Reintroducing Vacant Properties into Commerce

Prepared for: The Louisiana Land Trust
May 2013

Author:
Regina La Macchia, LEED GA
Tulane School of Architecture
Candidate, Master of Sustainable Real Estate Development

Advisor: Annie Clark- Cambria, Recovery School District
Acknowledgements

Through this directed research class, I have had the pleasure of working with Daniela Rivero-Bryant, of the Louisiana Land Trust, to examine their inventory of Road Home properties. She has been wonderful to work with and has encouraged data collection from as many different data sources as possible and it has been a fun process. Casius and Cornelius have given me great feedback and encouragement to complete this task. I appreciated Annie playing devils advocate through this process as well. Lastly, I was able to work with the Louisiana Land Trust and intern at NORA’s office at the same time, although I was researching different topics, it was a great experience to constantly being pushed to think about New Orleans, blight, and Road Home properties in different contexts.
# Table of Contents

- Executive Summary ............................................................................................................. 4
- Introduction .......................................................................................................................... 6
  - Research Statement .............................................................................................................. 6
  - Broadmoor, Navarre, and the Seventh Ward Scope of Methodology ................................. 7

- Economic Sustainability ....................................................................................................... 12
  - Programs – What has the Land Trust Done? .................................................................. 14

- Lot Next Door ..................................................................................................................... 15
- Transferring to Parish Government ..................................................................................... 18
- Auction ................................................................................................................................ 20
- Developer Packages ............................................................................................................ 21
  - New Construction ............................................................................................................. 21
  - Rehabilitation .................................................................................................................. 22
- Near Miss ............................................................................................................................. 23
- Additional Considerations .................................................................................................... 24
- Recommendations: Review and Implement Cycles ............................................................ 25
  - Review and Implement Cycles .......................................................................................... 25
  - Rehabilitation and Stabilization Programs ....................................................................... 25
  - Speedy and Proper Dispositions with high Intrinsic Value ............................................. 26
  - Construction Loans ......................................................................................................... 27
  - Direct Sales ....................................................................................................................... 27
  - Lower Lot Next Door Priority .......................................................................................... 28

- Case Studies ......................................................................................................................... 28
  - Broadmoor ....................................................................................................................... 28
  - Navarre ............................................................................................................................. 29
  - Seventh Ward .................................................................................................................... 31

- Conclusion ............................................................................................................................. 31

- Appendix ................................................................................................................................ 34
  - Disposition in Orleans Parish by Neighborhood ............................................................... 35
- Google Maps of neighborhoods and the Location of LLT Properties ................................ 36
  - Broadmoor ....................................................................................................................... 36
  - Broadmoor with Rebuilding Together Properties ............................................................ 37
  - Navarre ............................................................................................................................. 38
  - Seventh Ward .................................................................................................................... 39
- Diagram of Properties Eligible for the New Lot Next Door Ordinance ............................ 40
- Case Study Property Evaluation for the Three Neighborhoods and Dispositions ............ 41
- Permits ..................................................................................................................................... 47
Executive Summary

Who is the Louisiana Land Trust?
- Non-profit organization formed to own and manage the properties that have been purchased by the State of Louisiana (Options 2 and 3) under the current Road Home Program
  - Separate entity from the Road Home Program
  - Did not purchase the Road Home properties
- Was created by Act 654, effective June 29, 2006
- Coordinates disposition of all properties with the parishes, which make all decisions and regulations for each disposition
- Money from the purchases goes to the parishes, and then it is disbursed to parish programs (roads, maintenance, etc.)

How do we ensure sustainability when it comes to the disposition of publicly owned property?
- Property values increase with time
- Affordability - to purchase and maintain
- Quality of building materials
- Quality of life
- What does it mean to be economically sustainable?
  - Maintaining a balance of what is on the market
  - Maintaining home values – minimal fluxuation
  - Moderately increasing home values
- Strategic Investment: convert “upside down” development market right side up
- Blighted lots decrease property values

Costs of Holding Property: LLT is tax exempt - does not pay property taxes
- $88 per month per property - Lawn mowing, Security, Minimal maintenance (boarding up structures), Pest control
- $10,000 to demolish structures

Disposition Methods:
- Lot Next Door - Works best with neighborhoods with high homeownership and that want to reduce density.
- Transfer to Parish Government - The issues of holding properties do not change just because a different entity is in charge
- Developer Packages - Is Rehabilitation or New Construction Preferred? It depends what context.
- Auction - Determines fair market value and allows for investors outside and inside the neighborhood to purchase rental property
- Near Miss - Structures that were considered a Near miss ended in Demolition.

Recommendations:
- Review and Implement Cycles
o Redirect parish funds from sales to minor rehabilitations (paint, new windows, new roof) and parish overhead on targeted structures and areas, making the properties more attractive to investors
o Lot Next Door first right of refusal time frame should have been lower to allow for other dispositions to occur
o LLT should explore taking a role to create comprehensive polices at the state level to alleviate properties and pressure
o Sales – open market sales satisfy local housing demand and expands the tax base
o Review and revise disposition programs regularly
Reintroducing Vacant Properties into Commerce

Introduction: Background on the Road Home Corporation

The Louisiana Land Trust is a non-profit organization formed to manage the properties purchased by the State of Louisiana as a part of the post storm recovery effort under the Road Home Program. LLT was created by Louisiana Senate Act 654 and became effective immediately. LLT was created as a non-profit corporation “to finance, own, lease as lessee or lessor, sell, exchange, donate or otherwise hold or transfer a property interest in housing stock damaged by Hurricane Katrina or Hurricane Rita.” Given broad powers to receive and dispose of properties purchased by the State, accept funds; borrow against the properties under the guidelines determined by the Louisiana Recovery Authority and provide financing administered by the Office of Community Development.¹

The Road Home Program provided Louisiana residents with three options 1.) compensation for rehabilitation expenditures to stay in the damaged house. 2.) homeowner agrees to sell their homes and relocate in the state of Louisiana. 3.) homeowner agrees to sell their home to move outside the state of Louisiana. The Road Home Program contractor, ICF was given authority to accept Option 2 and 3 properties on behalf of Louisiana Land Trust the non-profit authority created by Senate Bill 445, to be maintained and put back into commerce.

