Mandatory Inclusionary Zoning (MIZ) Update and Office Conversion Evaluation

FINAL REPORT

October 28, 2025

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Acknowledgements

The following City of New Orleans departments, staff members, and external stakeholders and subject matter experts provided information and insights that served as the foundation for the analysis. The study was guided by a working group comprised of staff from the New Orleans City Planning Commission, Department of Safety and Permits, and the Office of Economic Development.

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01

Introduction

The City of New Orleans hired HR&A Advisors to evaluate its Mandatory Inclusionary Zoning (MIZ) policy and assess the feasibility of an office-to-residential conversion program in its Central Business District (CBD).

The 'Mandatory Inclusionary Zoning (MIZ) Update and Office Conversion Evaluation' study (the "Study") has a dual focus:

1) **Assess and propose changes to the City's existing MIZ policy** to ensure it is feasible and effective in current market conditions:

- Explore adjustments to affordability levels, set-asides, and geographies to strengthen housing outcomes.
- Evaluate complementary tools such as incentives, in-lieu fees, and for-sale unit requirements to broaden impact.

2) Evaluate the **potential for converting vacant or underused office buildings in the Central Business District (CBD) into residential uses.**

- Identify building typologies most suitable for residential use and quantify the scale of conversion opportunities in the Central Business District (CBD).
- Test the financial feasibility of conversions under different policy and incentive scenarios.
- Recommend policy tools to align conversion efforts with the City's affordable housing goals.

The MIZ Update and Office Conversion Evaluation study builds on important steps already taken by the City and explores the feasibility of a new program – to complement the City's parallel actions to strengthen affordable housing delivery.

Mandatory Inclusionary Zoning Policy

In 2021, the City of New Orleans established the **MIZ policy** that applies to residential development projects with ten (10) or more housing units. The policy requires developers to set aside 5-10% of units as affordable, depending on the MIZ subdistrict, for a period of 99 years. Alternatively, developers are allowed to pay a fee in lieu of providing affordable units on site.

Ordinance No. 28,533 MCS requires that this policy be reviewed through a market feasibility study every two years, ensuring its requirements remain calibrated to local development conditions. Following a public hearing in April 2022, the City Planning Commission (CPC) determined that a market feasibility is necessary to inform changes to the adopted MIZ policy.

Office to Residential Conversion

At the same time, the City is confronting the challenge of underutilized office space in the CBD, a trend that accelerated during the COVID-19 pandemic. Recognizing both the challenges and opportunities of adaptive reuse, this study analyzed the feasibility of **office-to-residential conversions** and incorporated lessons learned from successful conversion initiatives in other cities.

Rising development and operating costs and weakening demand have made it less financially feasible to develop new multifamily rental housing or maintain existing office buildings regardless of affordability requirements.

RISING BARRIERS TO DEVELOPMENT

High Construction Costs

Nationwide housing construction costs have grown substantially over the past several years, increasing by 47% since 2018 and 11% since 2022.

Elevated Interest Rates

The sharp rises in interest rates since 2022 have increased borrowing costs for developers thereby driving up development costs.

Rising Insurance Costs

As of 2024, the average cost for annual property insurance exceeded $1,600 per unit for market-rate and affordable multifamily properties in New Orleans.

WEAKENING DEMAND

Stagnant Multifamily Rents

In parallel with elevated vacancy and slowing absorption, multifamily rents have been stagnant since 2021, indicating weakening demand.

Declining Population

From 2020 to 2023, New Orleans saw a decrease in its population and number of households leading to reduced demand for housing.

Increasing Vacancy (Office and Residential)

Multifamily and office absorption rates have fallen over the last few years, surpassing pre-pandemic vacancy rates.

The study answered two primary questions centered around the performance of New Orleans' current MIZ policy and whether the city should adopt policies to support the conversion of office buildings to residential use.

Mandatory Inclusionary Zoning Policy

The key analytical questions the study addressed were:

1. How is New Orleans' MIZ policy performing?
2. How should the MIZ policy be adapted to be more effective?

The study used the following methodology to address these questions:

- The **market analysis** reviewed housing conditions, focusing on demand trends, recent development, and affordability gaps. It also assessed current development costs to establish a baseline for evaluating the feasibility of inclusionary zoning requirements.
- The **feasibility analysis** modeled prototype developments across different geographies and product types to test how varying affordability requirements and incentives influence project viability. The analysis then evaluated projected returns and feasibility gaps to identify the thresholds at which projects remain financially feasible.

Office to Residential Conversion

The key analytical questions the study addressed were:

1. Should New Orleans adopt policies to support the conversion of office buildings to residential use?
2. If so, what policies should New Orleans adopt?

The study used the following methodology to address these questions:

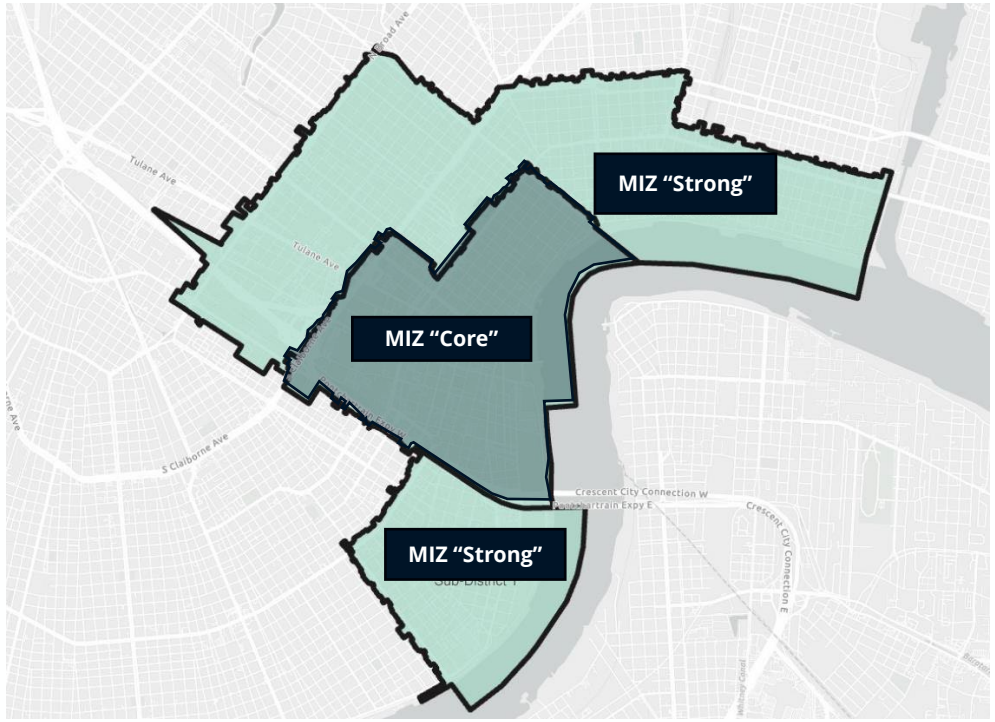
- The **market analysis** evaluated the health and strengths of the Central Business District's (CBD) real estate market focusing on trends for office, hotel, and residential uses such as vacancy rates, rental rates, leasing activity, deliveries, etc.
- For the **feasibility analysis,** the study first inventoried the office building stock within the Central Business District and categorized properties into typologies that represent viable candidates for residential conversion. These typologies were then analyzed to assess the physical, regulatory, and financial feasibility of conversion. Finally, development scenarios were modeled to estimate costs, achievable rents, and the level of public incentives required to support project viability.

02

Policy Review

New Orleans' Comprehensive Zoning Code (CZO) currently regulates affordable housing in four ways.* The study evaluated the effectiveness of two of these programs: Mandatory and Voluntary Inclusionary Zoning (MIZ and VIZ).

Mandatory Inclusionary Zoning (MIZ)	Requires certain new residential developments in overlay districts to set aside a share of units as affordable. The policy offers zoning and financial incentives, aimed at ensuring mixed-income housing in targeted areas.
Voluntary Inclusionary Zoning (VIZ)	Allows developers to access zoning or financial incentives if they include affordable units in their projects. Participation is optional but structured to encourage mixed-income outcomes.
Affordable Housing Planned Development (AHPD)	Provides a pathway for larger, master-planned projects to negotiate customized affordability requirements. This flexible tool is intended to deliver significant affordable housing as part of major developments.
Small Multi-Family Affordable (SMFA)	Established in 2022, this designation enables the development of small-scale multifamily buildings – specifically, structures with up to four dwelling units – in zoning districts where larger multifamily construction might otherwise be restricted. It requires that at least one unit be affordable to households making up to 80% AMI for 15 years.



Neighborhoods and boundaries of MIZ designations.
Source: https://nola.gov/nola/media/City-Planning/Major%20Projects/Inclusionary%20Housing%20Study/MIZ_Presentation.pdf

*Unlike VIZ which is offered citywide, MIZ has specific neighborhood boundaries *(see next page for differentiation in program elements based on geography).* The MIZ "Core" includes the Central Business District (CBD) and the French Quarter; MIZ "Strong" areas include Marigny, Bywater, Treme, Esplanade Ridge, Mid City, and Lower Garden District. VIZ "Transitional" includes all other areas of the city where multi-family development is permitted.

** In addition to MIZ and VIZ, the CZO regulates affordable housing development via Affordable Housing Planned Development (AHPD) and Small Multi-Family Affordable (SMFA) designations.*

Implemented in July 2021, the City's current MIZ policy balances affordability requirements with public incentives and administrative support – based on then market conditions.

REQUIREMENT

Requirement
5-10% of units affordable at 60% AMI

In-Lieu Fee
$304,810
per rental unit

Term
99 Years

Scale
Market-rate development of 10+ units

GEOGRAPHY

Three tiers based on market ability to support IZ.

Subdistrict 1 – Core
10% of units affordable at 60% AMI

Subdistrict 2 – Strong
5% of units affordable at 60% AMI

Subdistrict 3 – Voluntary
Voluntary Inclusionary Zoning (VIZ)

INCENTIVES

Density Bonus
Bonus of 30%, up to 50%

PILOT
10-year term, amount determined by independent underwriting, (generally 50-70%)

Rest. Tax Abatement
Reduction of renewal requirement for qualifying projects

Parking Reduction
10%, up to 30%

ADMINISTRATIVE POLICY

Development Approvals and Permitting
DSP and CPC

Tax Abatement
FNO

Density Bonus and Parking Reduction
DSP and CPC

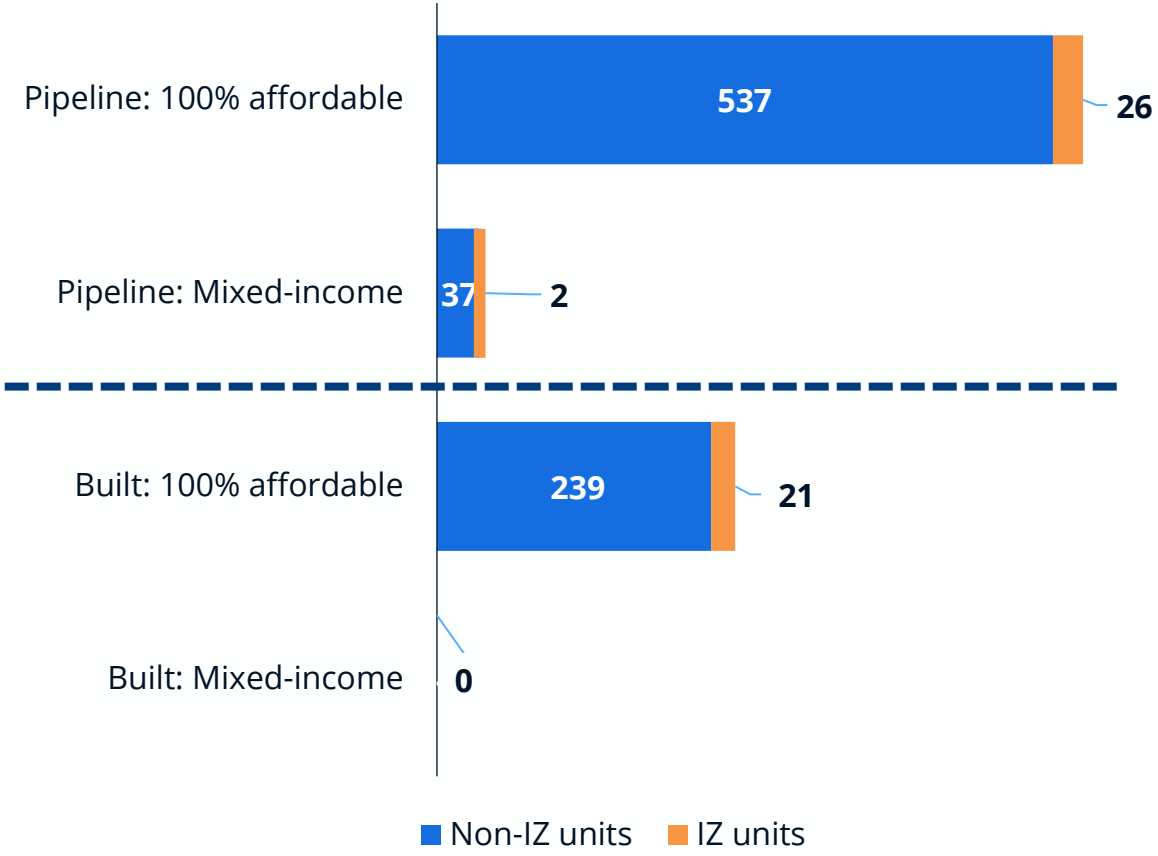
Program Management
DSP and OED

Property Management
Units administered at property-level by owner

DSP: Department of Safety and Permits | CPC: City Planning Commission | FNO: Finance New Orleans | OED: Office of Economic Development

The MIZ policy has supported the development of 100% affordable housing projects but has shown limited efficacy with mixed-income projects.

