

Market crunch threatens N.O. affordable housing efforts

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Photo by Matthew Hinton/The Times-Picayune

Construction workers install pipes at Walnut Square in eastern New Orleans. The National Housing Partnerships foundation has found financial gaps in its projects because construction and hurricane building requirements in Louisiana have gotten expensive, while median incomes, and therefore rents, remain lower than in other places.

Volunteers of America couldn't be more excited that its first affordable housing project in New Orleans since the storm, The Terraces on Tulane senior apartments, is scheduled to begin construction next month.

But the groundbreaking rides on whether the group will be able to complete its financing by selling the Gulf Opportunity Zone tax credits it won from the state to raise money for the project, a step that is no longer certain

because the market for tax credits is collapsing.

[...]

Across the nation, affordable housing deals are crumbling as investors, hurt by the economic downturn, lose interest in purchasing tax credits and lenders pull out of projects. But nowhere is the situation worse than in Louisiana, where Congress created an extra \$168 million in tax credits after Hurricanes Katrina and Rita -- nearly 20 times the state's regular annual allocation of tax credits -- to spur the development of 27,000 affordable and mixed-income housing units. All of the Gulf Opportunity Zone tax credit projects must be ready for occupancy by the end of 2010, which means developers can't afford to wait until the market improves for tax credits.

[...]

The group hasn't had a problem so far with tax credits, though it notes that a project it did last summer in Louisiana commanded \$1 per tax credit and now the quotes are closer to 80 cents. Instead, the group's chief executive, Ghebre Selassie Mehreteab, said gaps have opened in his projects because construction costs have gone up while median incomes remain low, making it difficult to recoup the higher costs through higher rents.

Mehreteab has been on a fundraising tear. He got a \$1 million grant from the Louisiana Disaster Recovery Foundation to help rehabilitate the 284-unit Forest Park development in Algiers and build the 209-unit Walnut Square apartments in eastern New Orleans. He

also raised \$3 million from the Ford Foundation, the John D. and Catherine T. MacArthur Foundation, NeighborWorks America, the Qatar Katrina Relief Fund and the Bush-Clinton Katrina Fund.

"I took it upon myself to go out and raise the money to cover the gap. That is the only way we are able to finance and construct the housing in New Orleans. In absence of those sources, we would not be able to make it happen," Mehreteab said.

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