

AN ADVISORY SERVICES PROGRAM REPORT

Gulf Coast Housing Finance Forum



**Urban Land
Institute**

Gulf Coast Housing Finance Forum

Recommendations for the Mississippi Gulf Coast Renaissance Corporation

April 10-11 and May 16-18, 2007
An Advisory Services Program Report

ULI-the Urban Land Institute
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About ULI—the Urban Land Institute

The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide. ULI is committed to:

- Bringing together leaders from across the fields of real estate and land use policy to exchange best practices and serve community needs;
 - Fostering collaboration within and beyond ULI's membership through mentoring, dialogue, and problem solving;
 - Exploring issues of urbanization, conservation, regeneration, land use, capital formation, and sustainable development;
 - Advancing land use policies and design practices that respect the uniqueness of both built and natural environments;
 - Sharing knowledge through education, applied research, publishing, and electronic media; and
- Sustaining a diverse global network of local practice and advisory efforts that address current and future challenges.

Established in 1936, the Institute today has more than 38,000 members from 90 countries, representing the entire spectrum of the land use and development disciplines. Professionals represented include developers, builders, property owners, investors, architects, public officials, planners, real estate brokers, appraisers, attorneys, engineers, financiers, academics, students, and librarians. ULI relies heavily on the experience of its members. It is through member involvement and information resources that ULI has been able to set standards of excellence in development practice. The Institute has long been recognized as one of the world's most respected and widely quoted sources of objective information on urban planning, growth, and development.

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The goal of ULI's Advisory Services Program is to bring the finest expertise in the real estate field to bear on complex land use planning and development projects, programs, and policies. Since 1947, this program has assembled well over 400 ULI-member teams to help sponsors find creative, practical solutions for issues such as downtown redevelopment, land management strategies, evaluation of development potential, growth management, community revitalization, brownfields redevelopment, military base reuse, provision of low-cost and affordable housing, and asset management strategies, among other matters. A wide variety of public, private, and nonprofit organizations have contracted for ULI's Advisory Services.

Each panel team is composed of highly qualified professionals who volunteer their time to ULI. They are chosen for their knowledge of the panel topic and screened to ensure their objectivity. ULI's interdisciplinary panel teams provide a holistic look at development problems. A respected ULI member who has previous panel experience chairs each panel.

The agenda for a panel assignment is intensive. It includes an in-depth briefing composed of a tour of the site and meetings with sponsor representatives; interviews with community representatives; and work sessions for formulating recommendations. On the final day on site, the panel makes an oral presentation of its findings and conclusions to the sponsor. At the request of the sponsor, a written report is prepared and published.

Because the sponsoring entities are responsible for significant preparation before the panel's visit, including sending extensive briefing materials to each member and arranging for the panel to meet with key local community members and stakeholders in the project under consideration, participants in ULI's panel assignments are able to make accurate assessments of a sponsor's issues and to

provide recommendations in a compressed amount of time.

A major strength of the program is ULI's unique ability to draw on the knowledge and expertise of its members, including land developers and owners, public officials, academics, representatives of financial institutions, and others. In fulfillment of the mission of the Urban Land Institute, this Advisory Services panel report is intended to provide objective advice that will promote the responsible use of land to enhance the environment.

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Acknowledgments

On behalf of the Urban Land Institute, the panel would like to thank the following individuals and groups who were instrumental in the success of this initiative: from the board of the Gulf Coast Renaissance Corporation, Chairman Anthony J. Topazi (president and chief executive officer [CEO], Mississippi Power), Vice Chairman Gerald H. Blessey (president, Tradition Properties, Inc.), Treasurer D'Auby H. Schiel (CEO, Community Bank), Secretary J. Reilly Morse (attorney, Mississippi Center for Justice), Director Roy Anderson III (president and CEO, Roy Anderson Corporation), and directors John P. Baxter (senior vice president, Hancock Bank), Herbert T. Dubuisson (partner, Coldwell Banker Alfonso Realty), Martha W. Murphy (president and CEO, Coastal Land & Drilling, LLC), Dorothy D. Shaw (director, State and Local Affairs, Northrop

Grumman), and Karen K. Sock (general manager, Grand Casino).

Special thanks go to the corporation's president and CEO, Laura L. Davis. Without her leadership and involvement, this panel would not have been possible.

Special thanks also go to Sherry Leshner of Mississippi Power for arranging logistics and ensuring that the Biloxi visit went smoothly. Finally, the panel wishes to thank the citizens and businesses of the city of Biloxi and the Mississippi Gulf Coast for contributing to the panel process and providing their special version of hospitality during the panel visit.

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Executive Summary

Despite the provision of billions of dollars in federal recovery aid for the Gulf Coast, the combination of insurance, construction, and labor costs has made rebuilding prohibitively expensive for many working families. The focus of the Gulf Coast Renaissance Corporation—a private, not-for-profit organization—is removing barriers to the reconstruction of permanent workforce housing in the three coastal counties of Mississippi. The Urban Land Institute (ULI), at the request of the Renaissance Corporation, formulated a strategy by which the corporation can leverage \$100 million in Community Development Block Grant (CDBG) monies with private investment and private donations to effect the development of approximately 10,000 units of housing, or \$2 billion in total development. The panel's recommendations are outlined here.

