Introduction
Good afternoon Chairman Luetkemeyer, Ranking Member Cleaver and members of the Committee. My name is Nicole Barnes and I am the Executive Director of Jericho Road Episcopal Housing Initiative. Jericho Road is a nonprofit, community development organization established in 2006 in response to the pressing need for affordable housing in the aftermath of Hurricane Katrina. As a lifelong citizen of New Orleans, with a twenty year career as a housing professional, I have witnessed and been a part of the Post-Katrina revitalization efforts as a homeowner, a former government employee and non-profit executive. I look forward to addressing the current conditions, progress made over the past ten years and the challenges that remain regarding housing in Post-Katrina New Orleans.

Current Housing Market Conditions

- Fair market rent" in New Orleans for a one bedroom apartment is $767 monthly, or $9,204 yearly on rent.
- Median income in New Orleans is $37,146.
- Median Rent is $765; average Home Value is $183,700.
- Homeownership rates in New Orleans are 45%, well below the national average of over 60%.
- African American households disproportionately pay more of their income towards housing costs-- more than 60% pay over one-third or more of their income towards housing costs.
- Both rent and home values have increased close to 50% since 2000.
- Approximately, 58% of all households pay over one-third or more of their income towards housing costs.

Housing is typically the highest cost for any household. However, housing is only one of a household's expenditures. New Orleans saw a substantial increase in housing costs from 2000 to 2013, far outpacing the increase in median incomes. Rents have increased by 102% (50% when adjusted for inflation), while home values have increased 109% (54% when adjusted for inflation). As with income, the most drastic increases in home value have been seen at the high and low ends of the cost spectrum. The percentage of homes valued below $100,000 has been reduced by more than two-thirds, while the percentage of homes valued over $300,000 has more than tripled. While rents and home prices continue to increase, household income has not significantly changed since 2000. In fact, when adjusted for inflation, median income in New Orleans has dropped by 15% since 2000, thus the decrease in income has severely impacted current housing market conditions

Homeownership
In New Orleans, prior to Hurricane Katrina, for many low-to-moderate income working families, the ultimate American dream of homeownership was an attainable goal. The average cost of the typical three bedroom/two bath home, before Hurricane Katrina, ranged between $80,000 and $100,000. In the wake of Hurricane Katrina, the real estate market has changed tremendously with the average price for that same three bedroom/ two bath home, now starting at $159,000.00.[i]This increase is precipitated and compounded by several factors which serve as very challenging impediments to affordable homeownership in post-Katrina New Orleans. These impediments include: decreased supply of undamaged homes in the market; increased construction costs for both labor and materials; increased insurance premiums and property tax costs and a lack of resources for increased gap financing needs. There were various programs funded by the federal government and administered by both the State and City to mitigate some of these impediments.

<u>Soft Second Mortgage Programs</u>
In an effort to help spur homeownership and meet the post-Katrina market demands for higher home prices, two programs were launched to assist first-time homebuyers. Both programs featured an increase in the AMI (Area Median Income) limits for homebuyers from 80% to 120%.

- ***Finance Authority of New Orleans (FANO)*** - This program was funded with $27 million of Disaster Community Development Block Grant funds through FANO and served 1,140 families from 2005 to 2014. The program has exhausted its resources and is no longer accepting applications.

- ***City of New Orleans Soft Second Mortgage Program***- The program began in 2012, and has closed 891 homes across the city and was funded by Community Development Block Grant Disaster Recovery funds. Program participants, on average qualified for approximately $91,000 in first mortgage loans, $51,000 in soft second mortgages and $5,000 in closing costs assistance. The program has exhausted its resources and is no longer in existence.

Road Home (Homeowners Assistance Program)

The Road Home program represents the largest single housing recovery program in U.S. history. Eligible homeowners received up to $150,000 in compensation for losses and had three compensation options. The program has been closed to new recipients since 2007. As of mid-2013, the Road Home program had successfully assisted more than 130,000 Louisiana citizens affected by Hurricanes Katrina and Rita. The program has disbursed more than $8.9 billion to the residents of Louisiana to rebuild their homes. The Road Home program provided funding for 46,884 households in New Orleans, a total of $4.2 billion. Of those homeowners who chose *Option 1*(Rebuilding Option), 94% have rebuilt their homes.

