of District TIFs to help fund capital improvements and ongoing operating expenses,*** calibrating the amount of capturable tax increment to reflect the investment's ability to advance multiple public policy objectives.
- ***TIF-2: Continue to employ sales tax TIFs where expected to generate significant economic benefit,*** such as introducing much-needed neighborhood retail opportunities to underserved populations, ensuring that multiple public benefits are being served by the project.
- ***RHP-7: Extend the NHIF millage and leverage additional sources for NHIF*** via a concentrated campaign for voter approval and incorporation of NHIF payments into market-rate deals in strong markets.

Recommendation #7: Leverage evaluation process to encourage fulfillment of Local Hire, DBE, and Living Wage policies, including the option for a payment to capitalize funds that support community infrastructure, small businesses, and public safety. The City currently requires that projects exhibit good faith efforts in meeting Local Hire and DBE policies, although it is unclear how good faith efforts are consistently measured. Moreover, the City recently applied Living Wage and Hire NOLA ordinances to RTA projects receiving more than $100,000 and $150,000 in City benefits, respectively. The PILOT and RTA programs should better leverage high-cost, high-benefit projects going forward to advance the City's quality jobs goals. The City should encourage projects to fulfill the Local Hire, DBE, and Living Wage policies by incentivizing their fulfillment beyond baseline requirements through the project scorecard process.

Supporting Recommendations:

- ***RTA-4: Leverage compliance with living wage and local hire ordinances,* using a scorecard to reward projects that go above and beyond Hire NOLA and/or Living Wage policies.** The scorecard could be used to encourage hotel projects in particular, which are by far the largest beneficiaries of the program from a value perspective, to go beyond minimum thresholds for Hire NOLA and/or Living Wage in order to receive a higher incentive.

DATA COLLECTION & EVALUATION: Improve operational procedures to increase transparency and accountability.

Recommendation #8: Standardize data collection. Transition to a single, integrated information platform for all programs, owned by the City and overseen by respective program administrators, with NOLABA serving as overarching platform facilitator. The platform should enable staff to view both the full program portfolio as well as relevant details about each project associated with a particular program. The platform should also provide real-time connectivity between multiple datasets within and across programs.

In order to ensure data accuracy and timeliness, NOLABA needs appropriate levels of staff familiar with the requirements of each program as well as platform functionality, the latter of which may include platform development and report generation. NOLABA should be provided sufficient financial support to identify, hire, train, develop, and retain the appropriate staff needed in order to execute such functions. Per Recommendation #2, consistent types of data (e.g. net new permanent jobs, affordability terms and duration) should be collected across all projects to allow for streamlined comparisons within and across programs. GeoPINs for each project should also be included to facilitate geographic comparisons and enable the easy identification of projects accessing multiple incentive programs.

Supporting Recommendations:

- ***RHP-4: Monitor all leverage sources within project files and track reported changes in leverage over time,*** evaluating the potential for historic tax credits, LIHTC, NMTC, RTA, PILOT, and other sources to amplify the impact of limited RHP funds.
- ***Peer City Best Practices-4: Request and track project data*** to ensure that incentive projects continue to align with policy goals and desired outcomes.

Recommendation #9: Enhance in-house real estate capacity. Hire additional staff or procure further training to ensure proficiency in the data collection and evaluation procedures above. Qualifications for new hires should prioritize proficiencies in real estate financial analysis, particularly as regards the planned new Strategic Neighborhood Development Director position within NOLABA, which could serve to oversee the implementation of many of the recommendations outlined in this report.

Supporting Recommendations:

- ***PILOT-3: Repurpose existing financial tests to directly evaluate project economics and ability to deliver against City policy goals,*** replacing existing cost-benefit analyses with evaluation of the level of incentive needed in order to achieve financial feasibility and advance key program objectives.
- ***Peer City Best Practices-7: Employ TIF*** to support the upfront capital costs and ongoing operations for transit projects.

Recommendation #10: Utilize program evaluation metrics in consistent and strategic manner to drive towards key program and City objectives. Use metrics to evaluate deals and improve portfolio performance over time. Revisit scorecard assumptions every three years to ensure that criteria remain up-to-date, simultaneously re-evaluating overall alignment with policy objectives to determine whether the introduction of new criteria and/or programs is warranted to drive towards all ten policy outcomes.