Employer-Assisted Housing Program

The employer-assisted housing (EAH) program would assist at least 1,000 new and existing homeowners who are at or below 120 percent of area median income (AMI). The program would bring the cost of homeownership within the reach of families employed by participating companies by providing an average of \$70,000 per family in assistance, through a combination of a forgivable mortgage funded by employer contributions and a silent mortgage funded by CDBG monies leveraged with New Markets Tax Credits (NMTCs). The homeowner would be required to repay the silent mortgage upon resale, thereby generating funds to help other workers. State legislation enabling an employer-assisted housing tax credit would greatly enhance the program, allowing it either to serve more families or to require less CDBG funding.

Gap Financing for Homeowners

The gap financing program is geared toward assisting 1,000 homeowners earning less than 100 percent of AMI who need assistance to rebuild beyond that provided by programs such as the state's Homeowner Assistance Grants. On average, each family would receive a \$20,000 loan. Half of each loan would be funded by CDBG monies and repaid with no interest at the time of sale or refinancing. The other half would be funded by private market capital in the form of a silent mortgage to be repaid in full, along with a percentage of the property's appreciation.

Rental Program

In the rental program, \$15 million in CDBG monies would be set aside first to make grants to projects that have been awarded Low-Income Housing Tax Credits (LIHTCs), to transform them into mixed-income rental developments. A further \$5 million would be used to complement the state's Small Rental Program by providing predevelopment, acquisition, and construction financing. In total, the rental program would create approximately 2,000 units of rental housing.

Site Acceleration Fund

A \$48 million fund for land acquisition would be created with \$8 million in private equity, \$20 million in credit from local lenders and Fannie Mae, and \$20 million in CDBG monies. After reviewing current community development plans, the Renaissance Corporation would use the Site Acceleration Fund to acquire parcels with potential for corridor projects, flagship mixed-use projects, and infill development. Approximately 3,000 units of housing would be developed on the land acquired under this program.

**Figure 1
Funding Requirements**

Program ¹	Units	CDBG (\$ Millions)	NMTCs Equity (\$ Millions)	LIHTCs Plus Debt (\$ Millions)	Private Donations (\$ Millions)
Employer-Assisted Housing	1,000	50.0	18.0	–	10.0
Gap Financing for Homeowners	1,000	10.0	–	–	–
Rental Program	2,000	20.0	–	25.0	–
Complementary	1,687	5.0 ⁴	–	–	–
CDBG Piggyback	313 ⁵	15.0	–	25.0	–
Land Acquisition	3,000 ⁶	20.0	–	–	–
Developer Assistance	3,000	–	–	–	8.0
Predevelopment Loans	2,900 ⁷	–	–	–	4.0
Credit Enhancement	0 ⁸	–	–	–	4.0
Small Developer Loan Fund	100	–	3.0	–	–
Total	10,000	100.0	21.0	50.0	18.0⁹

* Note: CDBG = Community Development Block Grant; NMTC = New Markets Tax Credit; LIHTC = Low-Income Housing Tax Credit.

¹ The numbers in this chart are only suggestive of how the corporation might allocate its funds and how the activities of the corporation may sector.

² It is assumed in all of the programs, except where noted, that the breakdown between bank debt and private investment is 80 percent and 20 need to invest, on average, 20 percent of the remaining development costs in equity in each unit.

³ Of the total, \$10 million would come from employer contributions and the remaining \$36 million would be recouped home equity.

⁴ The \$5 million in CDBG funding to complement the state’s Small Rental Program would reduce the necessary bank debt for rental owners by

⁵ Of the total number of units, 40 percent (125) would be LIHTC units and 60 percent (187.5) would receive supplemental CDBG funding. while the mix of debt to CDBG to equity should be 40 percent debt, 40 percent CDBG funds, and 20 percent equity.

⁶ The \$20 million in CDBG funds would reduce necessary bank debt by \$20 million, to a total of \$460 million. Of the \$120 million in private funds investing in the ability of the Renaissance Corporation to add value by assembling land.

⁷ Over ten years, \$4 million in private donations would be loaned out in seven cycles. Approximately 26 projects would each receive a \$150,000 has 16 units, the predevelopment loan fund would help create approximately 2,900 units over ten years.

⁸ Credit enhancement will be provided for the same projects that receive predevelopment funding.

⁹ The \$4 million provided for predevelopment loans and the \$4 million provided for credit enhancement would not necessarily reduce the cost \$2 billion. This assistance would help developers overcome disincentives to development, to break ground on 2,900 units over ten years.

Renaissance Builder/Developer Guild

The Guild would certify members who commit to achieving specific standards in their developments in key areas: energy, wind, sustainable design and construction, and mixed-use and mixed-income development.

Developer Assistance

A \$4 million fund would be created with private donations to provide predevelopment loans to developers. A further \$4 million in private funds would be set aside to enhance credit for acquisition and construction loans. NMTCs would be used

Bank Debt² (\$ Millions)	Private Investment (\$ Millions)	\$ Total
97.6	24.4	200.0 million
144.0	46.0 ³	200.0 million
280.0	75.0	400.0 million
265.0	67.5	337.5 million
15.0	7.5	62.5 million
460.0	120.0	600.0 million
–	–	600.0 million
–	–	580.0 million
–	–	4.0 million
16.0	1.0	20.0 million
1277.6	38.0	2.0 billion

leverage additional private investment and mortgage funds from the private percent, respectively, meaning that homeowners and developers alike would

at least \$5 million.