Research statement

This paper will analyze clusters of properties in New Orleans, LA acquired by LLT after Hurricane Katrina and Rita in order to determine how each property disposition method impacted the surrounding properties and propose best practices for property disposition. Using the database of the Louisiana Land Trust, groups of properties were selected in three

neighborhoods to study how their disposition impacted blight, housing prices, vacancy rates and neighborhood recovery overall.

**Broadmoor, Navarre, and Seventh Ward- Scope of Research and Methodology**

The neighborhoods being assessed as case studies are Broadmoor, Navarre and the Seventh Ward in Orleans Parish. These neighborhoods were selected for the study due to the fact that each have a significant mix of overall dispositions (between twenty and fifty properties) for which LLT utilized a variety of disposition methods. The neighborhoods were also chosen because of their different demographics.

The evaluation of each disposition was based upon numerous factors including the property value fluctuations from 2005 through today, including any sales recorded before the storms. In addition, the number of conveyances recorded after properties were transferred from LLT to the end user, signaling property mobility. Vacancy rates surrounding properties were assessed, construction activity taking place or lack there of as indicated by permits from the New Orleans Office of Permits and Licenses. Finally an assessment of general quality of life and services in the areas surrounding the properties through visual analysis will occur.

Research information includes permit information, tax assessment records, sale prices, field visual assessments, appraisal values pre Katrina, and other data from the LLT database. A database was created of the 103 properties assessed, in order to view the fluctuations in value.

In order to adequately assess the impact of each disposition method, this study focuses on LLT properties that were disposed of prior to December 2011. As of 2012, LLT owned a total of 10,680 properties across the State of Louisiana. Of these, just under half (5,206) were located in Orleans Parish, and only 1,973 had been disposed of prior to December 2011.

LLT utilized eight different types of disposition methods, ranging from Auction to Lot

---

2 See appendix for dispositions by type in each neighborhood.
Next Door to transferring to the parish governments. Table 1 breaks down the eight disposition types in Orleans Parish by the number of properties that were disposed of in that manner.

<table>
<thead>
<tr>
<th>Orleans Parish By the Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties Put Back into Commerce by 2011</td>
</tr>
<tr>
<td>Number of Properties</td>
</tr>
<tr>
<td>Disposition Type</td>
</tr>
<tr>
<td>Auction</td>
</tr>
<tr>
<td>Green Space / Infrastructure</td>
</tr>
<tr>
<td>Near Miss</td>
</tr>
<tr>
<td>Transfer to Parish Government (NORA)</td>
</tr>
<tr>
<td>Rehabilitation</td>
</tr>
<tr>
<td>Lot Next Door</td>
</tr>
<tr>
<td>New Construction</td>
</tr>
<tr>
<td>Undetermined Disposition</td>
</tr>
</tbody>
</table>

Table 1: Road Home Properties in Orleans Parish, which were put back into commerce by 2011. This figure notes the different dispositions by which means the properties were disposed of.

The eight available dispositions in Orleans Parish:

1. Lot Next Door (LND): A program for eligible homeowners with a homestead exemption to purchase a neighboring lot that shares a common border to the left or right of the property. This program was created through an Orleans Parish Ordinance; the ordinance if created in other parishes, will vary depending upon how the law is written. A new ordinance was passed February 2013, allowing property owners without a homestead exemption to purchase a property an adjacent property. This disposition requires the new property boundary to be demarcated in some fashion, whether there is a fence or a row of trees. Lastly, LND is for private use only; the property owner may decide to have the structure demolished by LLT in order to have more open space or to add on to the main structure.

2. Transfer to Parish Government: In Orleans Parish, this entity was the New Orleans Re-Development Authority (NORA). NORA disposed of properties through Lot Next Door, Request for Proposals, and auctions after 2010.
3. Auction: The auction process allows for investors to purchase properties at a fair market value. These parcels can be for public or private use depending on the goals of the purchaser. The auctioned property must be rehabilitated or combined with the adjoining property within twelve months of the purchase. The first Orleans Parish auction for Road Home properties was in 2010, five years after the storm.

4.-5. New Construction and Rehabilitation: New construction and rehabilitation are the results of developer packages or auctions. The developer packages are sold for the closing costs and the remainder of the sale price will be given to the parish government for program income once the structure has been sold. Developers must sell the new construction or rehabilitated structure to persons making 80% of area median income (AMI).

6. Near Miss: Near miss is similar to Lot Next Door; properties, which share party walls, can only be sold to the neighbor on the other side of the party wall.

7. Green Infrastructure: Four properties in Orleans Parish were disposed of using this disposition. All four of these properties are now apart of the footprint of the new hospital complexes.

8. Undetermined Disposition: Parcels that were difficult to develop and to find a use for. There were thirty-four properties in this position.