CREATION OF UNITS THROUGH MIZ (2021 – PRESENT)



Source: Department of Safety and Permits, City of New Orleans

The MIZ policy has provided meaningful incentives – like tax abatements, density bonuses, and parking relief – that has **helped three affordable housing projects get built.** All three projects also utilized the Low-Income Housing Tax Credit (LIHTC) and HOME funds.

On the other hand, **no mixed-income projects have been completed to-date within the MIZ boundaries.** This is largely the result of constraining macroeconomic factors such as higher development costs and interest rates (described in greater detail in Section 3: Market Analysis).

As of May 2025, there are 8 projects in the pipeline which include 28 MIZ units out of a total of 602 units. Of these, two projects will be mixed-income, projected to deliver 2 MIZ units out of a total of 39 units.*

There is one affordable housing project in the VIZ pipeline, projected to deliver 5 IZ units out of a total of 103 units.

** These figures are subject to change based on ongoing negotiations.*

03

Market Analysis

A declining city population combined with declining housing affordability has contributed to weaker demand for both residential and office space. This makes it harder to complete any residential development, even projects with no affordability requirements.

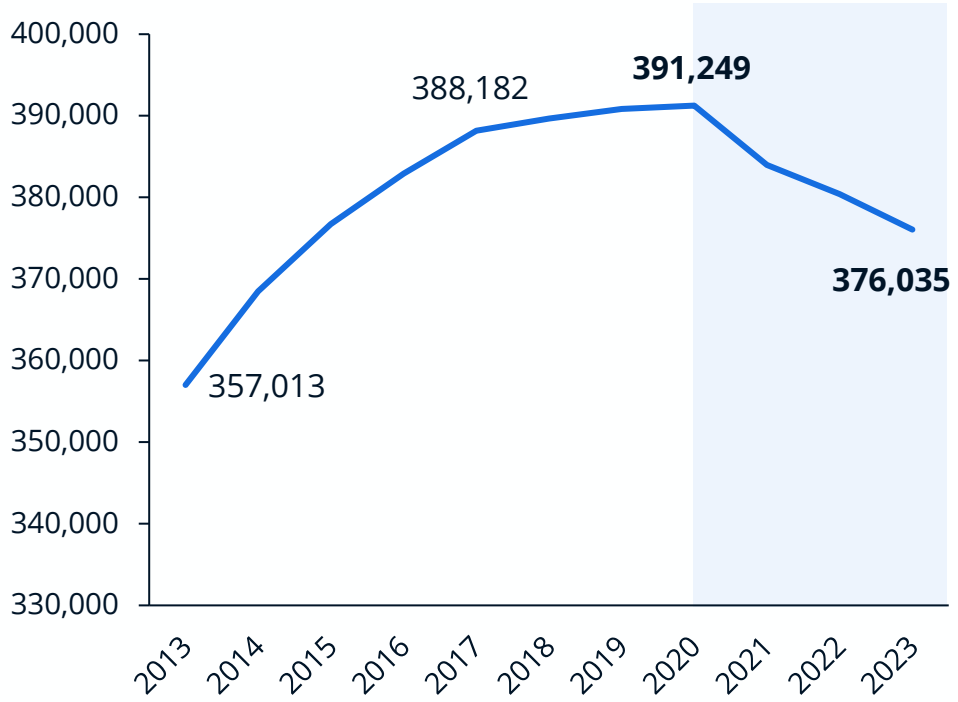
Population Change	From 2020 to 2023, New Orleans saw a decrease in its population and number of households.	**(-15,000)** Population decrease	**(-1,500)** Fewer households
Housing Affordability Challenge	New Orleans residents are facing increasing housing affordability challenges and a worsening rental home shortage relative to 2018.	**(-10,000)** Rental Housing Shortage for Households Making up to $50K	
Weaker Residential and Office Demand	Both multifamily housing and office space have high vacancy rates, significantly higher than pre-pandemic levels, indicating weakening market demand.	**11.5%** Residential Vacancy, 2024	**13.2%** Office Vacancy, 2024
Macroeconomic Barriers to Housing Development	Macroeconomic shifts in recent years have made housing development more difficult across the board, particularly increased construction costs, high interest rates, and the high cost of property insurance.	**47%** Increase in Construction Costs Since 2018	**30%** YoY Increase in Property Insurance for Market-Rate Housing , 2024

Source: ACS 5-Year Estimates; CoStar; FRED Economic Data (St. Louis Fed); Fannie Mae

Between 2013 and 2023, New Orleans lost more than 15,000 residents and 1,500 households.

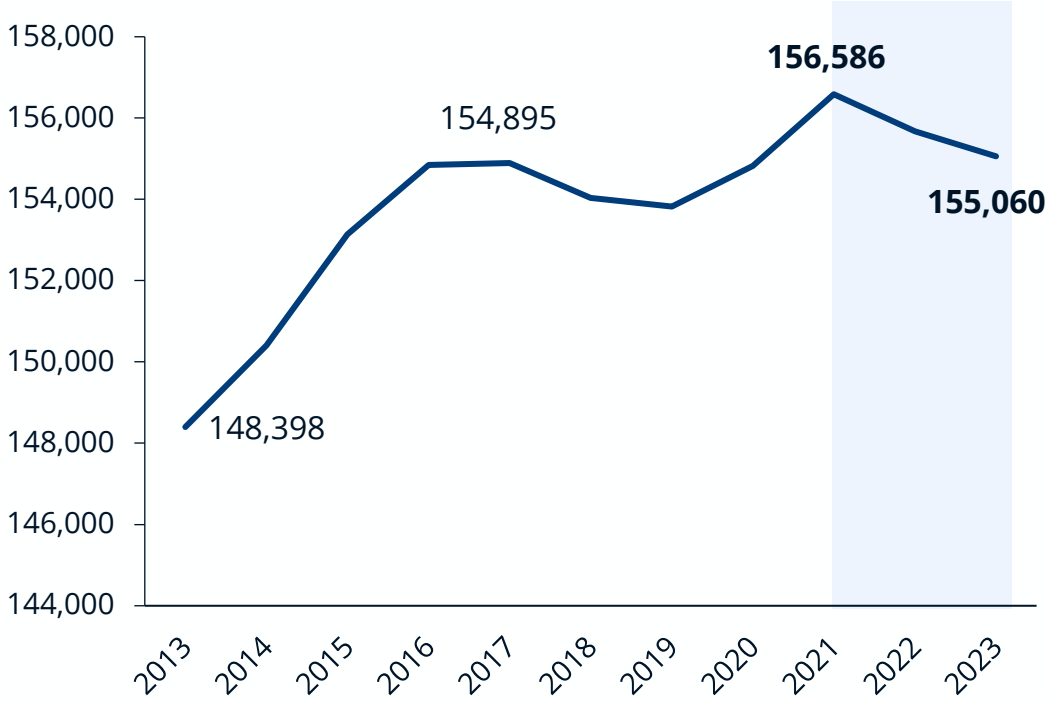
TOTAL POPULATION (2013–2023)

(-15,214)
Fewer residents



TOTAL HOUSEHOLDS (2013–2023)

(-1,526)
Fewer households

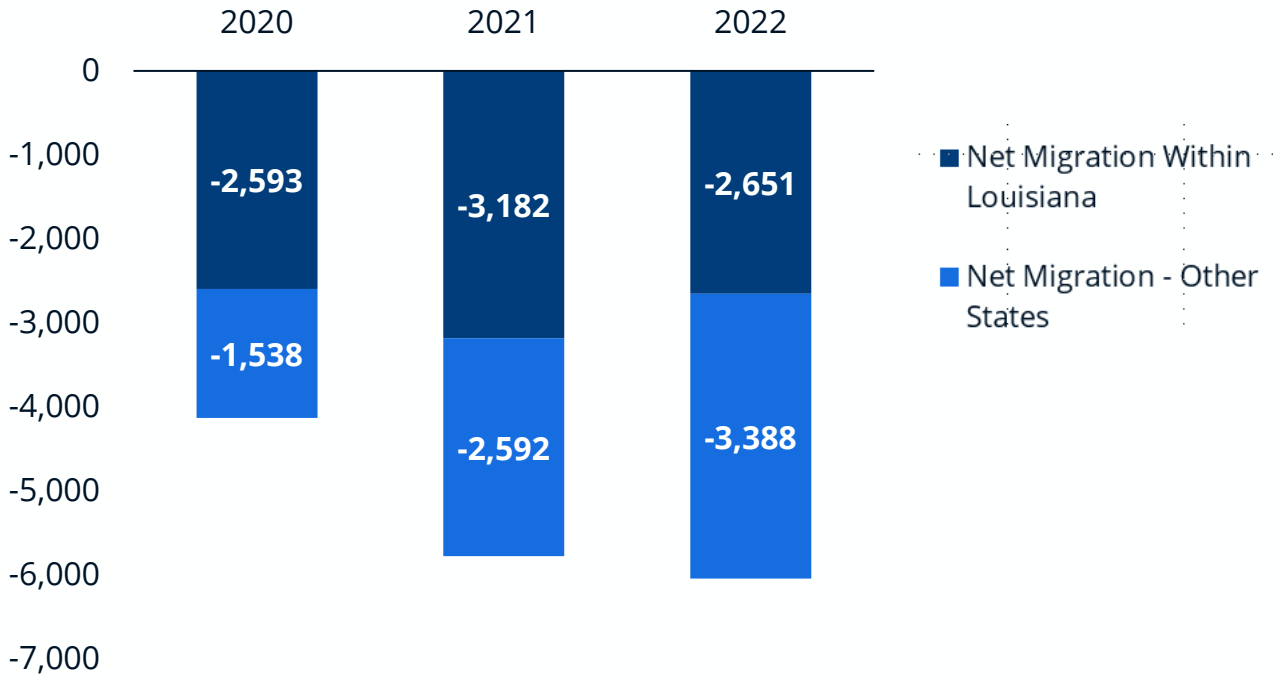


Population peaked in 2020 and has been declining since that date, while total households peaked in 2021. Decreases in population and households weaken the local demand for housing; this decreases the likelihood of new market-rate housing development.

Source: ACS 5-Year Estimates

Between 2020 and 2022, residents migrated to other areas in the region or out-of-state because the city does not provide sufficient housing or salaries for lower-income households.

NET MIGRATION OF RESIDENTS – U.S. MOVES (2020-2022)



AVERAGE INDIVIDUAL INCOME OF OUT-MOVERS (2020-2022)

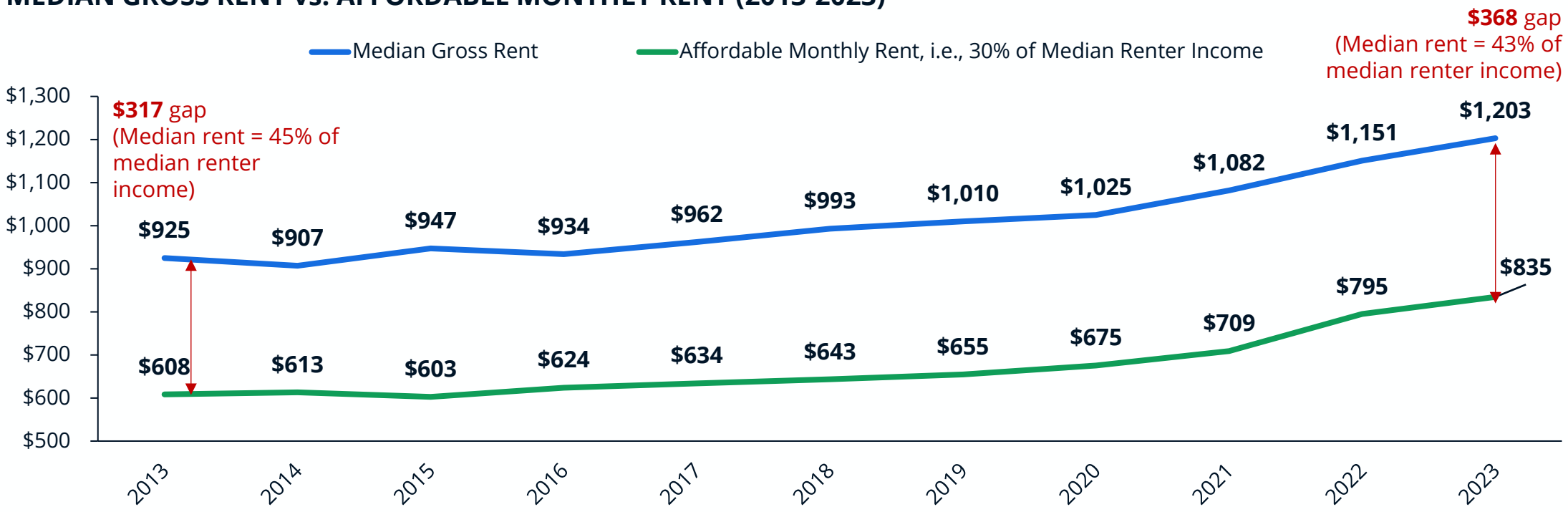
	2020	2021	2022
Average Income - Movers in Same State	$25,940	$27,346	$33,365
Average Income - Movers to Other States	$41,452	$48,665	$49,274

Top destinations for out-movers who remained in Louisiana were Jefferson Parish, St. Tammany Parish, and St. Bernard Parish. Average incomes for out-movers to these parishes were lower than the average out-mover from New Orleans, with St. Bernard and Jefferson Parishes receiving those with the lowest incomes.

Source: IRS SOI Tax Stats – Migration Data 2019-2020, 2020-2021, 2021-2022. Foreign migration excluded due to lack of data in certain years; foreign migration is minimal in comparison to US moves.

The median renter in New Orleans cannot afford the city's median rent, indicating an imbalance between rental housing costs and renter incomes.