LIHTC units would be funded by bank debt and equity from tax credits,

investment, \$8 million would come from outside investors such as pension

loan for predevelopment costs in each cycle. Assuming that each project

of development and is therefore not included in the totals of \$18 million or

to create the Small Developer Loan Fund to provide acquisition, predevelopment, and development funding to small developers building between 5 and 20 units of single-family housing. In total, these programs would provide assistance to developers in creating 3,000 units of primarily for-sale housing.

In addition to the programs outlined above, the Renaissance Corporation should roll out an education, information, and advocacy campaign in support of the core values that the corporation sees as underpinning the redevelopment process. Education is needed to inform communities about mixed-income and mixed-use development, modular housing, smart growth, and workforce housing. In addition, the Renaissance Corporation should ensure that all the development in which it is involved adheres to design principles that create a sense of place, incorporate sustainability and energy efficiency, and ensure high-quality design and construction.

The structure of the corporation will be crucial to its success. A professional staff will be hired in the short term that includes a chief operating officer, a chief financial officer, a director of planning and community relations, a director of programs, and a general counsel. In addition, the corporation's relationship with state and local governments will be critical to achieving its goals. The state must recognize the corporation's business plan as well as formally designate the Renaissance Corporation as an implementing agent in the redevelopment process. The Renaissance Corporation should also sign accords with local governments and other nonprofits in order to explicitly define roles and responsibilities going forward.

In the short term, the Renaissance Corporation will be able to leverage CDBG monies with private investment and donations to kick-start the redevelopment of housing for working families on the Gulf Coast. The CDBG monies will either revolve back over time to the Renaissance Corporation to be used to meet future housing needs or be used to create housing that will remain affordable to the region's workforce over the long term. The housing development created through these efforts will be a tangible sign of hope for the residents of the Mississippi Gulf Coast.

The Panel's Assignment

The redevelopment of the Mississippi Gulf Coast will be the legacy of today's officials and citizens. The Gulf Coast Renaissance Corporation enlisted ULI's help in creating a set of recommendations to help it maximize its efforts on the Gulf Coast. ULI convened a panel of 15 national housing experts with the following objectives:

- To provide a formula and framework for the use of CDBG funds, private funds, LIHTCs, NMTCs, and other funds in an effort to maximize the number of workforce housing units produced and to ensure that the development of these units reflects the best and most responsible land use practices in the creation of sustainable communities;
- To provide a framework for the structure of the corporation, to maximize the efficiency of delivery of the programs while ensuring the integrity of the programs and underwriting process;
- To engage other entities to ensure complementary efforts by strengthening existing programs and offering programs that are not currently in place; and
- To ensure fairness and transparency in the process.

The ULI Panel Process for the Forum

The panel met in Washington, D.C., on April 10–11, 2007, to review briefing materials prepared by the Renaissance Corporation. Panel members then toured the Gulf Coast several times and met and interviewed more than 50 community leaders from both the public and the private sectors. After convening for a three-day work session on the Gulf Coast, the panel presented the recommendations contained in this report at a public meeting on May 18, 2007.

The Gulf Coast Renaissance Corporation

In the wake of Hurricane Katrina, top leaders on the Mississippi Gulf Coast formed the Gulf Coast Business Council to provide a unified, regional platform from which to promote public policy aimed at improving the economic vitality and quality of life on the coast. The organization has grown to include more than 180 of the top business and economic leaders in the three coastal counties of Mississippi. Prominent small business owners serve alongside mayors and presidents of the county boards of supervisors, military base commanders, economic development professionals, chambers of commerce executives, regional planning directors, and port and airport directors. The Business Council is organized into committees that focus on issues associated with economic development, tourism, military and defense industries, transportation, leadership development, building, and land use.

Housing is a critical concern for the Business Council. The most significant hurdle in the rebuilding process on the coast is the availability of affordable and safe housing for the region's workforce. To address this issue, the council formed a separate, not-for-profit, private corporation—the Gulf Coast Renaissance Corporation. The Renaissance Corporation was envisioned as an organization that would be able to effect the development and redevelopment of single-family and multi-family housing units on the coast by developing strategic partnerships with national foundations, community-based organizations, corporations, financing institutions, governments, builders, land developers, and other stakeholders. The vision and mission statements of the Renaissance Corporation, and its goals, are as follows.

Vision

To serve as the capstone organization in the rebuilding of the Mississippi Gulf Coast by removing obstacles to redevelopment, creating partnerships, and stimulating investment in order to create vibrant, diverse, sustainable communities that offer residents the highest quality of life.

Mission

To facilitate the development of mixed-income communities that provide safe, high-quality, affordable housing for the workforce of the Mississippi Gulf Coast.

Goals

The corporation has six goals:

- To effect the development of 10,000 homes by partnering with the public sector, nonprofit, and for-profit developers.
- To remove existing barriers to development by instituting an aggressive plan of land acquisition and gap funding.
- To ensure efficient development patterns by focusing on opportunities in close proximity to existing employment centers in the three coastal counties.
- To foster the redevelopment of communities as environmentally, economically, and socially sustainable through responsible land use practices, with a particular focus on mixed-use and mixed-income communities.
- To create efficiencies through open competition for development opportunities.
- To achieve a total capitalization of \$120 million in public funds (\$100 million) and private funds (\$20 million).