Each of these dispositions was then assessed in three distinct neighborhoods. As demonstrated in Table 2 and Figure 1, significant changes in population, income, homeownership and education rates took place in each of these neighborhoods after the storms. Each of these demographics may signal what happened in each of these neighborhoods and what type of people moved back or into these neighborhoods. These two maps in conjunction with one another allude to the population shifts in the neighborhoods and what disposition was most popular and why.
Comparison of Neighborhood Demographics

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>7,232</td>
<td>5,381</td>
<td>-26%</td>
<td>2,908</td>
<td>2,398</td>
<td>-21%</td>
<td>16,955</td>
<td>10,187</td>
<td>-40%</td>
<td>484,674</td>
<td>343,829</td>
<td>-29%</td>
</tr>
<tr>
<td>Percentage of the</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population aged</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>between 18-64</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Race</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caucasian</td>
<td>62.3%</td>
<td>67%</td>
<td>8%</td>
<td>84.4%</td>
<td>76%</td>
<td>-10%</td>
<td>56%</td>
<td>64%</td>
<td>15%</td>
<td>61.6%</td>
<td>67.8%</td>
<td>10%</td>
</tr>
<tr>
<td>African-American</td>
<td>25.8%</td>
<td>28.8%</td>
<td>12%</td>
<td>89.9%</td>
<td>84.4%</td>
<td>-6%</td>
<td>3%</td>
<td>6.6%</td>
<td>120%</td>
<td>26.6%</td>
<td>30.5%</td>
<td>15%</td>
</tr>
<tr>
<td>Total Housing Units</td>
<td>3,222</td>
<td>3,168</td>
<td>-2%</td>
<td>1,551</td>
<td>1,382</td>
<td>-11%</td>
<td>7,745</td>
<td>6,889</td>
<td>-11%</td>
<td>215,091</td>
<td>189,896</td>
<td>-12%</td>
</tr>
<tr>
<td>Percentage of Vacant Households</td>
<td>9.5%</td>
<td>30.8%</td>
<td>224%</td>
<td>5.20%</td>
<td>19%</td>
<td>265%</td>
<td>16.2%</td>
<td>38.3%</td>
<td>136%</td>
<td>12.5%</td>
<td>25.1%</td>
<td>101%</td>
</tr>
<tr>
<td>Household Income*</td>
<td>47,629</td>
<td>$64,247</td>
<td>$35%</td>
<td>51,226</td>
<td>$57,795</td>
<td>-19%</td>
<td>34,702</td>
<td>$32,442</td>
<td>-7%</td>
<td>$164,976</td>
<td>$59,952</td>
<td>6%</td>
</tr>
<tr>
<td>Rate of Homeownership</td>
<td>48.10%</td>
<td>47.80%</td>
<td>-1%</td>
<td>55.8%</td>
<td>53.3%</td>
<td>-5%</td>
<td>33.2%</td>
<td>35.2%</td>
<td>6%</td>
<td>46.50%</td>
<td>47.80%</td>
<td>3%</td>
</tr>
<tr>
<td>Noteable Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ranges*</td>
<td>$10,000-$22,336</td>
<td>$10,000-$12,112</td>
<td></td>
<td>$75,000-$99,999</td>
<td>$75,000-$99,999</td>
<td>6.7%</td>
<td>19.4%- (53%</td>
<td>100%</td>
<td>-13.8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of the</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population with Higher Education Degree</td>
<td>23.6%</td>
<td>35.7%</td>
<td>51%</td>
<td>42.6%</td>
<td>38.2%</td>
<td>-10%</td>
<td>6.6%</td>
<td>13%</td>
<td>98%</td>
<td>23.7%</td>
<td>28.6%</td>
<td>21%</td>
</tr>
</tbody>
</table>

*Compares 2000 vs. 2006-2010

Source: Greater New Orleans Community Data Center, www.gnocdc.org

Table 2: Comparison of Neighborhood Demographics in Broadmoor, Navarre, Seventh Ward, and Orleans Parish between 2000 and 2010.

Figure 1: Graph of disposition by neighborhood

Broadmoor had an incline in income, above the rate of Orleans Parish, and a decline in population. In addition, the population in 2010 had a 51% increase in the educational attainment in comparison with 2000. The increase in education and income while a decrease in population
points to the notion that there were different people moving into the neighborhood after the 2005 storms. In addition, Broadmoor has its own development company, Broadmoor Development Corporation, which was created in 2006 in response to the recovery effort by the Broadmoor Improvement Association. Broadmoor had higher rates of rehabilitation and new construction because the neighborhood had its own development corporation.

and vacancy rates lower than the Orleans Parish average. These shifts in demographics are indicative that similar people returned to back to the neighborhood, although the wealthiest of the Navarre residents may not have returned as the decline in population and income fell at a similar rate. The high rate of homeownership in this neighborhood, and high vacancy rate, made Lot Next Door accessible to many residents, making it the most popular of dispositions in the neighborhood.

The Seventh Ward had a large decrease in population, however from 2000-2010 the changes in income and homeownership rates are minimal, indicating the same residents who had lived in the Seventh Ward before the storm returned although there were less residents than before. The combination of high vacancy rates and low homeownership rates allowed auctions to be a popular disposition method in the Seventh Ward.
How do we ensure sustainability when it comes to publicly owned-property disposition?

The amount of properties LLT managed to put back into commerce was unprecedented. The balancing act between holding the properties and putting each of the properties on the market without flooding the market had to be determined. Property values have to slowly increase with time and to avoid increasing or decreasing at a rapid pace. Neither of these changes in value signals a stable neighborhood, and is a problem, which can easily occur, if not enough attention is paid to the market.

Secondly, owners of the property and incoming buyers needed to be able to afford the neighborhood in terms of purchasing and maintaining the property. If the owner cannot afford to maintain their property, such as paint, eventually over time the property could contribute to blight.