MEDIAN GROSS RENT vs. AFFORDABLE MONTHLY RENT (2013-2023)



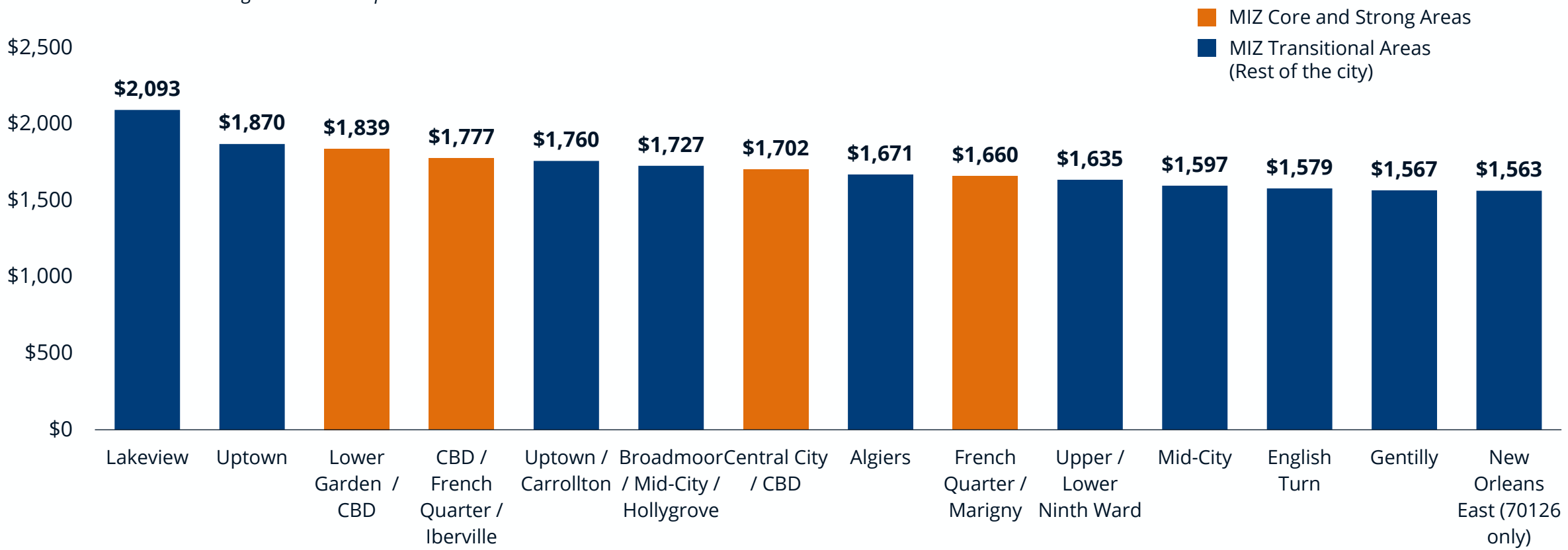
Despite an increase in renter incomes from 2013–2023, median rents remain roughly 45% of median renter income. An affordable market would have median rents of approximately 30% of the median renter's income.

Source: ACS 2013-2019 and 2021-2023 1-year estimates; ACS 2020 5-year estimates

Rents have risen to $1,500-$2,000 per neighborhood as of 2025. Neighborhoods within MIZ Core and Strong areas continue to have some of the higher rents in the city.

ZILLOW OBSERVED RENT INDEX (ZORI) RENTS* BY SUBMARKET (JUNE 2025)

** ZORI estimates median-range rents at the zip code level*

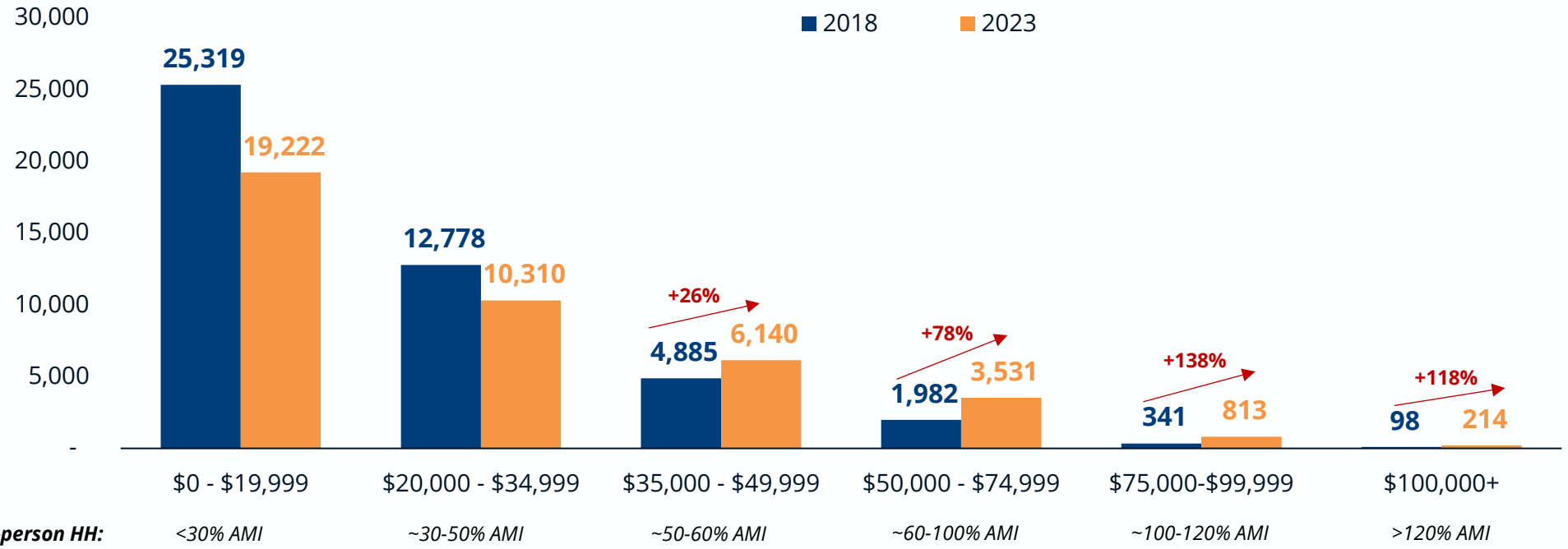


ZORI includes both single-family and multifamily homes at the zip code level, which may account for some of the higher rents seen in neighborhoods like Lakeview and Uptown which have more single-family housing stock than the CBD and French Quarter.

Source: Zillow Observed Rent Index (ZORI) All Homes Plus Multifamily Time Series (Smoothed), 6/30/2025

Between 2018 and 2023, all but the lowest-income categories witnessed an increase in the number of cost-burdened households.

COST BURDENED RENTER HOUSEHOLDS BY INCOME (2018 and 2023)

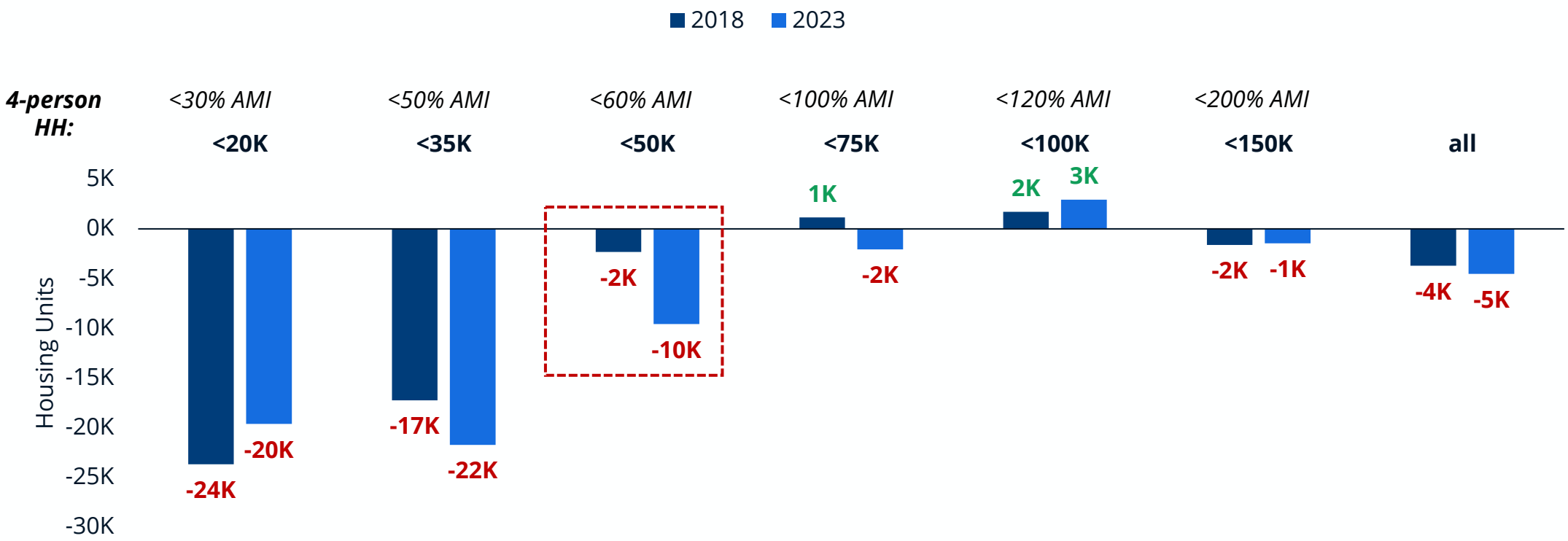


While the total number of cost-burdened renter households in lower-income categories has declined, so has the total number of households in these categories. Between 2018 and 2023, New Orleans lost 6,557 renter households earning $0-$19,999 and 3,962 renter households earning $20,000-$24,999. The overall decline in the total number of households in the lowest income categories may have caused the apparent reductions in cost burden for these households.

Source: ACS 5 Year Estimates 2018 and 2023

The rental home shortage has grown significantly since 2018, impacting an additional 8,000 households making up to $50K annually.

RENTAL HOME SHORTAGE BY HOUSEHOLD INCOME (2018, 2023)

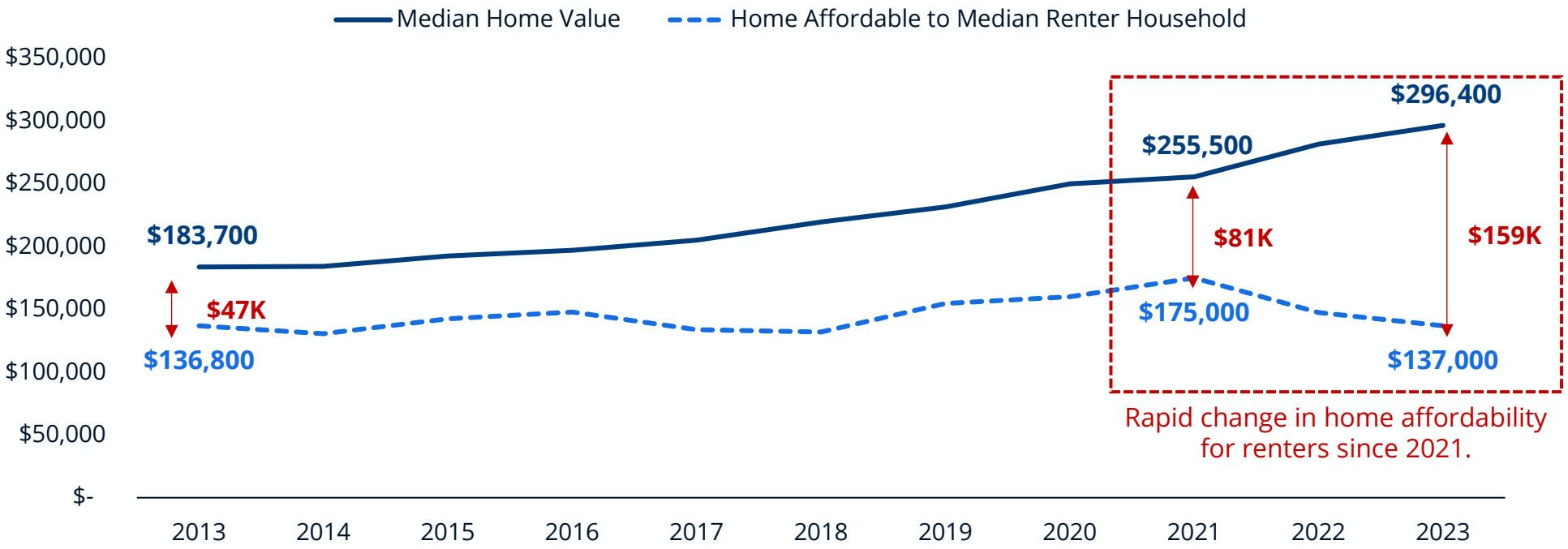


The rental home shortage has decreased for households earning less than $20,000 per year, likely due to the reduced number of these renter households in New Orleans.

Source: ACS 5 Year Estimate 2018, 2023; PUMS 2018, 2023

The gap between median home value and what the median renter can afford has grown more than three-fold since 2013, from $47K to almost $160K.