The Rebuilding Gap

Despite the provision of billions of dollars in federal recovery aid for the Gulf Coast, many residents continue to struggle with the financial burden of rebuilding owing to a host of factors that have made housing costs soar. Construction and labor costs in the region are higher than they were before Hurricane Katrina hit. In addition,

new elevation requirements add thousands of dollars to the cost of rebuilding. The cost of property insurance has doubled or tripled for many residents, while coverage has been reduced. Less fortunate residents have seen policies canceled completely. For families that need new policies, comprehensive coverage must come from three sources: the National Flood Insurance Program, the State Wind Pool, and a homeowners insurance policy from a private insurance company.

The substantial increase in housing costs contrasts starkly with the ample supply of moderately priced housing that was available to working families before Katrina. The focus of the Gulf Coast Renaissance Corporation is the rebuilding of permanent workforce housing in the three coastal counties. Workforce households are defined as households whose income is too low to afford to pay market prices for homes or apartments in the communities where they work, but too high to qualify for significant federal housing subsidies. In the case of the Mississippi Gulf Coast, the targeted households are those earning between 60 percent and 120 percent of area median income (AMI), which is currently \$50,400 for the Gulfport–Biloxi Metropolitan Statistical Area.

Employees must have housing options they can afford within a reasonable distance of their workplace. A top employer on the Mississippi Gulf Coast is the gaming industry; ten casinos employ more than 11,000 people. Northrop Grumman, a global defense and technology company, also has more than 11,000 employees. There is a critical need for housing to be developed for these workers (not to mention the shipyard workers, school teachers, military personnel, first responders, and oil refinery and other industrial workers), who drive the economy. For the region's economy to thrive, the towns along the Gulf Coast must rebuild their housing stock to be safe, attractive, and affordable. The programs recommended by the panel are specifically designed to bridge the rebuilding gap for the working families who are critical to the vitality of the region.

Recommendations

The panel recommends that the Renaissance Corporation, as a steward of the rebuilding process, endeavor to support only those developments that promote its vision for the future of the coast. Traditional neighborhood design and smart growth principles should be promoted, as well as mixed-use and mixed-income development. New development should be integrated into existing neighborhoods, and a premium should be placed on creating a sense of place and community spaces. Above all, there is a need to ensure high-quality design as well as construction and design practices that promote sustainability and energy efficiency. Adherence to these principles underpins all of the following recommendations.

Employer-Assisted Housing Program

The Employer-Assisted Housing (EAH) program is designed to help workers employed by businesses in the region to purchase homes. The program—targeted to families with incomes between 80 percent and 120 percent of AMI—would help at least 1,000 families buy homes. This assistance would be available not only to the current generation of workers but also to future workers in need of assistance, avoiding the need for a new public subsidy. The EAH program would thus function as a permanent replacement for part of the area's lost stock of housing that is affordable for working families.

Because Hurricane Katrina destroyed much of the area's older housing stock, many workers in this income range can no longer afford to purchase a home. Similarly, for some working families who were homeowners before Hurricane Katrina, rebuilding is prohibitively expensive even after insurance payments and grants from the state's homeowner assistance program. The EAH program would help by providing families with second and third mortgages to cover the difference between the costs of new construction or rehabili-

tation and the amount that the family can afford to borrow on its own. Each family's needs would be calculated on the basis of such factors as income level and proceeds from insurance or other housing assistance programs.

Under the EAH program, participating employers would set their own policies for selecting workers to participate. A worker who is selected would become eligible for a second mortgage that is forgivable over time (to encourage employee retention) and a third mortgage that must be paid back when the employee sells the home (to facilitate recycling of funds to help future buyers). The third mortgage would be silent in the sense that no payments would be due until resale, ensuring that the home is affordable for the worker throughout the life of the loan. At resale the loan would be repaid in full plus a modest share of the home's price appreciation, to ensure that the subsidy keeps pace with the market (while still allowing ample opportunity for the buyer to build individual wealth). The money would then be recycled back into the EAH program to help other families.

This assistance would be funded by a combination of employer contributions, CDBG funds, and NMTCs. The CDBG funds would need to come with the same waivers that the state has used to fund assistance to families with incomes greater than 80 percent of AMI through its homeowner rebuilding programs. An allocation of \$78 million in NMTCs would also be necessary. NMTCs can be used to help families at any income level as long as the housing is located in a census tract where income is at or below 80 percent of AMI. For NMTCs used under the Gulf Opportunity Zone Act of 2005 (GoZone), that changes to 120 percent of AMI. The alternative option is that at least 60 percent of the families served must have incomes at or below 80 percent of AMI (120 percent for GoZone) and can be located anywhere. The remaining 40 percent can have any income

level and be located anywhere. If the Renaissance Corporation is able to get its own allocation of tax credits, rather than going through a community development entity, it will be able to leverage a significantly higher amount of equity.

For the purposes of estimating the numbers of families that could be assisted, the panel assumed that employers would contribute \$10,000 per worker and that these funds would be augmented by an average of \$60,000 per worker in public funds—CDBG leveraged with NMTCs. Both the public funds and the employer contributions would be provided to a nonprofit organization, chosen by the Renaissance Corporation, which would administer them on the corporation's behalf and facilitate the leveraging of those funds with NMTCs. The nonprofit organization would be the entity issuing both the forgivable second mortgage for an amount equal to the employer's contribution and the silent third mortgage funded with public funds.

To strengthen the program, the panel recommends that the state adopt legislation modeled after that of Illinois, in which employers receive state tax deductions for qualifying EAH contributions. By essentially doubling the value of employer contributions, such legislation would allow the program to be extended to even more families or would reduce program reliance on CDBG funds.