In Orleans Parish, the words “blight” and “public nuisance” are specific legal terms. Under Chapter 28, Article III of the City Code, at least one of the following circumstances must be met for a building to be declared blighted in New Orleans: (1) unresolved code violations for unsafe, unsanitary, or unhealthy conditions, (2) declared a fire hazard, (3) not up to the housing code of New Orleans (4) vermin infestation or a substantial negative impact on the “health, safety, or economic vitality of a neighborhood”. The Code Enforcement and Hearings Bureau determines whether the property is considered blighted or a public nuisance although anyone can raise the issue to the city whether there is a property in question. To be declared a “public nuisance” at least one of the following must be met: significant amount of garbage on the lot,

---

plants and weeds are greater than eighteen inches, lot allows for standing water and a vermin infestation, abandoned materials (appliances, cars, furniture, etc.) left on the lot, and if it is a hazard to children due to the condition the lot is left in.

While LLT is charged with maintenance and disposal of thousands of lots, the regular maintenance and oversight of these properties on a regular basis is virtually impossible. It is easier to maintain a lot than a structure and a lot, six properties while owned by LLT in the case studies, received public nuisance and blight judgments from the city. Effectively contributing to the blight problem in New Orleans and decreasing property values nearby. "The LLT has actually done a good job of maintaining most of these properties," City Council member-at-large, Stacy Head said. "So, when they're turned over to the city, our blight problems that we have not been able to manage are going to get that much worse." She said New Orleans does not have the financial resources: "We're a bad, bad landowner."\(^4\)

A prevalence of blighted properties and public nuisances are a financial danger to existing homeowners or anyone looking to purchase a home. Although blighted lots tend to decrease surrounding land value; making it less expensive for a new owner to purchase the lot (and structure if available) also decreases the values of the properties surrounding the lot. A 2001 study from Temple University, property values decreased $3,542 within 450 feet of an abandoned property and

---

$7,627 within 150 feet. Each of the neighborhoods that were examined in this analysis have multiple LLT properties on the same block. Without care, the multiple properties on each block could multiply the changes in value from the Temple University study. In addition, blight attracts crime and increases fire risks, from 2006-2008, 28,000 vacant residences in the United States caught on fire, accounting for 7% of residential fires. Many of these fires are from the homeless seeking shelter, and crime in abandoned buildings was reported as twice the rates of a similar block without open buildings. From conception to current day, the Louisiana Land Trust has had control of a total of 5,206 lots in Orleans Parish; this amounts to a significant amount of uninhabited housing units and vacant land to manage. It is LLT’s task to return these properties back into commerce quickly without becoming a blight or public nuisance. Despite this, the control of that many properties may have had negative effects on the surrounding neighborhoods. The Louisiana Land Trust made necessary repairs to structures to ensure buildings were not hazardous and mowed lawns on a regular basis.

Programs – What has the Land Trust Done?

The Louisiana Land Trust is the largest disaster recovery (buy-out) land bank in the United States. After LLT’s inception, it was then the duty to hold these properties and sell them. LLT had to make assessments to determine the safety and conditions of the homes while they were in their care. Simply holding the property costs money, each of the properties that were acquired had minimal maintenance that was done. The maintenance was mostly lawn mowing or

---


boarding up the structure to prevent vandalism. Each time a property was mowed, there was a cost of approximately $30, in addition photos of the property and the mow had to be taken for documenting purposes, at the minimum it costs $360 for lawn mowing a year for each property. In addition, LLT spends about $88 per property per month to not add to the blight problem, including the $30 for lawn mowing.\(^8\) Aside from the maintenance costs, there are the costs to each of the parishes; property taxes are not paid while the real estate is under the control of a land bank such as LLT or NORA. The lack of income generated by the property taxes is perhaps, is the worse consequence of properties held for a long period by a governmental agency.

**Lot Next Door works best when there are high homeownership rates in a neighborhood.**

The Lot Next Door (LND) program varies among each parish because it is a change in land use and local governments have the powers to decide how land is used. The program was established in 2007 as an Orleans Parish City Hall ordinance; NORA was given the power through this ordinance to dispose of properties through the LND program. LLT works in conjunction with NORA to dispose of lots through the LND program by allowing neighboring homeowners to purchase the vacant land at a discounted rate in order to increase their lot size and property values. According to the city ordinance establishing the program, the objectives of the LND program are to “assist in the elimination of abandoned or blighted properties; to spur neighborhood reinvestment, enhance stability in the rental housing market, and maintain and build wealth within neighborhoods”.\(^9\)

---


The city ordinance allows for a neighbor, with a homestead exemption, to purchase the vacant lot owned by NORA (or LLT) to expand their property. The purchaser of the vacant lot must share a property boundary and street frontage with the property for sale. Immediately after the city council ordinance, NORA sent letters to eligible neighbors and non-eligible neighbors (with directions of how to become eligible) to become a part of the Lot Next Door program. Additional requirements of the program require the owner of the two lots to demarcate the new property boundary; this could be done, for example, with a row of oak trees or a tall wooden fence. If there was a structure on the property, the structure could be demolished by the new property owner or by NORA through LLT. The Growing Home Program Incentive was introduced in 2009. This provided up to a $10,000 discount on the purchase of the lot available for Lot Next Door for improving the landscape and a garden start up.