In August 2015, HUD and the State of Louisiana have announced an Action Plan Amendment to the current Road Home Program--creating a category of unmet needs for interim housing costs and the proposed shared equity plan will both provide much needed relief for Road Home grantees who are still struggling to recover from Hurricanes Katrina and Rita.

Increased Construction Costs

New construction in the post-Katrina environment of New Orleans has seen a 20% increase in costs, pre-Katrina. The increased costs in both materials and labor have pushed the prices of new construction and rehabilitated homes even higher.

Increased Insurance Premiums and Property Taxes

Annual homeowner's insurance premiums have tripled and, in some cases for the newly insured, quadrupled in post-Katrina New Orleans. This is compounded by the fact that many large insurers are no longer writing new policies in New Orleans. New homeowners have had to rely solely on the "insurance of last resort", the Louisiana Citizens FAIR Plan. Homeowners have also seen significant increases in flood insurance premiums. Although homeowners have access to the generally affordable, federally managed flood insurance program, market conditions reflect an increase in these premiums as well, by as much as four times, in some areas of the city. Additionally, the new administrative fees that have been added to the National Flood Insurance Program have also impacted affordability for homeowners.

In addition to increased insurance premiums, since 2005 New Orleans homeowners have experienced increased property tax assessments in areas of the city that were not flooded. Homeowners in these neighborhoods have seen an average 42% increase in their assessed home values. The aforementioned increases have resulted in many homeowners paying almost the equivalent amount to their escrow accounts as they pay toward principal and interest for their mortgages. This poses a serious impediment in real affordability for families, and in some instances can determine if they qualify for a mortgage.

Rental Housing

Housing is typically the highest cost for any household. However, housing is only one of a household's expenditures. New Orleans renters disproportionately pay more of their income on housing. The city ranks second in the nation for the percentage of renters paying over half of their income on housing.

- As of 2013, 46,433 households (58%) in New Orleans paid more than one-third of their income towards housing costs, 29,271 (37%) households paid over half of their income towards housing costs.
- Nationally, 20.2 million households (52%) pay more than one-third of their household income towards housing costs, and 10.3 million (36%) of those households spend over half of their income on housing costs.

While it is clear that New Orleanians are paying too much for rent across the city, the percentage that renters pay toward housing costs is a relationship between household income and the cost of housing. A limited supply of rental housing and an increase in lower-income households both impact the percentage of cost-burdened households (paying more than 30% of their income). Additionally, the increased Post –Katrina rental rates by landlords have also been due largely to the significant increases in both property insurance rates and tax assessments that are in turn, passed on to renters. Reducing the percentage of household income paid for housing costs requires either cheaper housing costs or more income. Low-income renters who are cost burdened are extremely limited in where they are able to live, which impacts safety and access to essential services such as transportation options, healthcare, green space, grocery stores and jobs.

Current Economic Conditions: Occupations and Wages

The city's poverty rate remains incredibly high at 28% (100,605 residents living in poverty), an overall increase of 2% since 2000. The median household income remains unchanged since 2000, at approximately $37,000. Examining what New Orleans workers earn in relation to their housing costs shows that many key industries pay wages that make housing unaffordable to their employees. Many workers in New Orleans earn far less than the median annual income. As of 2014:

- Extremely low-income households earned under $23,549, per year.
- Very low-income households earned between $23,000 and $37,000, per year.
- Low-income households earned $37,000 to $58,000, per year.
- Moderate income households earned over $58,000, per year.

New Orleans' primary economic industry is service and tourism. This industry employs the majority of low-to-moderate income workers. For example, 33,801 employees work in the Accommodation and Food Services industry, and these housekeepers, bartenders, fast food employees and hotel desk clerks all earn under $23,000 a year. With so many residents working in these industries, it is critical that we create housing that is affordable for the workers who support the backbone of the New Orleans economy.