To assist 1,000 families in its initial phase, the program would require an estimated \$50 million in CDBG monies and \$10 million in funds from employers. A further \$18 million in funding would come from the leverage provided by New Markets Tax Credits. Of the total \$78 million, \$7 million would be used to cover administrative costs and \$1 million would fund homeownership education for all families. The program would be administered by a nonprofit organization chosen through a competitive process. The organization would be responsible for providing homeownership education and counseling and for issuing and monitoring loans.

Gap Financing Program

This program would offer gap financing to homeowners who need assistance to rebuild beyond that provided by the CDBG funds given to home-

Program Example: Employer-Assisted Housing

Price of Home	\$200,000
Insurance	\$400/month
Taxes	\$285/month

A family earning the area median income of \$50,400 a year can afford to spend a maximum of 35 percent of its monthly income (\$1,470) on housing. After insurance and taxes, that represents a 30-year mortgage of \$128,000 at a fixed rate of 6.25 percent APR.

Insurance	\$ 400	
Taxes	285	
Mortgage Payment	<u>788</u>	
Total	\$1,473	(> 35 percent of monthly income)

Price of Home	\$200,000
Mortgage	<u>128,000</u>
Gap	\$ 72,000

Gap is filled with	\$ 2,000	down payment by employee
	10,000	forgivable loan from employer
	60,000	silent mortgage funded by CDBG/NMTCs

In this scenario, the rebuilding gap would be significantly reduced for a family that has been able to recoup some home equity or already owns a lot on which to build.

If the program designers prefer that families spend a smaller share of their income on mortgage payments—for example, 30 percent—one could choose either to serve slightly fewer families or to extend the first mortgage length from 30 to 40 years.

owners through state programs. It would be structured to assist 1,000 families. Most of the qualifying families will likely earn less than 100 percent of AMI, because rebuilding needs for families at higher income levels have largely been satisfied. On average, the loans extended through this program would be for \$20,000.

Half of each loan would be funded by CDBG monies in the form of a silent mortgage, to be repaid with no interest at the time of sale or refinancing. The other half would be funded by private market capital in the form of a silent mortgage to be repaid in full plus a percentage of the property's appreciation. All loans would be due at the time of sale or

Program Example: Gap Financing

Rebuild	\$180,000
Insurance	\$217/month
Taxes	\$285/month
80 percent of AMI	40,320

A family earning 80 percent of AMI (\$40,320) can afford to spend a maximum of 35 percent of its monthly income (\$1,176) on housing. After insurance and taxes, that represents a 30-year mortgage of \$110,000 at a fixed rate of 6.25 percent APR.

Insurance	\$ 217
Taxes	285
Mortgage Payment	<u>677</u>
Total	\$1,179 (> 35 percent of monthly income)

Price of Home	\$180,000
Mortgage	<u>110,000</u>
Gap	\$ 70,000

Gap is filled with	\$50,000	from state programs
	20,000	from Renaissance Corporation loan

refinance, and all loans would have to be repaid after 15 years.

The loans would be administered by local banks under the auspices of the Renaissance Corporation. They would require that \$2 million of the corporation's private donations be set aside, to cover first dollar loss to investors. Incorporating private capital reduces the amount of CDBG money required, freeing up public funds to be used in other programs. An example of the calculations used to structure the program appears in the box.

Rental Housing Program

Rental housing has been slow to come back online, and the limited supply of rental housing that is available on the Gulf Coast is very expensive, both because of increased demand for available units and because of increased insurance costs. As a result, many families that were renting before Hurricane Katrina have had to find housing far away from their jobs or have had to leave the area altogether.

The ULI panel recommends that the Renaissance Corporation adopt a two-pronged approach to promoting the development of 2,000 units of mixed-income rental housing. First, the corporation should complement the state's Small Rental Program by using \$5 million in CDBG funds to assist developers that receive funding from the state with training and predevelopment, acquisition, and construction financing. Second, \$15 million in CDBG "piggyback" funds should be provided to developers that have already received Low-Income Housing Tax Credits (LIHTCs) to transform to-be-built projects into mixed-income rental housing. Through these two distinct strategies, the Renaissance Corporation should endeavor to effect the development of 2,000 units of mixed-income rental housing over the short term.

Rental Strategy 1: Complementary Small Rental Program

The Renaissance Corporation can kick-start the redevelopment of infill rental housing under the state's Small Rental Program by providing complementary assistance to small developers with \$5 million in CDBG funds. The state's program is designed to put 5,000 units of rental housing back on line, and many of those eligible under this program will have neither experience in developing housing nor credit adequate to undertake the development process. The Renaissance Corporation should provide a training program to small developers that receive assistance under the state's program. In addition, the Renaissance Corporation should offer predevelopment, acquisition, and construction financing. Through this program the corporation should assist in the development of more than 1,600 units of rental housing.

Rental Strategy 2: CDBG Piggyback Program

Planned LIHTC projects in the three coastal counties have largely been halted by community opposition to high concentrations of rental housing for families earning less than 60 percent of AMI. Turning these projects into mixed-income rental housing will be costly but will break the logjam of opposition, to put rental units on the market in the short term. The CDBG piggyback program entails using an allocation of \$15 million in CDBG funds from the Mississippi Development Authority (MDA) and awarding the funds to qualified developers of

to-be-built projects on the Gulf Coast. The funding will be used to transform these projects into mixed-income rental housing, providing both rents that are affordable for individuals earning no more than 60 percent of AMI, as well as rents that are comparable with pre-Katrina market rate rents. With \$15 million in CDBG funding, it would be possible to create more than 300 units of mixed-income rental housing.