There was a problem with the original LND ordinance, interest had decreased, it was common thought the law was too stringent of whom was eligible. In a press release by New Orleans Mayor, Mitch Landrieu, “The former version of the program was running out of eligible buyers and this change helps continue and expand a very successful program that reduces blight, improves neighborhoods, and returns properties to the tax rolls.”10 A new ordinance was passed by the New Orleans City Council, February 21, 2013. The new ordinance eliminates the homestead exemption, which allows investment property owners and developers to purchase the land eligible for Lot Next Door. By changing the ordinance, more property owners are eligible to purchase the lots LLT manages. The vacant property must still be adjacent and share a common

border but the legislation has been relaxed to allow everything but properties that only share a corner or across the street.\textsuperscript{11}

The Lot Next Door program has been the most successful of all the dispositions through LLT and through NORA. Through the Lot Next Door program, 1,062 properties were disposed of since its origination in 2007.\textsuperscript{12} Lot Next Door keeps land in the use of private owners and investors and not for community use. This keeps the property out of the City’s maintenance control and instead put the property in the control of a responsible, taxpaying property owner. Purchasing the vacant land returns the property to the tax rolls and most importantly should add value to the purchasers property value. Upon reviewing the Lot Next Door properties in Broadmoor, Navarre, and Seventh Ward, the only reason property values had decreased between 2011-2013 was a change in assessment or the structure was demolished. LND raises the individual property values, however, on the macro level there is less tax income because there usually isn’t a structure and the tax base did not expand.

The Lot Next Door disposition solves another problem Orleans Parish is facing. New Orleans had a steady decline in population before the storms occurred.\textsuperscript{13} Residents were moving out of Orleans Parish and into neighboring parishes for larger lots and bigger homes. The vernacular architecture of New Orleans, such as shot gun houses, and doubles, although are visually stimulating and desirable to most are falling out of favor for their suburban counterparts that triples the amount of space available in the house. This disposition reduces neighborhood

\textsuperscript{12} \textit{IBID.}
\textsuperscript{13} New Orleans Population being 484,674 persons in 2000 and 343,829 persons in 2010.\textsuperscript{13} At the height of the population in 1960, New Orleans had 627,525 residents, this equates into 45% population decline from 1960 to 2010 “Mid-City Statistical Area.” Greater New Orleans Community Data Center (GNOCDC). http://www.gnocdc.org/NeighborhoodData/4/MidCity/index.html (accessed 17 March 2013).
density and allows residents to expand their lot footprint and to put an addition on the house, while all along keeping the rich architectural history of New Orleans intact.

All eligible LND buyers were given first right of refusal of the properties, so there was no other disposition option allowed until the option for LND had been exhausted. In some cases, properties were blocked against going to an auction because there was an interest to purchase even without a letter of intent or payment. Homeowners should have first priority to properties but after a period of a year, the property should have been eligible for an auction or a sale. If the property owner with the common border did not purchase the property within the allocated time than property should go to the open market.

**Transferring to Parish Government: The issues with holding property do not change because a different entity is in charge.**

The goals of LLT were to maintain properties and return the properties back into commerce as quickly as possible. Transferring the properties to the parish governments does not meet the goal of returning properties to commerce; it only changes the entity maintaining the properties. Properties were transferred over to the parishes slowly until the final push for Orleans Parish July 2012. Like LLT, parish governments do not pay property taxes on properties they are holding, there is a cost to maintaining them, and a cost for staff capacity to manage these properties.

Properties were transferred to parish governments instead of being returned to commerce for several reasons. Some properties did not have an immediate or obvious use for its disposal or the market was not ready to absorb properties. LLT is trying to shut down as an entity, and was supposed to close its doors by the end of 2012, and could no longer afford to maintain and manage the remainder of the properties.
Transferring to parishes has the potential to build capacity and creates a sense of urgency to dispose of the properties. Once Road Home properties are transferred to parishes, the parishes are responsible for maintaining the properties, carrying out the disposition programs on their own, and staffing any necessary persons. NORA was slow and methodical about the disposal of properties; “We've taken a very intentional strategy trying to make sure that there's a positive, constructive use for each parcel when we dispose of it.”\textsuperscript{14} Said Joyce Wilkerson, a previous executive director of NORA.

The relationship between NORA and LLT was stringent because of the core disagreement between the two organization about how quickly should the Road Home properties be disposed of. LLT wanted the properties returned to commerce faster than NORA was allowing. All along NORA wanted to control the market, determine the fair market value and keep prices stable. NORA was doing this by controlling the number of properties at an auction, setting the minimum auction price, and not selling properties to investors who wanted to purchase properties outright.\textsuperscript{15}

Nine properties in the case study areas were disposed of to NORA before December 31, 2011. None of these properties were located in Broadmoor, two of these properties were located in the Seventh Ward, and the remaining seven were in Navarre. Five of these properties have been returned to commerce (two of which are homestead), one property no longer exists, and the


\textsuperscript{15} IBID.
other three are still held by NORA. The photo above and to the left is a property in the Seventh Ward being held by NORA, neighbors use the empty yard to park their cars.

**Auctions allow for investors outside the neighborhood to purchase property.**

Auctions are a popular disposition method because it allowed hundreds of properties at one time to be disposed of to the private market. The first citywide auction didn’t occur until March 2010, the second auction had over 500 participants for 106 properties, that particular auction generated $3.5 Million from the sales.\(^\text{16}\) Before properties went up for auction, property owners eligible for Lot Next Door had to be given first priority to purchase the property. Minimum bids began at $1,000 and the winner of the auctioned property must pay 10% of the purchase price, and the full amount of the property within thirty days of the auction, however, NORA did chose the initial starting price for each property. In addition, new construction or rehabilitation must occur on the property within twelve months, unless the property will be used as green space for the neighboring property owner.\(^\text{17}\) LLT provided an insurable title and environmental report for these properties.