MEDIAN HOME VALUE COMPARED TO HOME AFFORDABLE TO MEDIAN RENTER HOUSEHOLD (2013—2023)

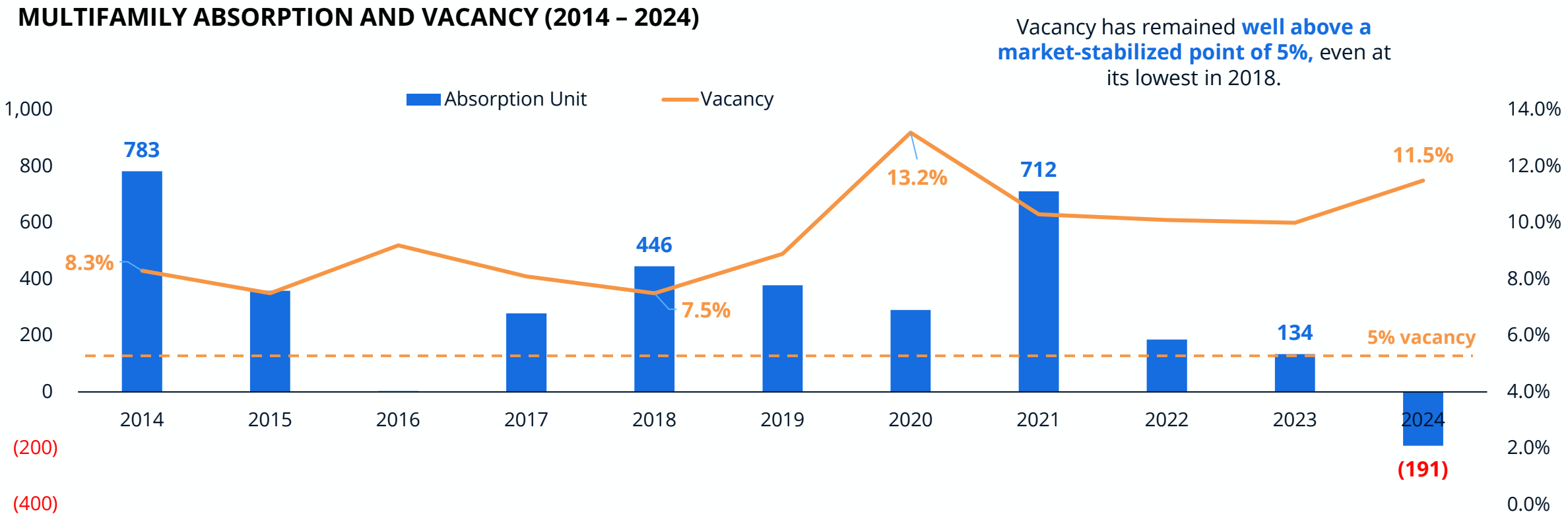


While the median home is worth approximately $296,400, the median renter can afford only $137,000. This is fueled by the sharp rise in interest rates since 2021, which has eroded home affordability.

Source: Home values from Zillow Home Value Index, as of December each year.

Multifamily absorption for 10+ unit properties has slowed in the last three years, leading to an elevated vacancy rate of 11.5%.

MULTIFAMILY ABSORPTION AND VACANCY (2014 – 2024)



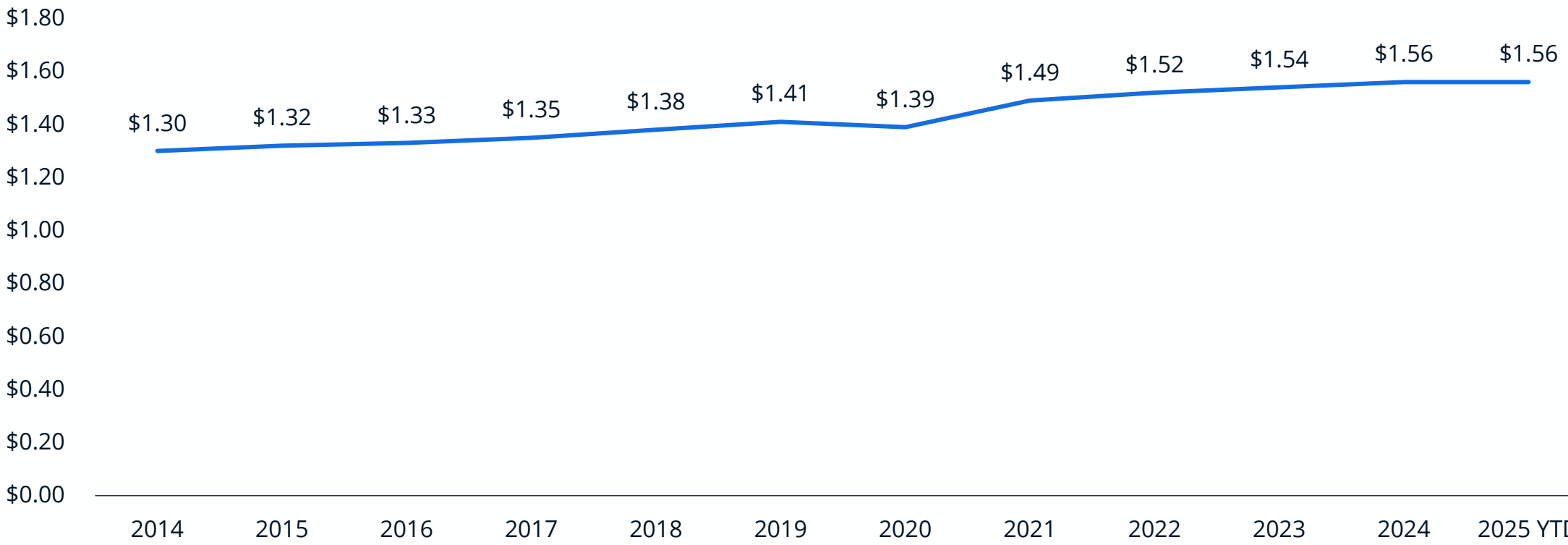
Despite positive absorption for much of the last decade, vacancy remained well above a market-stabilized point of 5%, even at its lowest in 2018. Reduced absorption in 2022 and 2023 and negative absorption in 2024 indicates weakening demand for new housing development.

Source: CoStar

In parallel with elevated vacancy and slowing absorption, multifamily rents have been stagnant since 2021, indicating weakening demand.

MULTIFAMILY EFFECTIVE RENT PER SQUARE FOOT (2014 – 2024)

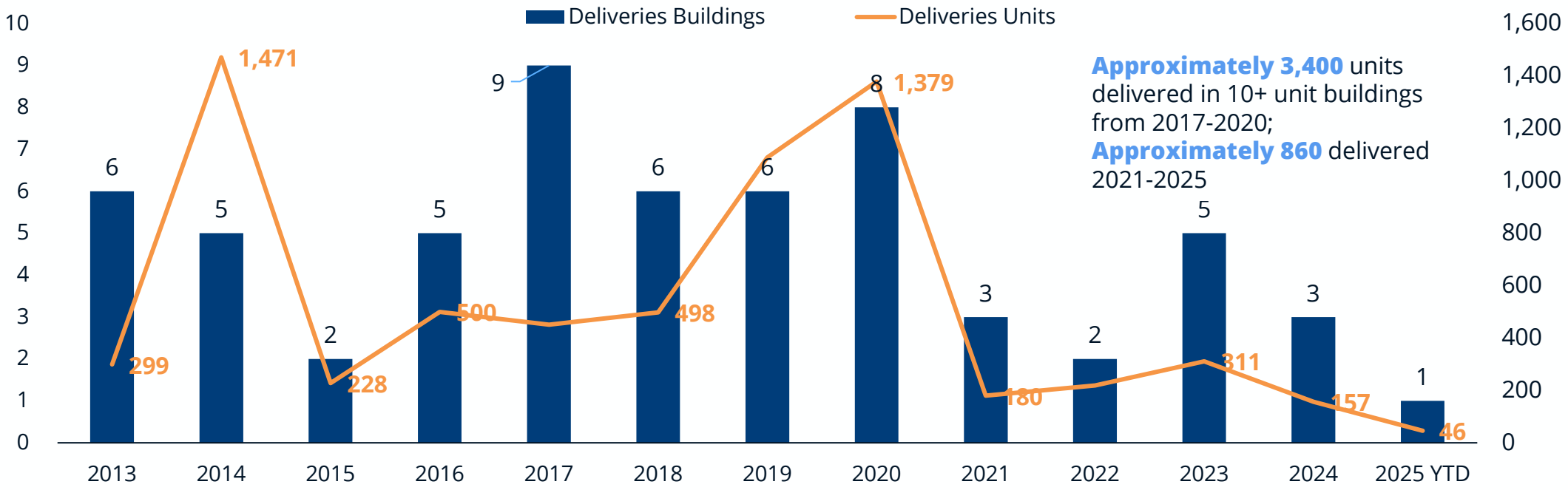
Effective rent is the actual rental income a landlord collects on average per unit (or per square foot) after accounting for concessions, discounts, or rent-free periods.



Source: CoStar

New deliveries of larger (10+ unit) buildings have slowed between 2021 and 2025, compared to the more active period of new development between 2017 and 2020.

10+ UNIT MULTIFAMILY BUILDINGS AND UNITS DELIVERED BY YEAR (2013–2025)

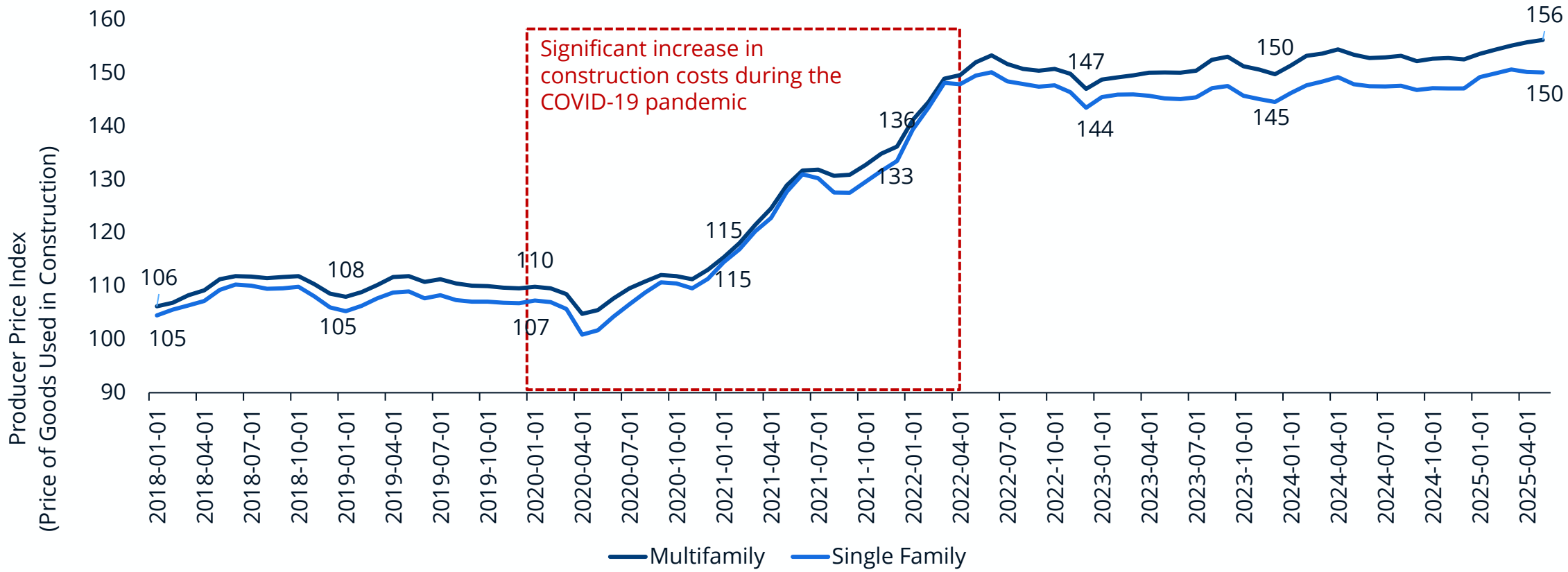


Just 860 units were delivered in 10+ unit buildings between 2021 and 2025, compared to 3,400 units delivered in 10+ unit buildings between 2017 and 2020. This decline in new development reflects the challenging market conditions, and inhibits the effectiveness of the existing IZ policy.

Source: CoStar

Nationwide housing construction costs have grown substantially over the past several years, increasing by 47% since 2018 and 11% since 2022.

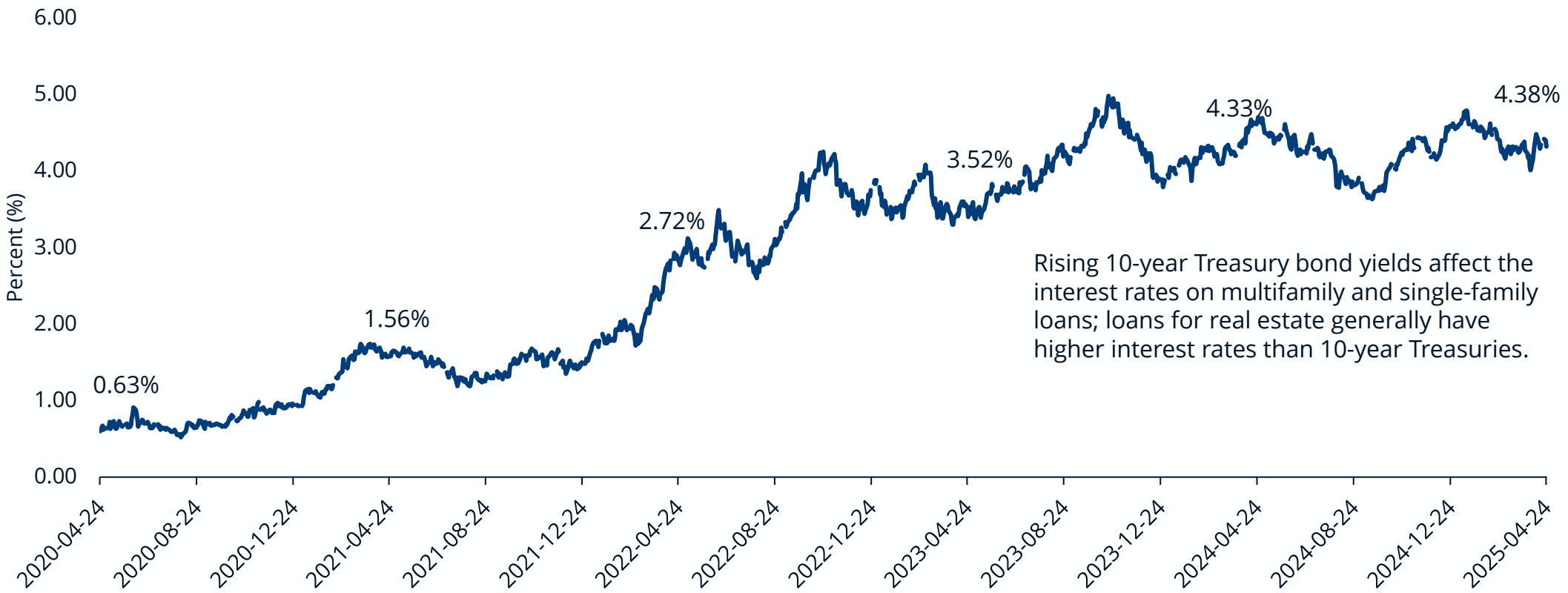
NATIONAL RESIDENTIAL CONSTRUCTION INPUT COST INDEX (2018 – 2025)



Source: FRED Economic Data (St. Louis Fed), "Producer Price Index by Commodity: Inputs to Industries: Net Inputs to Multifamily Residential Construction, Goods," 2018-01-01– 2025-04-01. http://fred.stlouisfed.org/series/WPUIP2311201. The Producer Price Index (PPI) program measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

The sharp rises in interest rates since 2022 have increased borrowing costs for developers, thereby driving up development costs.