Under this program, the Renaissance Corporation will link CDBG funds to existing LIHTC awardees in the towns along the coast. A process will need to be developed for selecting projects, determining feasibility, issuing appropriate award documents, monitoring completion and compliance during construction and lease-up, and managing the assets postdevelopment. The CDBG funds are needed to underwrite the rising development costs in the region to offer rents comparable with pre-Katrina market-rate rents.

The panel recommends that in each rental development, 60 percent of the units be rented at pre-Katrina market rate rents, which are affordable for households earning approximately 80 percent or more of AMI (\$40,320). Anyone, regardless of income level, would be eligible to rent these units. The remaining 40 percent of the units would carry income restrictions to be affordable for families earning 60 percent or less of AMI (\$30,240), by virtue of the LIHTC equity invested in those units. The rental developments that receive assistance should also be located adjacent to sites where a comparable or greater number of new for-sale homes are being built, with the goal of mixing for-sale and rental units in proximity.

Two points should be noted. First, by virtue of the use of housing tax credits, the units rented to households earning no more than 60 percent of AMI must remain affordable at that income level for 30 years. Second, the use of CDBG funds will require that developers include affordability requirements for 51 percent of the total units in each development. (Note: "Affordable" under CDBG guidelines means affordable for households earning no more than 80 percent of AMI. As such, in addition to the 40 percent of units affordable for households earning 60 percent or less of AMI, at least an additional 11 percent of units must be

Program Example: Rental Housing

Development costs	\$200,000
At 60 percent AMI	
LIHTC	\$140,000
Permanent debt	40,000
Deferred developer fees	20,000
Total	\$200,000
At 80 percent AMI	
Permanent debt	\$ 80,000
CDBG	80,000
Developer equity	40,000
Total	\$200,000
Assumptions	
AMI	\$50,000
60 percent AMI	30,000
80 percent AMI	40,000

60 percent of units rented to people earning 80 percent of AMI
 40 percent of units rented to people earning 60 percent of AMI
 Units rented to those earning 80 percent of AMI use \$80,000 of CDBG per unit

rented to families earning 80 percent or less of AMI at lease-up. Once the projectwide 51 percent test is met by leasing a sufficient number of units to families earning 80 percent or less of AMI, the balance may be rented at rates previously agreed to by the Renaissance Corporation and the developer. Furthermore, the CDBG rental requirements cease to apply after the first anniversary of the project.

We expect that the LIHTC units rented to households earning 60 percent or less of AMI will be able to support as much as 95 percent of the total development costs through the sale of the housing tax credits and permanent debt. The market-rate units will be rented to higher-income tenants and will therefore be able to support more permanent debt than the LIHTC units. However, the market-rate units will not be restricted to renters earning 60 percent or less of AMI, making these units ineligible for LIHTC benefits.

The targeting of higher-income tenants within the same development will come at a cost, specifically

in the appointments in the units and property management. These enhancements to the project's design will have to be available for all units, regardless of the tenant's income. As a result, the gap in financing will be made up with CDBG funds. The Renaissance Corporation should also require developers to contribute up to 20 percent in funds. The mix of debt to CDBG to equity should be 40 percent debt, 40 percent CDBG funds, and 20 percent equity. The calculations used as a basis for the design of this program appear in the box.

Both the rental programs suggested here will put desperately needed rental housing back on line for the region's workforce. It is estimated that \$20 million in CDBG funding will allow the Renaissance Corporation to leverage both LIHTC awards and funding provided under the state's Small Rental Program to effect the development of 2,000 units of mixed-income rental housing. The piggyback program will trigger the release of LIHTC awards, enabling the development of workforce and affordable units in the region. Meanwhile, providing training and financing to developers will accelerate development under the state's Small Rental Program. Promoting mixed-income rental development in the short term will create the economically diverse communities that will be key to the region's long-term success.

Land Acquisition Program

Land acquisition will be an important tool for encouraging housing development. The Renaissance Corporation should first review current community redevelopment plans to identify projects and parcels of opportunity. The land that is acquired should have potential for use in corridor projects, flagship mixed-use projects, and infill development. To reduce competition for land, it will be necessary to coordinate land assembly options and sales agreements with the land acquisition strategies of for-profit and nonprofit developers. It will also be important to identify public properties that might be available for development.

A Gulf Coast Site Acceleration Fund should be created to finance \$48 million in land acquisition. It would be funded by \$20 million in CDBG monies, \$20 million from local lenders and Fannie Mae, and

\$8 million in private equity. The CDBG monies could also be used as a loan loss reserve to create more leverage.

Land that is acquired should then be made available to selected developers at a reasonable cost. Over ten years, it should be possible to build 3,000 units of housing on the land acquired by the Renaissance Corporation. To the extent that sites are sold to developers below market price, developers should be required to provide community amenities such as below-market housing or public spaces through a site acquisition and disposition agreement. Assistance would be offered in securing development entitlements for projects that conform to the design principles to which the Renaissance Corporation ascribes. Developers would be required to complete payment for the parcels in three to five years. Going forward, the Renaissance Corporation should also pursue legislation to expedite the sale of tax-delinquent properties from taxing bodies to the corporation for redevelopment.