All properties that have been disposed of thus far outside of developer packages and Lot Next Door have gone through the auction process. They were chosen for auction from calls fielded into NORA’s and LLT’s offices and any online interest. Approximately 90-110 properties are auctioned off at a time and they have occurred two times a year since 2010.

The Seventh Ward saw the most auctions of the three neighborhoods. Of the fifteen auction dispositions in the Seventh Ward, only three of the property owners live in the neighborhood and


none of which are homestead properties. Through the Assessor’s database and the permit history, twelve of the properties had the structures demolished. Most properties were worth more in 2011 than they are in 2013, directly due to the demolition. At least six of these structures ranged in values from $75,590 - $121,760 before they were disposed of, these assessed structure values are high, so it warrants the questioning of why were they demolished? And for the purposes of an investment property is the opportunity cost greater to keep a structure and rehabilitate it than to demolish it and build new?

**Developer Packages: Is Rehabilitation or New Construction Preferred? It depends what context.**

Non-profit developers were given a chance to take a “first look” at properties and choose which parcels they would like to rehabilitate or build. Once the property was ready to be sold, the land and the improved structure could only be sold to someone who promises to live in the house and that makes 80% of the area median income, thus limiting the selection pool of available buyers. All properties under this package cannot be held and must be restored, without fines and violation of the purchase agreement, longer than twelve months after the purchase.

New Construction involves in the demolition of a structure, which detracts from the value of the property. While the property is awaiting construction, there is a lower tax benefit to the city than if the property contained a structure. During the time the property is awaiting construction, the owner has less hassle to maintain the property. As long as the property is mowed and is free of trash it doesn’t detract from the streetscape. In terms of future flood
mitigation, it is a lot easier and less expensive to build a new structure that is elevated to the base flood point.

A new construction property runs the risk of becoming blighted if any of the construction is delayed. The last concern involving new construction is the design of the structure. Being able to start new on a structure can be a good thing, if the materials the building are made of are quality and structurally sound and if the new design fits into the context of the neighborhood. A great example of this outside of the case study universe are the Make it Right homes in the Lower Ninth Ward. These new buildings fit in great with each other and they have sort of created their own “green district” because of the lack of development around them and their oddity in design. Otherwise the structures in this district do not fit the scale and design of the vernacular architecture in New Orleans, which is a general risk of new construction.

Rehabilitation keeps the existing structure and makes any structural and physical changes that are required to make the structure habitable. By rehabilitating a structure, the scale and character of the neighborhood are ensured and once sold to a developer the city will generate more property taxes than a parcel without a structure. In a city like New Orleans with rich architectural heritage and history, rehabilitating as many structures as possible should be done. New Orleanians and visitors value

Figure 7: 3713-3715 General Pershing Street. Rehabilitation
the age and patina of older buildings. Any delay in rehabilitation can continue to blight and decreases safety for the neighbors.\textsuperscript{20}

Broadmoor developed its own development corporation in response to the 2005 storms. The Broadmoor Development Corporation (BDC) was created out of the Broadmoor Improvement Association and can only develop properties within the neighborhood. Diana Searl, Program Manager for Development at Broadmoor Development Corporation, said she believed BDC may have purchased properties from LLT too soon. Some of the Road Home properties BDC purchased are in violation because they have not been redeveloped because the bank cannot underwrite all the construction loans at once.\textsuperscript{21}

**Structures that were considered a Near miss ended in Demolition.**

There were four buildings in the Seventh Ward that were disposed as a Near Miss. All four of these structures were then demolished once they were disposed of. Three of the four owners of these properties are listed in the assessor’s database as living within one block of each of these properties. This maybe a good thing if the buildings were demolished, if half the building was wasn’t rehabilitated after the storm then there might be structural problems to the building. The building may also need to be converted for one user, instead of the original design for two users. Near misses are difficult to be disposed of since they only have one option. Could there be any other options of disposal – auction, attempt to have a direct sale similar to how a townhouse would be sold.

If the neighbor sharing the party wall is able to purchase the Road Home property, their property value and personal equity would increase.

**Additional Considerations: there are always outside pressures.**

\textsuperscript{20} See section on economic sustainability for further information

\textsuperscript{21} Searl, Diana. Interview by author. Phone interview. New Orleans, LA, February 27, 2013.
Analyzing the disposition of the LLT properties cannot be discussed without mentioned external pressures, which may have stalled properties from being returned to commerce. One of the most important factors is the storm itself. The storm and levee failures of 2005 displaced most residents for months, basic necessities and schools shut down without notice of when anything would reopen. Almost eight years after the storm, residents who were displaced have yet to decide whether they will return to New Orleans or not. In addition, neighborhood rebuilding plans and the many city redevelopment plans had to be completed before properties could be disposed of.

The Great Recession of 2008 hit when many of the LLT’s properties were coming online. The recession changed financing. Home loans and construction loans with no down payment or with mediocre credit were eliminated, the change in financing prevented investors and homebuyers to purchase properties. At this time, the only disposition available to individuals was Lot Next Door, which required a homestead agreement.

Timing is another consideration. Before properties could be put online, title and environmental reports for each property had to be done. Title research was especially complex after the storm, important documents had been lost or flooded, and the changes in property ownership had not been recorded for several generations. Complicated regulations required from State Disaster Community Development Block Grants (CDBG) slowed down the disposition processes. Conveyance efforts for each property were duplicated between LLT-Parish entity (NORA) and Parish entity-end user. The last regulation that took place was the changes in city assessment information. The assessment districts were combined under one assessor and the same regulations for each property. The changes in assessments are still in effect, and what is currently listed on the assessors website may not reflect the actual value.
**Recommendations: Review and Implementation Cycles**

One of the most important recommendations for the disposition process is the *evaluation and review process*. LLT and the Parish entities should have worked together to implement a review process to decipher what dispositions are working and what should change. It was common thought among New Orleans developers that the original LND ordinance was too strict, yet a change to the ordinance took six years. When individuals called to purchase properties directly from LLT or NORA there was no method to sell the property out right other than Lot Next Door or through an auction, which didn’t occur until 2010.