ANNUAL INTEREST RATES FOR 10-YEAR TREASURIES, PERCENTAGE (2020 – 2025)

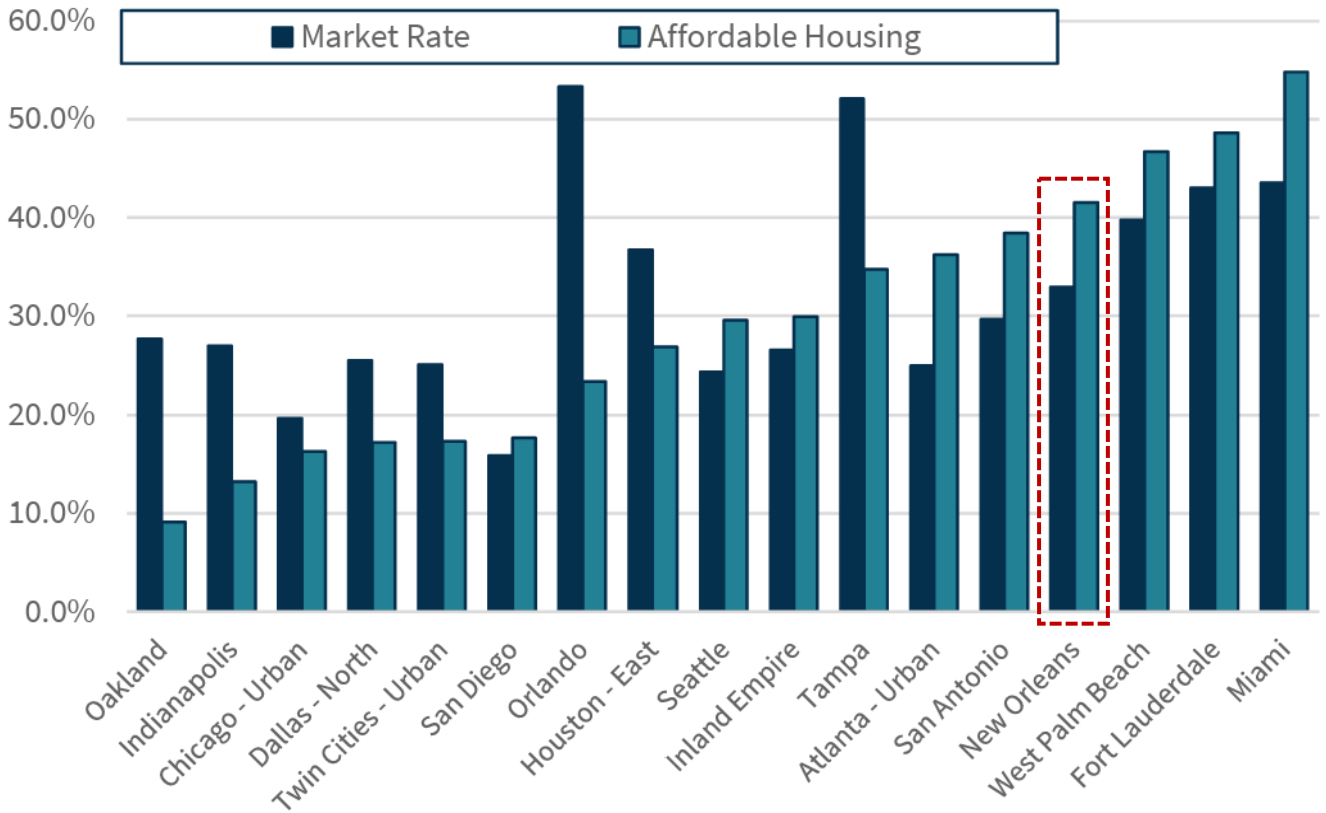


Rising 10-year Treasury bond yields affect the interest rates on multifamily and single-family loans; loans for real estate generally have higher interest rates than 10-year Treasuries.

Source: FRED Economic Data (St. Louis Fed), "Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis (DGS10)," 2020-04-24 – 2025-04-24. http://fred.stlouisfed.org/series/DGS10

As of 2024, the average cost for annual property insurance exceeded $1,600 per unit for market-rate and affordable multifamily properties in New Orleans.

YoY INCREASE IN INSURANCE PREMIUMS FOR MULTIFAMILY MARKET RATE AND AFFORDABLE PROPERTIES (JANUARY 2024)



Source: Yardi Matrix, January 2024

Between 2022 and 2023, insurance costs rose more than 30% for market-rate multifamily properties, and more than 40% for affordable housing properties. The only cities with more significant cost increases were in Florida, and in East Houston for market-rate properties.

Stakeholder Insights

One stakeholder reported property insurance costs **rose from $700 per unit to $2,500 per unit**, a 357% increase.

Another stakeholder reported a **70% increase** in property insurance costs from one year to another.

Source: Fannie Mae, "Multifamily Economic and Market Commentary," May 2024. https://www.fanniemae.com/media/51396/display

Additional market analysis focused on the Central Business District (CBD) was conducted to understand the market conditions impacting the feasibility of office-to-residential conversions in the CBD.

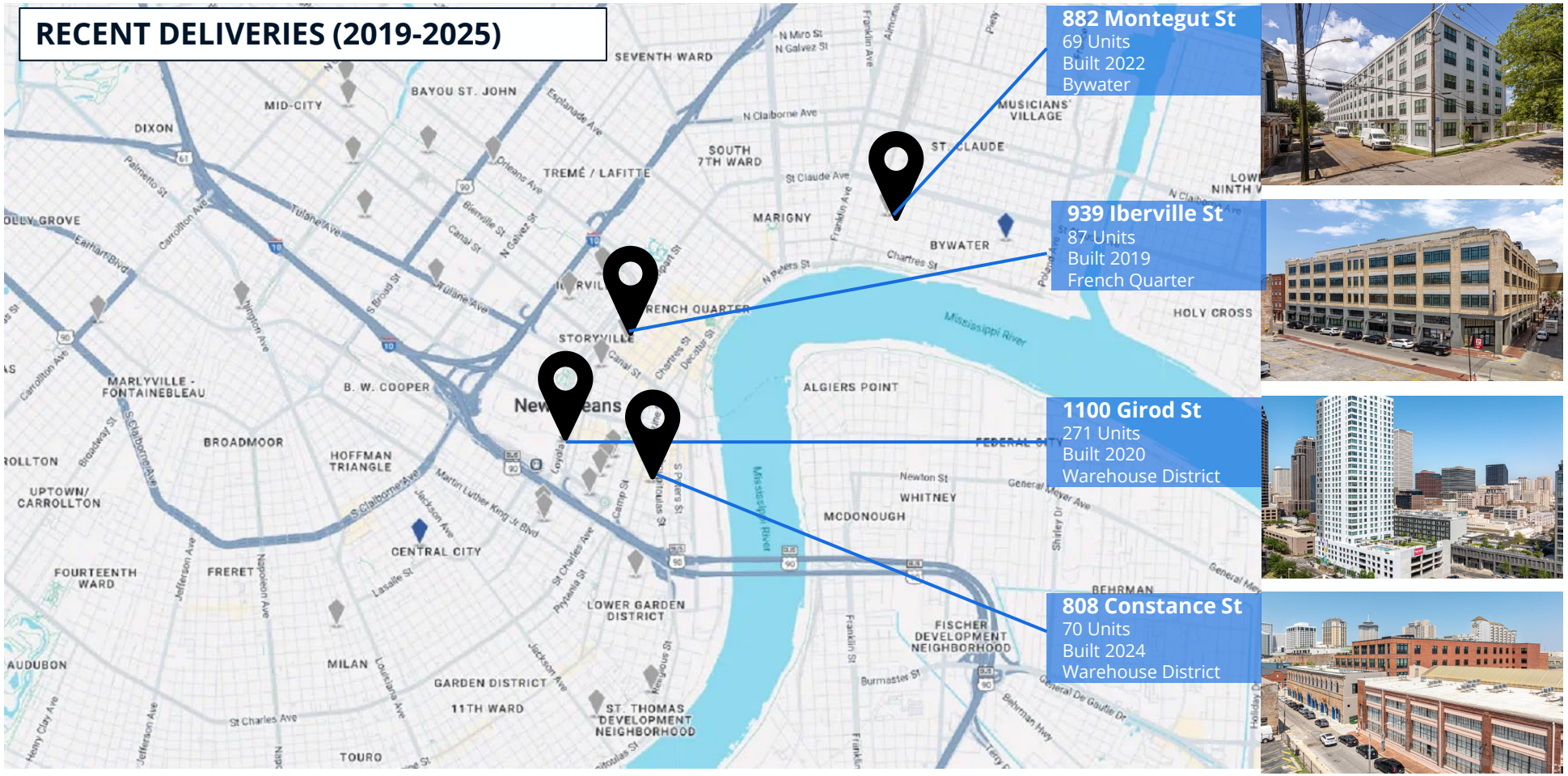
The market analysis specifically examined the CBD and surrounding neighborhoods to understand the potential interplay between the hotel, office, and residential multifamily markets in this area.

Market	Summary of Findings
Residential Multifamily	The CBD area has seen the largest share of multifamily (10+ unit) development between 2019 and 2025, but relatively few projects have been delivered, reflecting the weakness of the residential market. Most delivered projects, and those in the pipeline, were in development before 2019.
Office	The office market shows increasing weakness. Vacancies have increased to nearly 14% from less than 8% in 2019, and net absorption has been consistently negative since 2020. Almost no new office square footage has been delivered in the CBD area since 2015.
Hotel	The hotel market has rebounded from the COVID pandemic, with higher average daily rates and more than 1,500 hotel keys delivered or in the pipeline since 2020. The strength of the lodging market may offer opportunities for office-to-hotel conversions (one of which is already occurring).

In summary, the hotel market is a bright spot compared to the weak office and residential markets in the CBD. Hotel-to-office conversions or hotel + residential projects may offer some future opportunities.

Source: CoStar

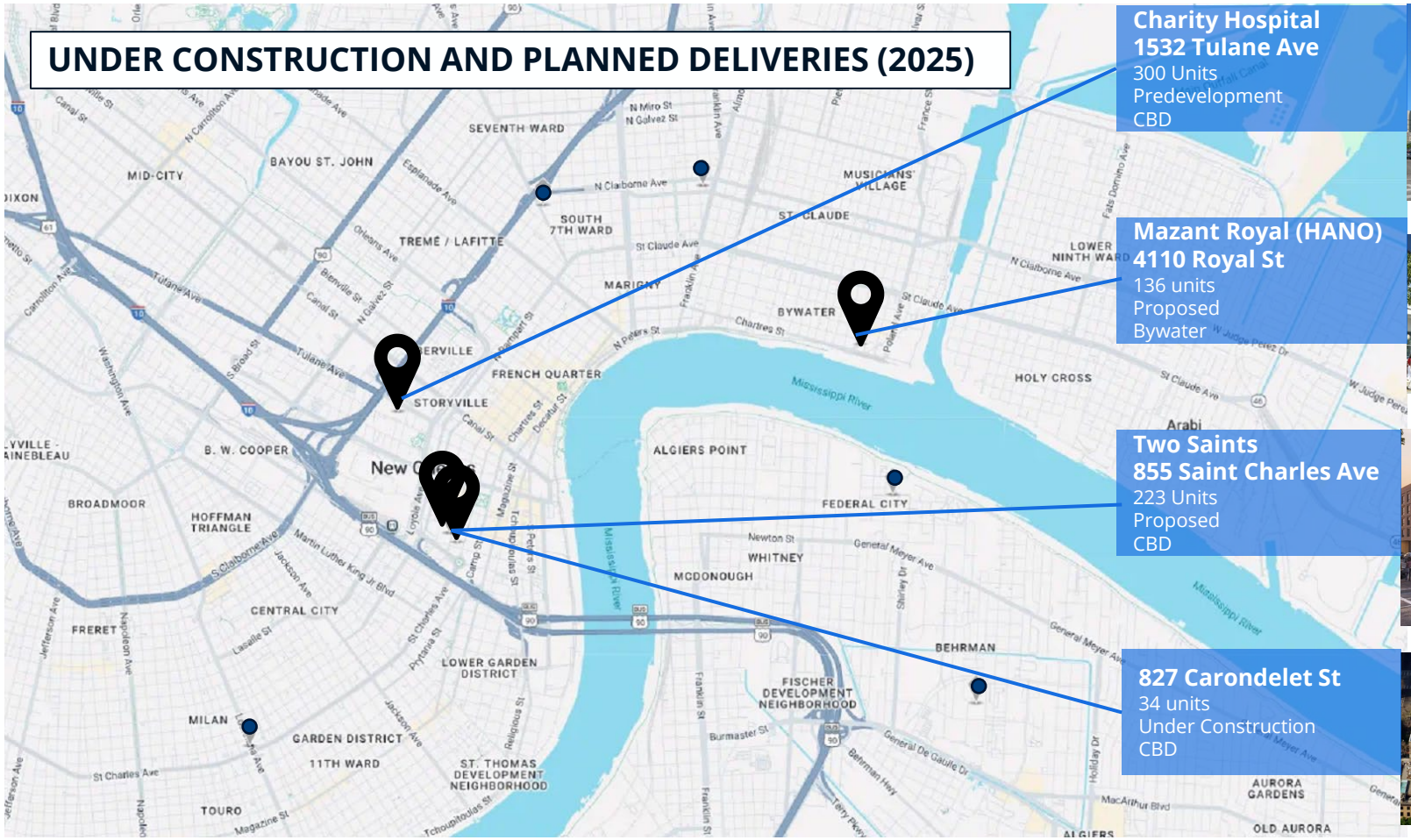
The market analysis specifically examined the CBD and surrounding neighborhoods to understand the potential interplay between the hotel, office, and residential multifamily markets in this area.