Developer Assistance

Currently many disincentives prevent developers from building housing on the Mississippi Gulf Coast. The Renaissance Corporation should create a range of incentives to bring high-quality development to the coast. Through the incentives enumerated in this section, the corporation can promote high-quality housing as well as new approaches to development, such as modular construction, live/work units, and granny flats. These incentives should be targeted to creating primarily infill, for-sale housing (not including the Renaissance Builder/Developer Guild). Together, these programs would provide assistance to developers for creating 3,000 units of primarily for-sale housing. The assistance strategies explained here would be in addition to the assistance offered to developers of rental units under the state's Small Rental Program.

Renaissance Builder/Developer Guild

As the centerpiece of developer assistance offered by the corporation, it should create the Renaissance Builder/Developer Guild. The guild can certify members who commit to achieving specific

standards in the following areas in all their developments: energy efficiency, storm-fortified construction, sustainable design and construction, and mixed-use/mixed-income development. The certification process will be mutually beneficial to the corporation and developers alike. Membership in the guild can be used by the developers to attract clients, while the Renaissance Corporation can use the certification process to inform developers about best practices in building design and construction. In addition, the corporation should convene regular meetings of the guild at which educational programs and reports on best practices are given.

Small Developer Loan Fund

The Small Developer Loan Fund should be created with an allocation of NMTCs. The fund could provide up to \$3 million in acquisition, predevelopment, and development funding to assist small developers—those producing between five and 20 units of single-family housing. The fund could be used to create an initial 100 units of housing.

Predevelopment Fund

The Renaissance Corporation should also create a general Predevelopment Loan Fund with \$4 million in private donations, to provide predevelopment loans to developers of for-sale units. The loans would be for a maximum of \$150,000 and would require a one-to-one match from the developer. The loans would be extended for 15 months, on average, and repaid at the start of construction. Over ten years the \$4 million would be lent in seven cycles, to approximately 26 projects in each cycle. Each project would include 16 units on average, representing more than 2,900 units in ten years.

Credit Enhancement

The corporation should set aside a further \$4 million in private donations to enhance credit for acquisition and construction loans. Developers who receive predevelopment funding would be those eligible for credit enhancement. Credit enhancement for each project would be available during construction, for 15 months on average, and would be repaid at closing.

Education, Information, and Advocacy Campaign

The Renaissance Corporation should endeavor to educate citizens and developers and disseminate information to the public through an education, information, and advocacy campaign. Developers need education on best practices in mixed-income and mixed-use development, modular housing, smart growth, and workforce housing. Education on these subjects in the community at large will also be necessary to explain the need for these redevelopment approaches and to generate community support.

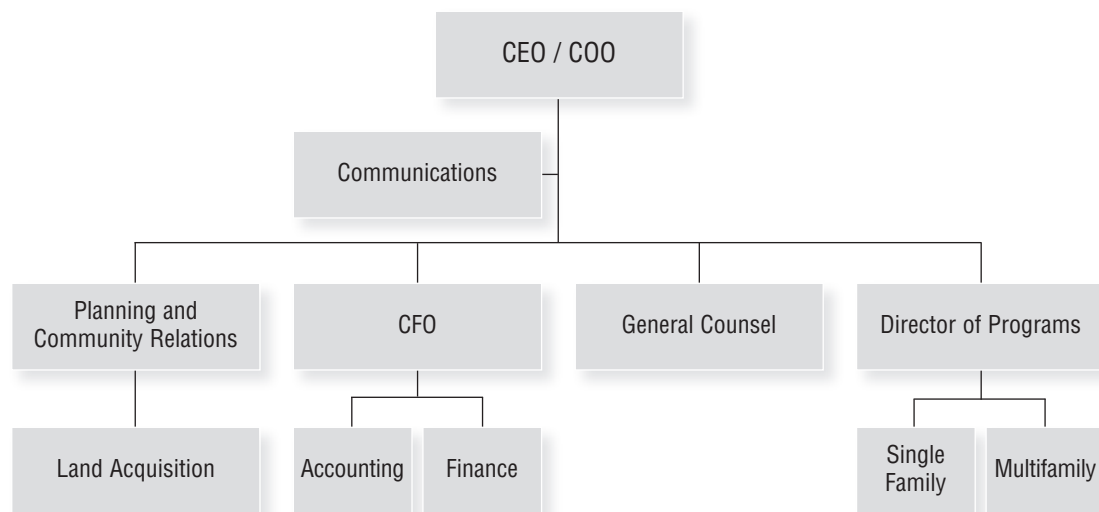
Access to information will also help speed up redevelopment. The Renaissance Corporation should act as a central clearinghouse for information by working with Stennis Space Center and others to complete development of a publicly available GIS database. The corporation should also develop and update market data and make the information widely available.

The corporation should act as an advocate for the responsible redevelopment of the coast. In all its efforts, it will be important to promote coordinated planning and smart growth principles, as well as standards for high-quality design, energy efficiency, and environmental sustainability. Only those projects that meet such specific standards should be eligible to receive funding from the Renaissance Corporation.

Design Principles

The redevelopment of the Mississippi Gulf Coast will be the legacy of today's officials and citizens. As a steward of that rebuilding process, the Renaissance Corporation should endeavor to support only those developments that promote its vision for the future of the coast. Traditional neighborhood design and smart growth principles should be promoted, as well as mixed-use and mixed-income development. New development should be integrated into existing neighborhoods, and a premium should be placed on creating a sense of place and community spaces. Above all, there is a need to ensure high-quality design and construction and design practices that promote sustainability and energy efficiency. Adherence to these principles

Figure 2
Organizational Chart



should underpin the investment decisions of the Renaissance Corporation.