*A rehabilitation and stabilization program* could be created for targeted structures and areas. All funds from LLT sales go directly to the parishes and could be used for such a fund and parish overhead (staffing and implementing). Parish governments or re-development entities could create a rehabilitation fund to stabilize and do minor repairs such as paint, new windows, patch or replace the roof. Implementing such a program generates more income for the parish and makes properties and neighborhoods more attractive for potential investors. The chart below displays income that could be generated if a property was rehabilitated in such a program. Minor repairs were approximated at $16,560 and demolition is approximated at $9,060 per property. Although the costs to repairing a property is greater, it adds value to the property and the neighborhood, the costs can be recaptured, and it has the potential to be sold faster without being held by an investor. The money spent on demolishing the structure will never be re-captured and less program income will be incurred directly due to the demolition.
If stabilized and sold in 1 year:

<table>
<thead>
<tr>
<th>Case</th>
<th>FMV of property with stable structure</th>
<th>Case B</th>
<th>Case C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$14,000</td>
<td>$20,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>Cost of maintaining stabilized structure</td>
<td>$16,560</td>
<td>$16,560</td>
<td>$16,560</td>
</tr>
<tr>
<td>Net program income - sale price - total cost</td>
<td>($2,560)</td>
<td>$3,440</td>
<td>$63,440</td>
</tr>
</tbody>
</table>

If demolished and sold in 1 year:

<table>
<thead>
<tr>
<th>Case</th>
<th>FMV of land sale</th>
<th>Case B</th>
<th>Case C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5,000</td>
<td>7,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Cost of demolishing</td>
<td>9,060</td>
<td>9,060</td>
<td>9,060</td>
</tr>
<tr>
<td>Net program income - sale price - total cost</td>
<td>(4,060)</td>
<td>(2,060)</td>
<td>10,940</td>
</tr>
</tbody>
</table>

Target and focus on speedy and proper disposition for properties with higher intrinsic value or location. Mayor Riley of Charleston, South Carolina has become famous for his influence on urban design. One of the key constructs to redevelopment in Charleston, a city comparable in history and legacy to New Orleans, is to rehabilitate the street corners, “it was a corner lot. You let the corner buildings come down, what happens? It’s a virus. It spreads to adjacent buildings. So I said, “We need to restore it.”

If the corner blocks are restored and rehabilitated, the entire block is saved. The image below of 2500 D’Abadie Street is one of two LLT parcels located on this block and is an example of a corner lot that could be considered for rehabilitation. This parcel is located upriver of St. Bernard Avenue, riverside of Broad Street, and was denied for demolition by the

---

Neighborhood Conservation and District Committee. Even before this structure was denied for demolition, this building should have been rehabilitated because it influences four blocks and is in an area that is beginning to witness significant investment (ex. Broad Community Connections, the National Trust for Historic Preservation Main Street Program, and the Broad Re-Fresh grocery store).

Figure 8: 2500 D’Abadie Street. This corner-blighted parcel was disposed of to NORA but it could have been a part of the stabilization program.

Construction Loans: As mentioned in the discussion of developer packages in the form of new construction and rehabilitation both run the risk of being held and blighted. It should be considered for future development packages with more than 2-3 properties, construction loans from a bank should be lined up prior to the closing documents. This will prevent development corporations from purchasing more properties then they can construct at once and minimize properties being held for long periods of time.

Direct Sales: “It's frustrating to me in the sense that this could be generating money, where (instead) it's a sponge. It's sucking up money.” LLT and NORA did not set up a disposition method to allow direct sales to individuals. The only way investors can purchase a lot

---

24 “Road Home Properties Kept Off Market Costing Taxpayers”
is through a city-run auction. Open market sales satisfy the local housing demand and expand the tax base. If properties are desired whether it’s a lot across the street or someplace else in the city, it should be sold.

*Lower LND Priority:* The priority of Lot Next Door should be lowered. Homeowners should have first right of refusal and have an incentive to purchase the lot next to them to keep the program viable, but after a certain period of time (ex. one year) the lot should have the opportunity to be sold to a developer, individual, or at an auction. Not only will the property be placed back into commerce but also the eligible property owners for Lot Next Door will have an incentive to purchase the lot and secure the financing in a reasonable amount of time.

**Case Studies:**

**Case Study 1 - Broadmoor**

3702 General Perishing Street was sold to the Road Home Program in February of 2008. The lot was then sold to homeowner, Nellie Perkins of 3076 General Pershing Street, for $10,000\(^{25}\) August of 2011, the property was owned by LLT for 42 months. The structure at 3076 General Pershing Street increased in assessed value from $43,500 to $188,700. Ms. Perkins investment of 3702 General Pershing, increased her equity and the value of her house, but the value of the land even with the

---

\(^{25}\) Disaster CDBG funds National Objective was determined to be “LMI – Low to Median Income” for Nellie Perkins, which qualifies her for purchasing the lot at a discounted rate.
acquisition of 3702 Gen. Perishing stayed the same.