Displacement

Housing displacement occurs when residents are unable to continue living in their homes and must move to another location. Displacement can happen for a variety of reasons, but housing cost is a major contributor to the displacement of residents. The following factors play a role in the displacement of residents in New Orleans:

- Increasing real estate values due to major public or private investments may cause rents and property taxes in a particular area to rise, thus increasing homeowners' and renters' monthly costs.
- Other monthly costs of housing, such as utility bills (water, electric and gas) or flood insurance costs, cause increases.

Since 2005, an estimate based upon census tract data, reflects the demographic and economic transition where all but seven of the City's 72 neighborhoods saw an increase in their average contract rent from 2000 – 2013. In 42 neighborhoods, that increase was at least over 35% --the cumulative rate of inflation for that same time period.

HousingNOLA – A 10 Year Plan

For the past 10 years, passionate residents have been working with non-profit, community-based organizations to rebuild their homes and create a more equitable and resilient New Orleans. In early 2014, the *Foundation for Louisiana's* TOGETHER Initiative convened a group of residents and non-profits to develop strategies for improving housing policies and increasing equity in New Orleans. The Greater New Orleans Housing Alliance (GNOHA) was chosen by the group to manage the *HousingNOLA* process, assisted by fair housing advocates, developers, and City and State officials – in partnership with civic, neighborhood, business, and philanthropic leaders.

As a 10-year plan, *HousingNOLA* is designed to provide a road map for future housing development in the city, and a process to benchmark this progress. The housing demand model follows a standard approach to measuring housing demand: considering existing data sets, and using assumptions about how New Orleans will grow to project housing demand for the future. The demand model has clear limitations, but uses current data sources including growth trends, income levels, household types, vacancy rates, household tenure and anticipated new construction for the City of New Orleans. Based on these assumptions, over the next five years, the projected demand for homes in New Orleans over the next 10 years will be ***33,593*** homes by 2025 (rental and homeownership). This includes 10,952 rental units for low- and moderate-income households; 5,720 market rate rental units; 5,628 low- and moderate-income homeownership units; and 11,293 market rate homeownership units. Housing demand is essentially what the growth of households will be minus the housing likely to become available, and the demand that can be met through new construction, rehabilitation of existing homes, and conversion of non-residential building to housing units.

Conclusion and Next Steps

The *HousingNOLA* process has continued to engage New Orleans residents and key stakeholders in a community-led planning process that will create a road map for addressing housing needs over the next ten years. The Plan is divided into two distinct reports: the release of the preliminary report in August 2015, and the final *HousingNOLA Plan* scheduled for release in November 2015.

Since 2005, 21,622 subsidized units have been created in New Orleans of the overall 148,398 housing units in the city. These opportunities have been created largely through the use of public funds that were leveraged by private sector and philanthropic capital. Public sector agencies have received billions in recovery funds to address the damage wrought following the series of disasters beginning in 2005. This influx of federal funds continues to play a critical role in the state and New Orleans economies, but the funding pool continues to shrink while the housing needs remain pressing. Housing supply in the city occurs in the context of long-term abandonment and vacancy issues. The damage caused by Hurricane Katrina and the subsequent levee breaches damaged 70% of households in the City of New Orleans, and half of all rental units. This large-scale displacement, the challenges faced by homeowners who did not have adequate assistance to rebuild and the choice made by many landlords not to rebuild rental units, exacerbated vacancy and affordability issues across the city. It is crucially important, that Congress continue to fund programs like HOME and the National Housing Trust Fund, which provide the greatest opportunity for affordable housing options.

While much progress has been made with regard to recovery in the region, there is still significant work to be done to ensure that all residents who want to return home have both the resources and opportunity to do so.

I would like to thank the members of the committee for your time and consideration of this testimony.

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[i]All statistical data included was compiled and published in the *HousingNOLA Preliminary Report,* August 21, 2015.