Integrate New Developments

New developments should be integrated within or alongside established neighborhoods, to respect and extend the existing settlement patterns by creating new development patterns that are evolutionary—not revolutionary. At the urban scale, this includes such strategies as maintaining street grids and block patterns and acknowledging existing settlement and use patterns. Where new uses deviate, it will be necessary to incorporate appropriate transition zones into the design. At the architectural scale, this includes building at the same scale or, where scale and density differ, designing transitional structures or spaces that mediate changes in scale and density. Architectural details or material selections and the patterns they create can also tie new buildings to the established context. Employing indigenous design motifs can help make new buildings fit comfortably with their older neighbors. However, it is important that indigenous designs not be merely imitated superficially but rather understood and integrated into new developments.

Create a Sense of Place

It is crucial to design developments in terms of real neighborhoods and places. Too often, developers and designers fail to take advantage of the opportunity to design spaces that create a sense of place. Neighborhoods are at least as much about the spaces between buildings as they are about the houses themselves. A certain commonality may reinforce a sense of place, but variety and diversity are also valuable and necessary to creation of that sense. As such, variations in hierarchy, scale, and motif that derive from designing for mixed use and mixed incomes help create order, centrality, and focus—all ingredients necessary to the recipe for a place that people will understand and come to love.

Design Community Spaces

Shared space is vital to the creation of community. Designing community space is an intentional act and one that is essential to the creation of successful neighborhoods, because although community space is public, it belongs to the local community to the exclusion of the still larger community, at least to a degree. All developments should be required to include an appropriate proportion of specifically designed community space. Ideally,

these spaces should be nodes for community assembly, congregation, and neighborly activity.

Promote Energy Efficiency and Sustainable Design

The concept of sustainability may have seemed radical to most people only a few years ago, but ignoring sustainability today would be irresponsible, especially on the post-Katrina Gulf Coast. Sustainable development means using high-quality construction and designing for walkability and usability, ease of maintenance, and conservation. Energy efficiency is a key part of sustainability, and new developments should be built to conserve energy both in the construction process and during occupancy. Design principles related to street and building orientation, landscaping, usable outdoor spaces, and shared infrastructure possibilities are both timeless and timely ways to conserve energy.

Corporate Structure

The Gulf Coast Renaissance Corporation began hiring a professional staff in March 2007. The staff will be led by the corporation's CEO, with the support of its board of directors. Although the Renaissance Corporation is a not-for-profit entity, it will be tasked with investing in and overseeing more than \$2 billion of investments in the years ahead. The structure of the corporation will be crucial to its success. The organizational chart shows the staff that will be needed in the short to medium term.

In addition to the staff of the Renaissance Corporation, its relationships with the banking sector, local businesses, state government, local government, and other nonprofit organizations will be key to its success. The state should grant the Re-

naissance Corporation CDBG funding, officially recognize its plan, and designate it as an implementing agent in the redevelopment of the Gulf Coast. The corporation must then sign memorandums of understanding with local governments and other nonprofits that define roles and responsibilities going forward.

The corporation must move quickly to begin contributing to the rebuilding process. By December 2007, the corporate structure recommended here should allow the Renaissance Corporation to accomplish the following:

- Get a commitment from the state for CDBG funds.
- Fully staff up.
- Get employers to commit to fund 1,000 units of housing through the EAH program. Partner with lenders to provide gap financing to homeowners.
- Acquire sites through the Site Acceleration Fund.
- Partner with a LIHC developer to break ground on a mixed-income rental development.
- Apply for NMTCs and set up the Small Developer Fund.
- Create a coalition of local governments and nonprofits to work on an advocacy and education campaign.

Conclusion

The rebuilding process on the Mississippi Gulf Coast will require leadership and vision to shape a course of action, in order for good intentions to become reality. The creation of the Gulf Coast Renaissance Corporation is an exemplary statement of leadership and vision. It has the potential to be the single most important institution created on the Mississippi Gulf Coast since Hurricane Katrina. Its mission recognizes that people are the region's most important asset and that a region cannot grow without a high-quality workforce attracted by affordable housing and quality of life.

The members of the ULI panel that created the recommendations in this report have been involved in all aspects of developing public/private partnerships to produce high-quality housing solutions. The recommendations address the market weaknesses that currently impede the production of housing on the coast. The recommendations will enable the Renaissance Corporation to leverage \$100 million of public investment to create 10,000 units of housing over the next ten years. That represents more than \$2 billion in development. The public investment will create rental housing that

will remain affordable to the region's workforce over the long term. Subsidies that go to helping developers and making homeownership affordable will revolve back to the Renaissance Corporation over time to ensure the longevity of the redevelopment process.

With strong leadership and broad backing from the business and political community, the Renaissance Corporation can stimulate and guide the redevelopment of housing along the Gulf Coast in ways that are affordable for those desiring to live and work in this beautiful region. In addition, the corporation's commitment to high-quality design and sustainable development will lay the foundation for rebuilding this area in new ways that will enhance the quality of life for all its residents, while better meeting the environmental challenges presented by its location. The corporation has many challenges to face as it establishes itself and begins operations, but the panel is optimistic that it will meet them and provide the leadership needed for rebuilding the Mississippi Gulf Coast in the years ahead.



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