Multifamily developments delivered in 2019-2025 were largely permitted before the adoption of the MIZ policy. Since MIZ adoption, market rate multifamily development in the MIZ study area has been very limited.

Source: CoStar

A significant share of New Orleans' multifamily pipeline is also located in the downtown core, though current delivery timelines are uncertain.

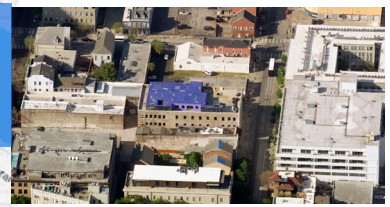


Charity Hospital
1532 Tulane Ave
300 Units
Predevelopment
CBD

Mazant Royal (HANO)
4110 Royal St
136 units
Proposed
Bywater

Two Saints
855 Saint Charles Ave
223 Units
Proposed
CBD

827 Carondelet St
34 units
Under Construction
CBD

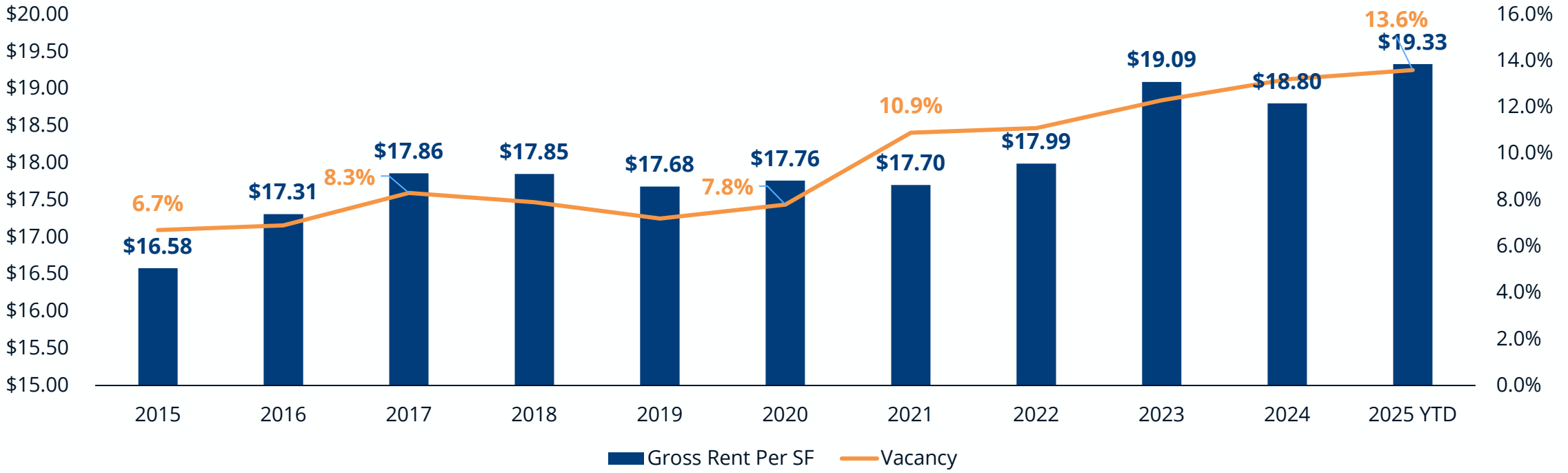


Most pipeline projects were under development before the IZ policy was adopted. The current iteration of Charity Hospital's redevelopment has been in predevelopment since 2018. Wisznia Development's Two Saints project was also originally proposed in 2018 and initially approved by City Council in February 2020, and predevelopment work on the HANO-owned Mazant Royal properties also began in 2018.

Source: CoStar

After holding relatively steady between 6% and 9% between 2015 and 2020, office vacancy rates in the Central Business District (CBD) increased after the COVID pandemic and are now nearing 14%.

OFFICE MARKET PERFORMANCE IN THE CBD (2015–2025)

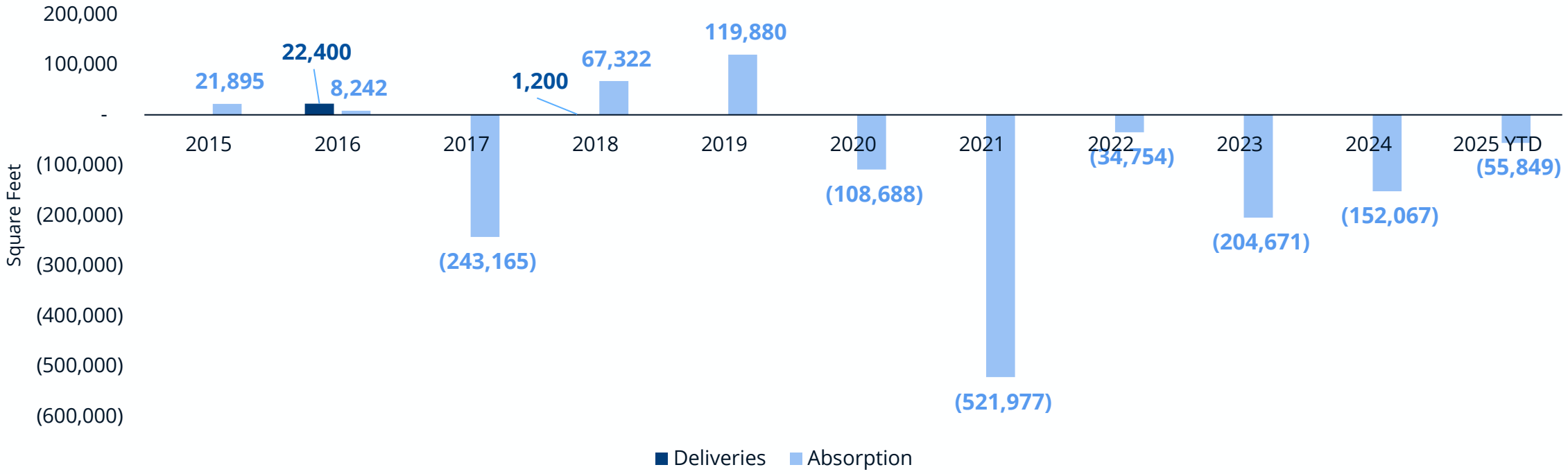


Office rents held steady at approximately $18 per square feet from 2017 through 2022 and then rose to $19 per square feet in 2023 through 2025. This does not appear to reflect increasing strength in the office sector overall; rents may be increasing due to inflation and rising insurance costs, or landlords may be responding to vacancy by increasing rents for the remaining tenants.

Source: CoStar

There have been virtually no new office deliveries in the CBD since 2015. Absorption, which was already low before the pandemic, has been net negative every year since 2020.

OFFICE MARKET DELIVERIES AND ABSORPTION, TOTAL SQUARE FEET (2015–2025)

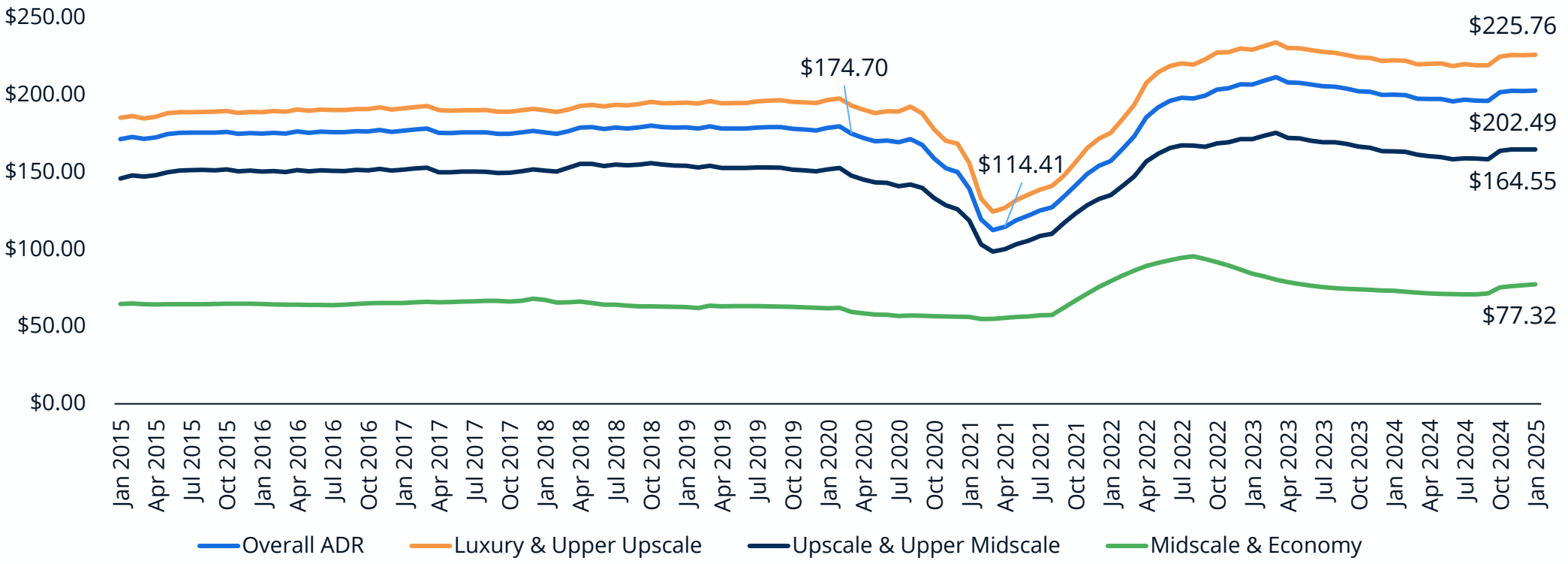


The lack of deliveries and negative absorption indicate a weak office sector that is showing no immediate signs of strengthening. High vacancy rates are likely to persist, which indicates the potential for conversion of some office space into hotels or residential uses if and when this becomes financially feasible.

Source: CoStar

Hotel average daily rates (ADR) in the CBD have rebounded and are now approximately 13% higher than they were before the COVID pandemic, signaling renewed strength in the sector.

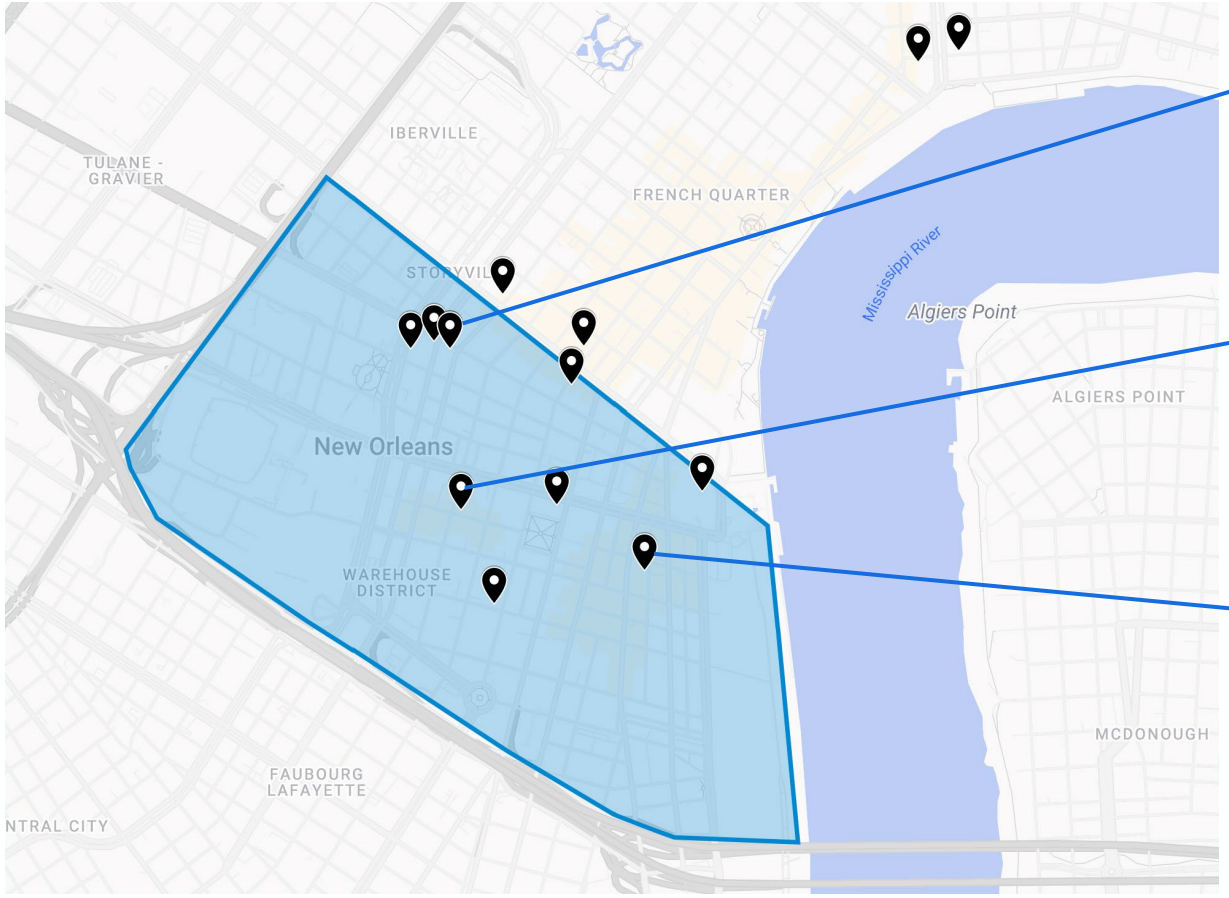
HOTEL AVERAGE DAILY RATE IN THE STUDY AREA (2015–2025)



ADR for hotels in the core area have increased from approximately $175 before COVID to $202 per night in 2025. Total ADR most closely parallels the upscale hotel classes, as the majority of hotels in the area are in these classes.