This property sits on the corner of Tonti and General Perishing. Perpendicular across the intersection from this corner lot, the new Andrew H. Wilson Charter School stands. Upon visual inspection of the property and the block, the street is well paved; cars drive at a slow pace to accommodate the narrow street and the children that were playing outside. This LND property was designed well primarily because of the set back on General Pershing. The set back allowed for a seating area in the grass, a space to interact with neighbors and watch the school children.

The 3700 block of General Perishing that this property sits on also had another disposition (rehabilitation, 3713-15 General Pershing Street) and another structure, which was rehabilitated by Rebuilding Together New Orleans. 3713-15 value has increased in value $23,000 from 2012-2013. Upon inspection, several kids were playing with their dogs on the front steps. They seemed to be enjoying themselves and this structure.

**Case Study 2- Navarre**

![Figure 4: An example of Lot Next Door in Navarre. 812 Pontabla Street. To the right of the LND property was a former LLT property, disposed as New Construction.](image)

Navarre is noted for its post war, suburban construction. Many of the lots and structures in this neighborhood were larger than they were in the older New Orleans neighborhoods. This disposition was the most popular disposal method in Navarre; twenty-two of thirty-nine properties were disposed of through Lot Next Door. As mentioned in the introduction, Navarre
has a high rate of homeownership, 53.3% of Navarre’s population owned and lived in their home. This is higher than the city average of 47% and less than the US 2010 average of 66.9%.\textsuperscript{26}

The private property owner at 818 Pontalba purchased 812 Pontalba via LND in 2011. At this point, LLT had owned it for 35 months. The purchase price of 818 Pontalba, in 2003 was $177,500 and it is now assessed at $173,400, the two properties together are valued at $211,800. Considering that the LND was sold at $36,000, the current owners are breaking even on their expenditures. Their house has slightly decreased in assessed value, and with the purchase of the LND property, the assessed value of the two properties is slightly more than the purchase price. If there was no interest in this property, than this was a good investment for the owners of 818 Pontalba and the city. If there was interest from someone who would have lived on this parcel than it was not worth the demolition costs and decline in the tax base.

The 800 block of Pontalba had three other properties that were owned by LLT. These dispositions include another Lot Next Door (809 Pontalba, 2012), transfer to NORA (841 Pontalba, 2009), and an auction (844-46 Pontalba, 2011). The owner of 844-46 Pontalba lives within walking distance of the property and can monitor construction. After winning the auction in 2011, the owner then demolished the structure for what can be assumed will be a new investment property, the previous structure was valued at 30,000, which was less than the land

value of $32,000. NORA has yet to dispose of 841 Pontalba, therefore it has not been put back into commerce yet. Finally, the other Lot Next Door property, 809 Pontalba, is now valued at $298,400 when combined with 809 Pontalba and has a $10,000 return on investment for the LND owner, which includes the purchase price of both 801 and 809 Pontalba.

**Case study 3 – Seventh Ward**

2020 North Rocheblave Street, in the Seventh Ward, was purchased at auction, demolished and turned into green space. This property was then fenced in and connected to 2014 North Rocheblave. This auctioned property had a similar use as LND and was eligible for LND yet the owner may have chosen to purchase the property at an auction. By shortening the timeline a property is eligible for LND, it creates a sense of urgency for the eligible property owners to purchase it, and if they do not purchase the lot in time, the option to purchase the lot at an auction is available. This property was purchased for $10,000 at the auction and was assessed for $90,000 at the time of demolition. This was a worthwhile investment for Mr. Andrews, his initial purchase of 2014 Rocheblave was $15,00, his current property and the parcel he purchased through auction has a return on investment of $50,000.

Another auction was purchased on the same square of land at 2340 Annette Street. This property was sold for $12,000 to S& D Real Estate out of Metairie. The structure was assessed at $80,900 before being demolished in 2013. Permits for non-structural renovations and electricity was approved spring 2012 for this double, upon assessment a slab existed.

**Conclusions**

LLT was generally a good neighbor to properties and did what they could to prevent the quality of life from diminishing because thousands of properties around the city were in their control. It should be considered an advantage to the recovery effort the number of lots which
LLT managed. Most of these parcels were concentrated and when combined with other investment, the number of parcels could have created a critical mass. For example, east of Napoleon Avenue in Broadmoor has seen investment from the LLT lots, Broadmoor Development Corporation, Rebuilding Together, Neighborhood Stabilization Program 2 and the Recovery School District. The combined efforts of these entities and others have invested in and propped up Broadmoor so it could become a self-sufficient neighborhood. LLT managed the safety of the properties and prevented lots from becoming blighted while the properties were in their control.

The opportunity for critical mass seemed to be missed. Properties were held for too long by LLT/NORA. By December 31, 2011, LLT had sold 2,643 properties out of the 5,206 properties, just shy of half of the properties in four years. These properties needed to be sold to establish a momentum and to be affected by additional recovery investments in the city. The strict regulations of the LND ordinance and the lack of sales for investors prevented the momentum from developing. The federal recovery money that was available has been used and due to the devastation caused by other natural disasters it is unlikely additional federal recovery money will be available; the time to build momentum and critical mass was years ago when New Orleans was receiving recovery funds from private and federal grants. It will difficult to establish this momentum eight years after the storm and little funding going into the city. If NORA and LLT implemented a regular evaluation and review process, to establish their goals of selling these properties in an economically sustainable manner, the problems associated with holding the properties and selling them could have been resolved earlier. From this point forward, plans associated with Mayor Landrieu’s blight elimination program should be reviewed regularly in and outside of the Blight Status meetings, the envisioning of success of what New
Orleans could be and how to get there – whether by allowing direct sales, creating a rehabilitation program, or by expanding the alternative land use department at NORA.