Supporting Recommendations:

- ***PILOT-5: Projects seeking certainty PILOTs should remain subject to the same baseline program requirements as other PILOT applicants.*** The City should continue to investigate reforms to property assessment procedures to improve their efficacy and predictability.
- ***RHP-2: Create new benchmarks for funding projects,*** with specific guidelines for instances in which projects may be allowed to deviate from benchmarks based on alignment with multiple City policy goals and local housing needs.
- ***RHP-3: Add additional standard tracking elements for all RHP projects*** to help OCD monitor the existing affordable housing stock and determine how best to meet future housing needs.
- ***RHP-6: Weigh the benefits of small projects against the effectiveness of large projects in achieving program goals,*** with the Mayor's Office of Community Development (OCD) taking on an active role in ongoing discussions regarding changes to the Master Plan and Comprehensive Zoning Ordinance (CZO) to ensure that larger affordable and mixed-income projects can be permitted in high-opportunity neighborhoods without placing undue burdens on developers.
- ***Peer City Best Practices-5***: Evaluate commercial projects on their ability to produce ***a high quantity of quality jobs and/or jobs in target growth industries.***

STRATEGIC FRAMEWORK MATRIX

HR&A recommends that the City set clear policy mandates for each incentive program. We recommend using the following strategic framework matrices to create a scorecard for incentives. The scorecard would allow for evaluation of residential and commercial projects on the basis of their ability to meet specific policy objectives and, as a result, guide an appropriate amount and terms of the incentive to property owners, developers, and employers.

In the matrices below, the first column lists those policy goals that should guide the deployment of incentives. The second column outlines potential criteria to determine progress toward the policy goals. Per Recommendation #2, the agencies charged with administering incentives should determine metrics for fulfilling these criteria, the weights assigned to each criterion, and the organization of metrics and weighting in an overall program scorecard for commercial and residential applications. The final "Incentive" column highlights relevant incentive programs for each group of policy goals, for which the set of criteria could be used in awarding incentives.

COMMERCIAL PROJECTS

Policy Goals	Criteria Example	Incentive
• Advance Socioeconomic and Racial Equity • Encourage Vital Neighborhoods of Opportunity • Enhance Public Safety	• Fulfillment of Local Hire and DBE requirements and/or DBE status of applicant • Number of jobs created in Soft or Transitioning markets (weighted by quality of wages) • Removal or reuse of blighted properties • Payment toward a fund to support community-based infrastructure or public safety • Development of new commercial uses in Soft or Transitioning markets	RTA, PILOT, TIF, Business Attraction and Expansion Fund
• Foster Economic Competitiveness • Promote Skill Development and Access to Quality Jobs	• Support for business in a target industry sectors • Number of jobs created, weighted by quality of wages • Training or support for workforce development programs • Adherence to Living Wage ordinance	RTA, PILOT, TIF, Business Attraction and Expansion Fund
• Preserve Community Culture and Identity • Foster the Success of Small Businesses	• Preservation of historic structures • Small and disadvantaged business status of applicant • Affordability of commercial rents • Provision of on-site business support services such as accelerator/step-out space, shared infrastructure, and/or workforce development programs	RTA, PILOT, TIF
• Develop Quality, Comprehensive Transportation Options	• Proximity to high-frequency mass transit • Provision of alternative transportation options for residents or employees	RTA, PILOT, TIF
• Promote Climate Resilience and Green Building Practices	• Integration of resiliency measures in building and site design, such as onsite storm water retention • Creation or support of areawide resilient infrastructure • Project achieves LEED Silver or above	RTA, PILOT, TIF

RESIDENTIAL PROJECTS

Policy Goals	Example Criteria	Incentive
• Advance Socioeconomic and Racial Equity • Encourage Vital Neighborhoods of Opportunity • Enhance Public Safety • Expand and Preserve Affordable Housing	• Removal or reuse of blighted properties • Creation of mixed-income residential in Soft or Transitioning markets • Creation of affordable housing in strong markets • Fulfillment of Local Hire and DBE requirements and/or DBE status of applicant	RTA, PILOT, TIF, RHP
• Preserve Community Culture and Identity	• Preserve historic structures • Affordable housing for artists and musicians • Funding for local non-profits or community-based infrastructure	RTA, PILOT, TIF, RHP
• Develop Quality, Comprehensive Transportation Options	• Location next to high capacity public transit • Creation of transportation systems in underserved areas	RHP, PILOT, TIF
• Promote Climate Resilience and Green Building Practices	• Integration of resiliency measures in building and site design, such as onsite storm water retention • Creation or support of areawide resilient infrastructure • Project achieves LEED Silver or above	RTA, PILOT, RHP, TIF

Appendices

Appendix I. Stakeholder Engagement

CLIENT TEAM

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Entergy

Alan Philipson
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Broad Community Connections