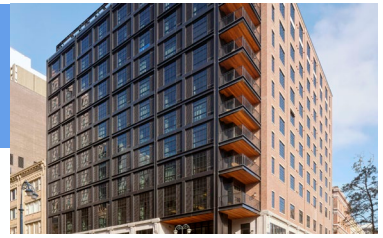
Source: CoStar

1,000+ hotel keys have been delivered or renovated across the City since 2020; 70% are in or near the CBD. 567 more keys are planned or under construction as of 2025.

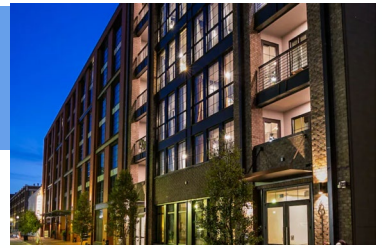


1010 Common St
253 keys
Planned renovation of existing office building into Fairmont Hotel
CBD

Virgin Hotel
238 keys
Completed – new construction
CBD / Warehouse District



Pelican by Hosteeva
10 keys
Completed - new construction
CBD / Warehouse District



Hotel projects in the downtown area include both new construction and renovations of existing office or historic buildings. Projects vary from small boutique hotels to large nationally-recognized brands, signaling optimism around the future market for lodging.

Source: CoStar

04

Inclusionary Zoning Analysis

HR&A conducted market, policy, and financial analysis to evaluate and propose refinements to New Orleans' Mandatory Inclusionary Zoning (MIZ) policy.

The feasibility analysis was designed to evaluate how potential amendments to the City's Mandatory Inclusionary Zoning (MIZ) policy would impact development economics and to assess the role of incentives in offsetting these effects. It consisted of:

Market Types and Neighborhood Assessment: The study examined submarkets across New Orleans to capture differences in market strength, recognizing that MIZ requirements affect feasibility differently depending on neighborhood conditions.

Building Typology and Property Assessment: Prototype scenarios were developed for a range of building forms (e.g., low-, medium-, and high-rise) and property types (new construction and rehabilitation; rental and for-sale) to reflect the diversity of development patterns in the city.

Financial Analysis: Dynamic pro forma models tested each prototype under current and proposed MIZ requirements in Core and Strong areas. These models evaluated returns, identified feasibility gaps, and assessed how existing and potential incentives would impact project viability at varying affordability levels.

Feasibility Analysis Considerations

The study analyzed three primary components of the MIZ policy vis-à-vis current market conditions to assess the need for modifications.

AFFORDABILITY REQUIREMENTS

The mandatory set-aside and income targeting that fix the depth and share of restricted units.

GEOGRAPHIC BOUNDARIES & BUILDING TYPES

The spatial delineation enabling calibration by submarket conditions and building typologies.

PUBLIC INCENTIVES

The regulatory and fiscal offsets intended to backfill feasibility gaps created by the affordability requirements.

Affordability requirements must be calibrated in response to housing affordability challenges to ensure that the policy continues to address housing needs.

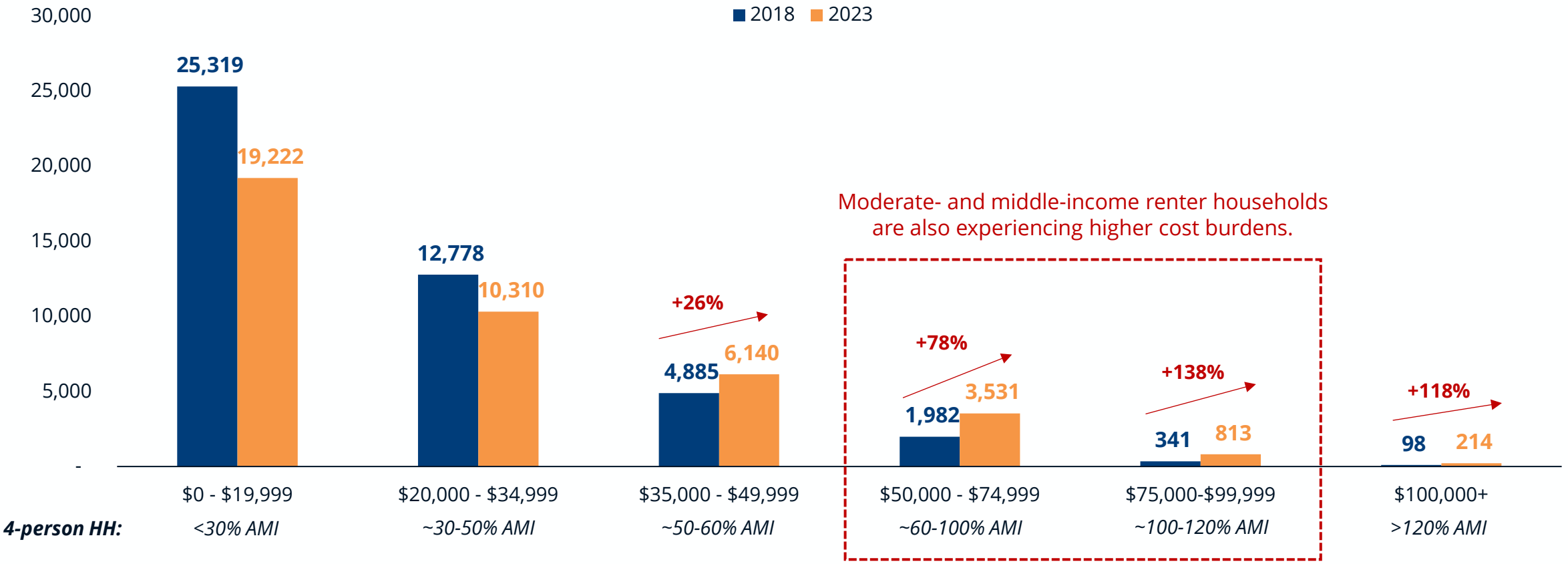
AFFORDABILITY REQUIREMENTS

Affordability requirements refers to – (i) the share of units in a new development that must be designated as affordable, and (ii) the income levels those units serve (e.g., 10% of units affordable to households at 60% of Area Median Income). These requirements are the heart of any IZ policy, determining both the volume of affordable housing created and which segments of the population benefit.

Evaluating these requirements is critical to understanding whether the policy is meeting the community's affordability goals.

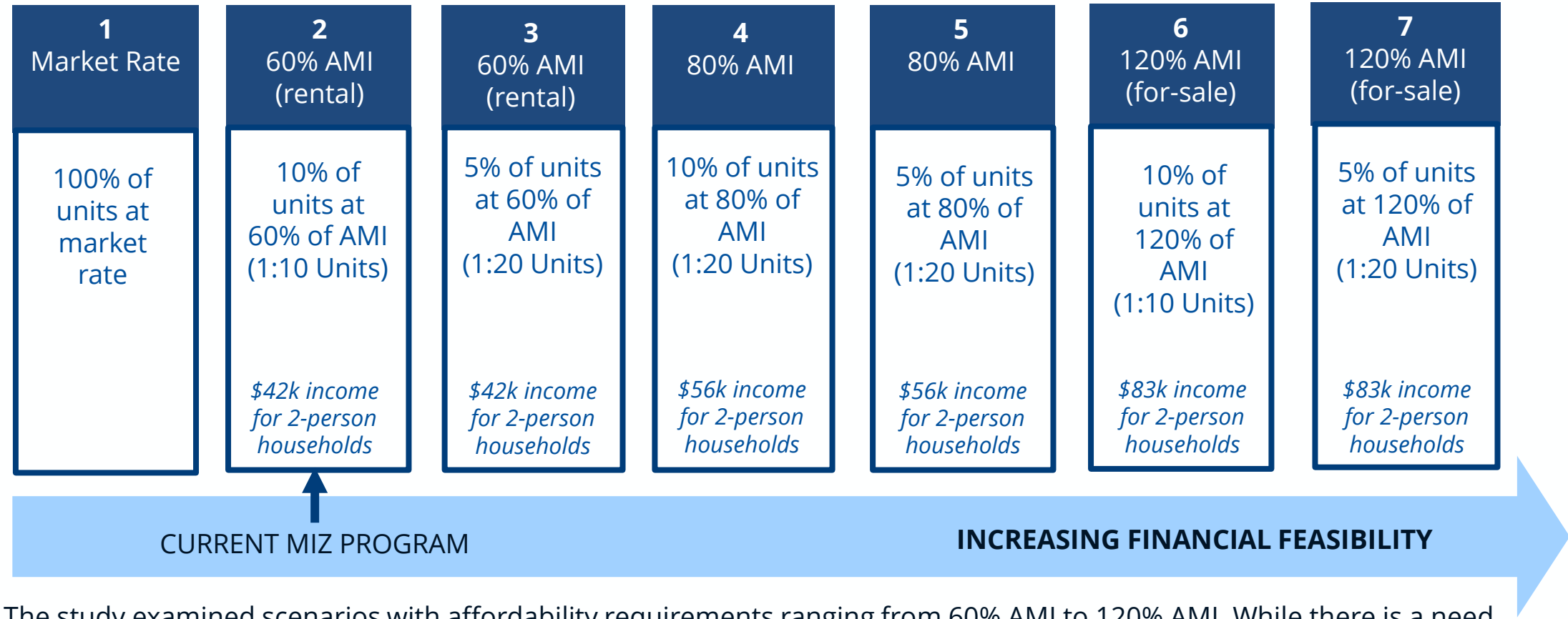
The market analysis showed that there has been a steep increase in the number of cost-burdened households in the 60-120% AMI range, indicating housing affordability challenges for moderate- and middle-income renter households.

COST BURDENED RENTER HOUSEHOLDS BY INCOME (2018 and 2023)



Source: ACS 5 Year Estimates 2018 and 2023

Based on recent trends in housing cost burden, the study analyzed affordability at levels between 60-120% AMI for rental and for-sale projects.



The study examined scenarios with affordability requirements ranging from 60% AMI to 120% AMI. While there is a need for housing at lower levels of affordability, analysis showed the impact on project feasibility was too significant in New Orleans to be supportable as part of the MIZ policy, which is consistent with policies in other cities. Other programs are better suited to target lower-income populations at or below 60% of AMI.

The study examined different submarkets to (re-)establish boundaries that align with market realities.

GEOGRAPHIC BOUNDARIES & BUILDING TYPES

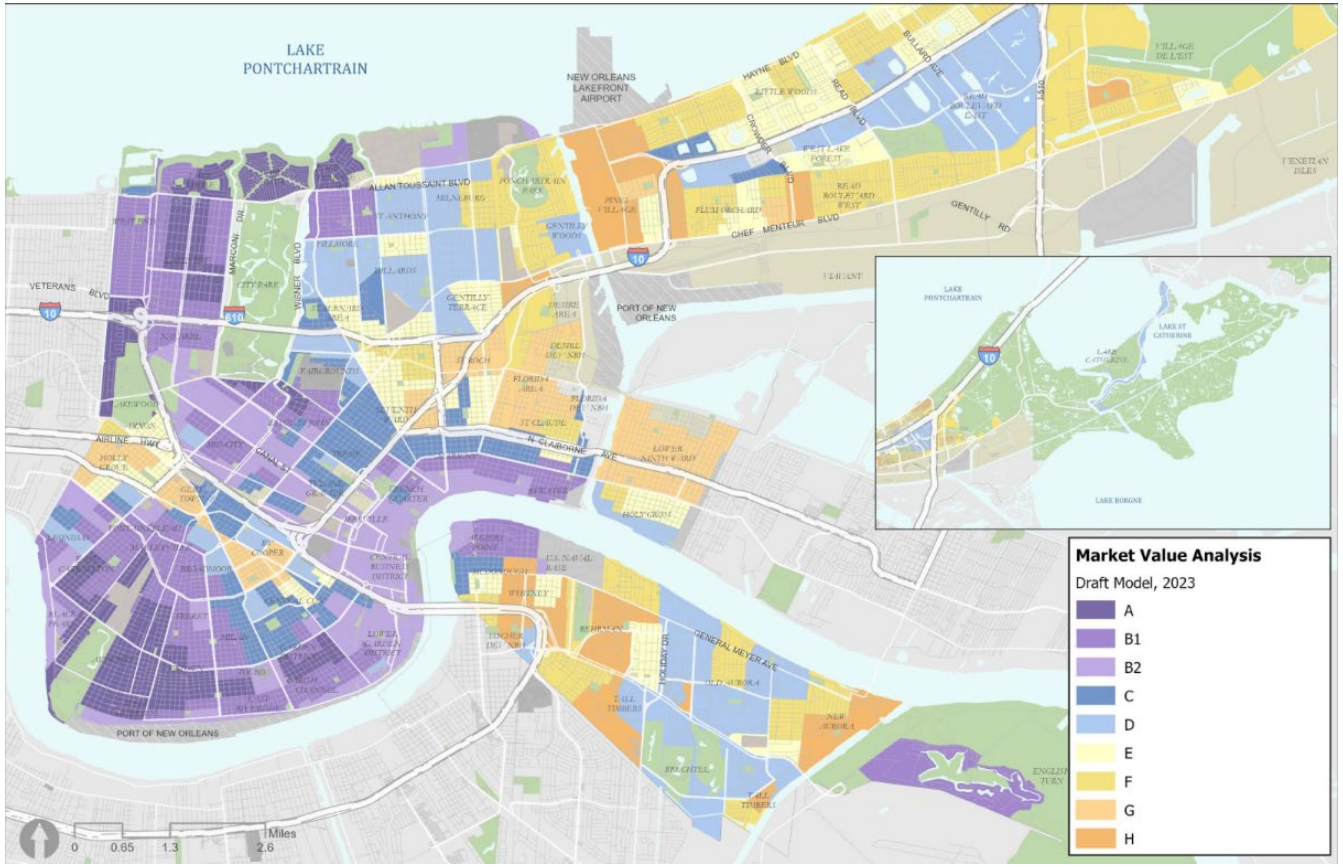
IZ programs often vary by location – for example, applying citywide or only in certain neighborhoods. Varying IZ requirements based on neighborhood market strength shapes both the scale of impact and the market dynamics of compliance. Different types of buildings have different costs to construct and operate and as a result respond to incentives in different ways.