Matt Schwartz
The Domain Companies

Kurt Weigle
Downtown Development District

David Wolf
Adams & Reese

Rob Wollfarth
Baker Donelson

Appendix II. New Orleans Incentives Portfolio Overview

PROGRAM OVERVIEW

Multi-Use Incentive Programs

Restoration Tax Abatement (RTA): State-enabled, locally-funded property tax abatement on improvements to existing commercial and owner-occupied residential properties in designated districts.
Terms: 5-year abatement (with 5-year renewal option) on 100% of assessed value of improvements

Payments-in-Lieu-of-Taxes (PILOT): Ad valorem property tax abatement used to facilitate investments that improve blighted areas and expand the tax base. Often coupled with tax-exempt bond issuances, alternative tax bills (PILOT) are negotiated with the IDB for the "sale-leaseback" period during which property is off the tax rolls.
Terms: Variable

Tax Increment Financing (TIF): A special tax (typically sales) levied or a portion of incremental taxes diverted to raise funds for public infrastructure or other improvements needed in order to enable new development projects in designated districts.
Terms: Variable

Commercial Incentive Programs

Enterprise Zones & Quality Jobs: State-run jobs and earnings-based incentive programs offering tax credits or payroll benefits to firms that generate new employment opportunities in or among disadvantaged communities or within target sectors.
Terms: 2.5% local sales tax exemption (4% State sales tax) or 1.5% refundable investment credit, plus:

- Enterprise Zone: One-time State tax credit of $3,500/job or $1,000/job created over 10 years;
- Quality Jobs: 6% State cash rebate on 80% of payroll for up to 10 years

Fresh Food Retailers Initiative: Low-interest & forgivable loan program promoting access to fresh foods and quality jobs in low-income, underserved communities.
Terms: 5-year (forgivable); Wall Street Journal (WSJ) Prime Rate to WSJ Prime + 3% (interest-bearing loans only). Total awards of up to $1 million, with a maximum of $500,000 in forgivable loans

Façade Renew: Matching reimbursement grant program enabling storefront improvements.
Terms: One-time cost reimbursement up to 75% of total costs, capped at $37,500

Small Business Assistance Fund: Loan program aimed at encouraging small business inclusion and job creation through access to capital for traditionally unbankable small businesses.
Terms: Direct loans at 8% interest for terms of up to 84 months

Commercial Gap Financing Program: Low-interest & forgivable loan program enabling catalytic projects in historically-disinvested commercial corridors.
Terms: Variable duration and rates. Loans typically made to cover 15% of costs, up to $1 million maximum

Housing Incentive Programs

Rental Housing Program: Grant program to subsidize the provision of affordable rental housing for families up to 80% AMI.
Terms: Reimbursement of costs for acquisition, new construction, rehabilitation, and/or soft development costs. Affordability requirement differs by level of benefit:

- *<$15,000 = 5 years*
- *$15,000-$40,000 = 10 years*
- *>$40,000 = 15 years*
- *New construction or acquisition of new housing (any dollar amount) = 20 years*

Homeownership Development Program: Grant program to subsidize the provision of affordable homeownership opportunities for families of up to 80% AMI.
Terms: Reimbursement of construction and land acquisition costs; down payment assistance also eligible. Recapture provision may be utilized if home is sold within a certain number of years

Soft Second Mortgage Program: Forgivable loan program providing forgivable second mortgages, closing-cost assistance to first-time homebuyer households earning <120% AMI.
Terms: Loan is interest-free but recapturable for 5 years and then gradually forgiven at 20% per year over the course of the following five years. Loan fully forgiven after 10 years

Residential Construction Lending Program: Low-interest and partially-forgivable loan program available to developers of single-family affordable housing on NORA properties
Terms: Up to 2% interest; Maximum forgivable loan amount of $25,000, with maximum total of $1 million

Owner-Occupied Rehab Program: Grant program provides financial assistance to low-income homeowners (under 80% AMI) to enable them to bring their residences into code compliance. (Includes Health & Safety Program)
Terms: Approved scope of work. No mandatory period of affordability.

Home Modification Program: Grant program provides adaptive measures to enable persons with disabilities and the elderly to continue occupying their homes. (Includes Aging In Place Program)
Terms: Income-eligible household (<80% AMI); approved scope of work. No mandatory period of affordability.

Emergency Solutions Grants: Grant program supporting permanent supportive housing provision and social services including rapid rehousing and homelessness prevention.
Terms: Partnerships with homeless services organizations.

Housing for Persons with HIV/AIDS: Grant program supporting permanent supportive housing provision and social services for residents living with HIV/AIDS.
Terms: Partnerships with social services and health-focused organizations.