The boundaries of the MIZ program should align with market feasibility while also ensuring they do not encourage developing just outside the boundary.

Using the findings of the market analysis in conjunction with the Reinvestment Fund's 2023 Market Value Analysis (MVA), the study found that:

- **Differences in market strength** across neighborhoods necessitate a continued focus on locations where a mandatory IZ requirement will be feasible.
- **Retaining multiple tiers** with requirements aligned to the market strength of each tier ensures that the policy fits shifting market conditions.

NEW ORLEANS REAL ESTATE MARKET STRENGTH
MVA 2023



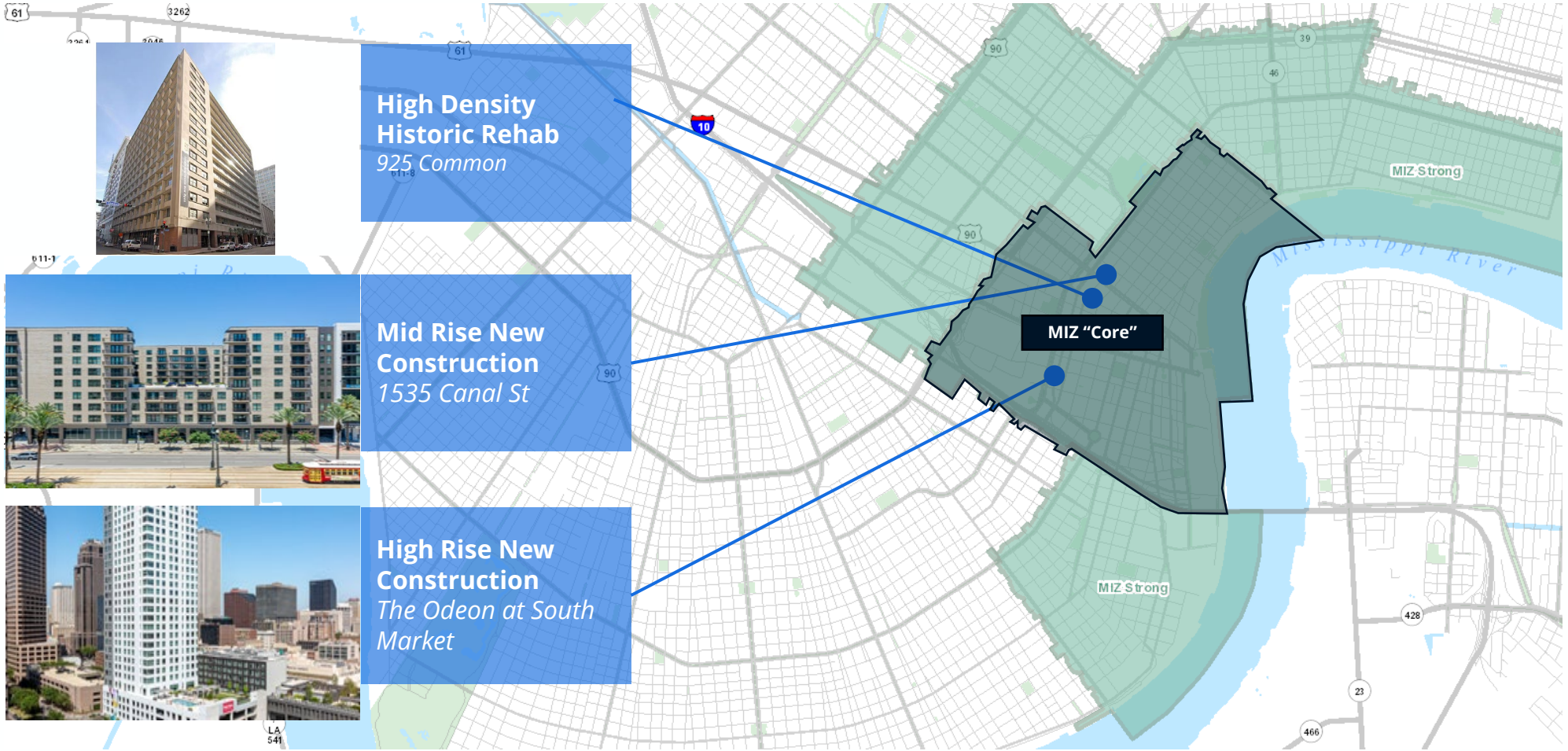
Source: New Orleans Market Value Analysis 2023, https://www.reinvestment.com/insights/market-value-analysis-new-orleans/

The study recommends retaining the current geographic subdistricts for the MIZ policy based on market strength and ability to support new development.

Subdistrict	Submarket Description	Rents	Land Costs	Locations
Core	Strongest submarkets in the city; new high- and mid-rise construction and historic rehabs.	$2.40 - $3.30 PSF	~$80 - $110/GSF	CBD, French Quarter
Strong	Strong submarkets with some new development; new mid-rise construction and historic rehabs.	$1.80 - $2.00 PSF	~$40/GSF	Marigny, Bywater, Treme, Esplanade Ridge, Mid City, and Lower Garden District
Voluntary	Emerging submarkets with limited new development; new low-rise construction and historic rehab.	$1.60 - $1.90 PSF	~$30/GSF	Remainder of city

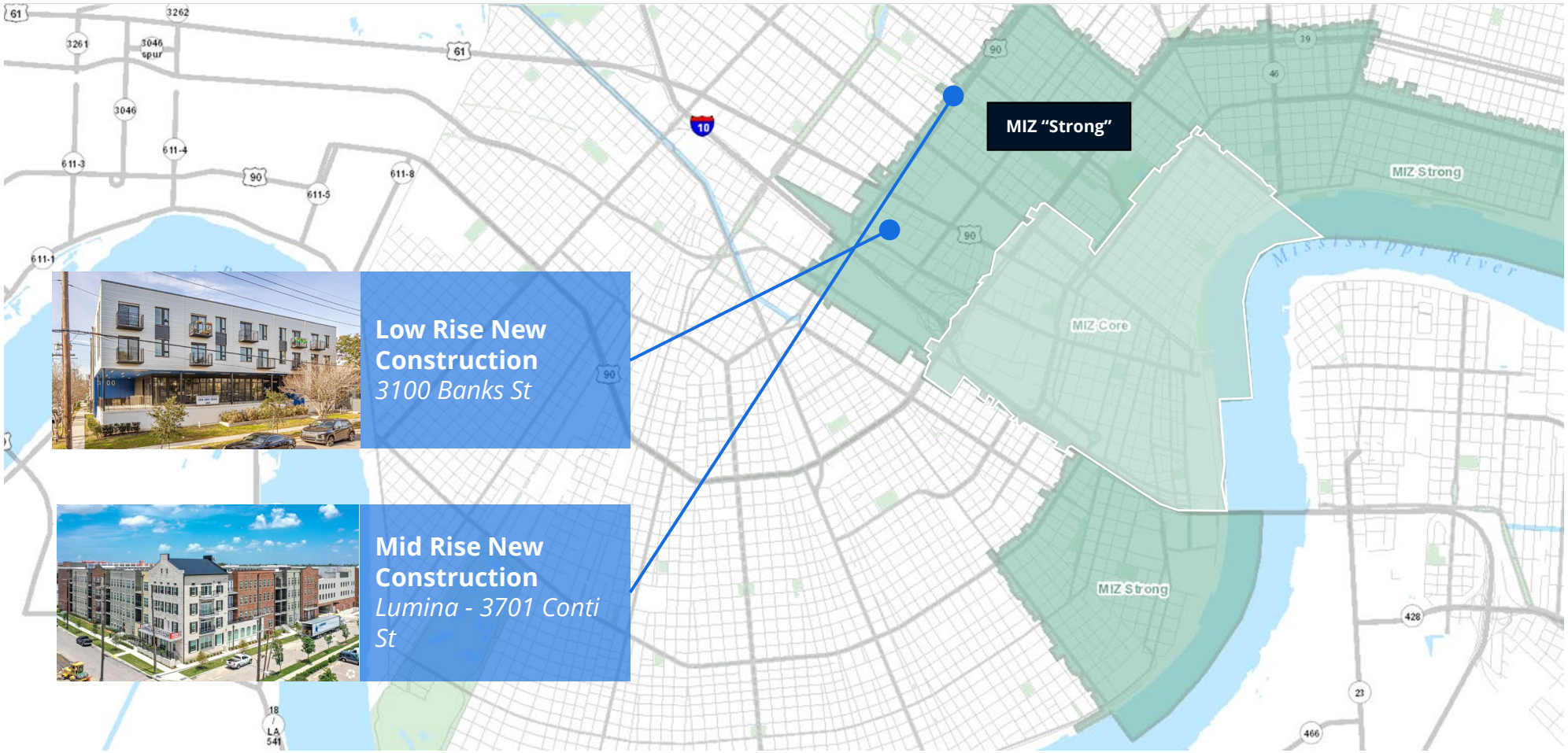
The geographic tiers correspond to submarkets based on multifamily residential market performance and building typologies. The feasibility analysis focuses on MIZ Core and Strong areas.

Core **(Rental):** The core submarket represents the strongest submarket in New Orleans; locations include the Central Business District and the French Quarter.



Source: CoStar Group, HR&A Analysis

Strong **(Rental):** The strong submarket represents the second strongest tier; locations include the Lower Garden District Bywater, Treme, Marigny, Mid-City, Uptown, Bywater, 7th Ward, and St. Roch.



Source: CoStar Group, HR&A Analysis

Transitional **(Rental):** The transitional submarket represents emerging submarkets in New Orleans; locations include the remainder of the City of New Orleans.

Source: CoStar Group, HR&A Analysis

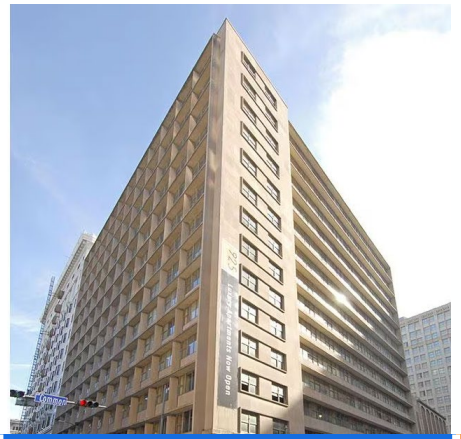
Core **(For-Sale):** The core submarket represents the strongest submarket in New Orleans; locations include the Central Business District and the French Quarter.

Source: CoStar Group, HR&A Analysis

There are a variety of building types in the different submarkets in New Orleans.

Low-Density Historic Rehab

This building type involves the repurposing of historic buildings into low-density housing with a small number of housing units.



High-Density Historic Rehab

This building type involves the repurposing of historic buildings into high-density housing with a large number of housing units.

Low-Rise New Construction

This building type has a few floors, typically four or fewer, and is a newly built structure that has never been occupied.

Mid-Rise New Construction

This building type has a moderate number of floors, typically five to twelve, and is a newly built structure that has never been occupied.

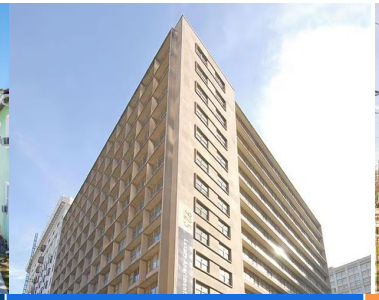
High-Rise New Construction

This building type has the largest number of floors, typically +75 feet in height, and is a newly built structure that has never been occupied.

Source: CoStar Group

The study created development scenarios for evaluation, emphasizing the nuances of the local market in terms of both the diversity of neighborhoods and building types.

Building Typologies Present:


Submarket	Low-Density Historic Rehab	High-Density Historic Rehab	Low-Rise New Construction	Mid-Rise New Construction	High-Rise New Construction
Core (Rental)		●		●	●
Core (For-Sale)		●		●	●
Strong		●	●	●	

Source: CoStar Group

Incentives are the primary tool New Orleans uses to close feasibility gaps that may result from IZ affordability requirements.

PUBLIC INCENTIVES

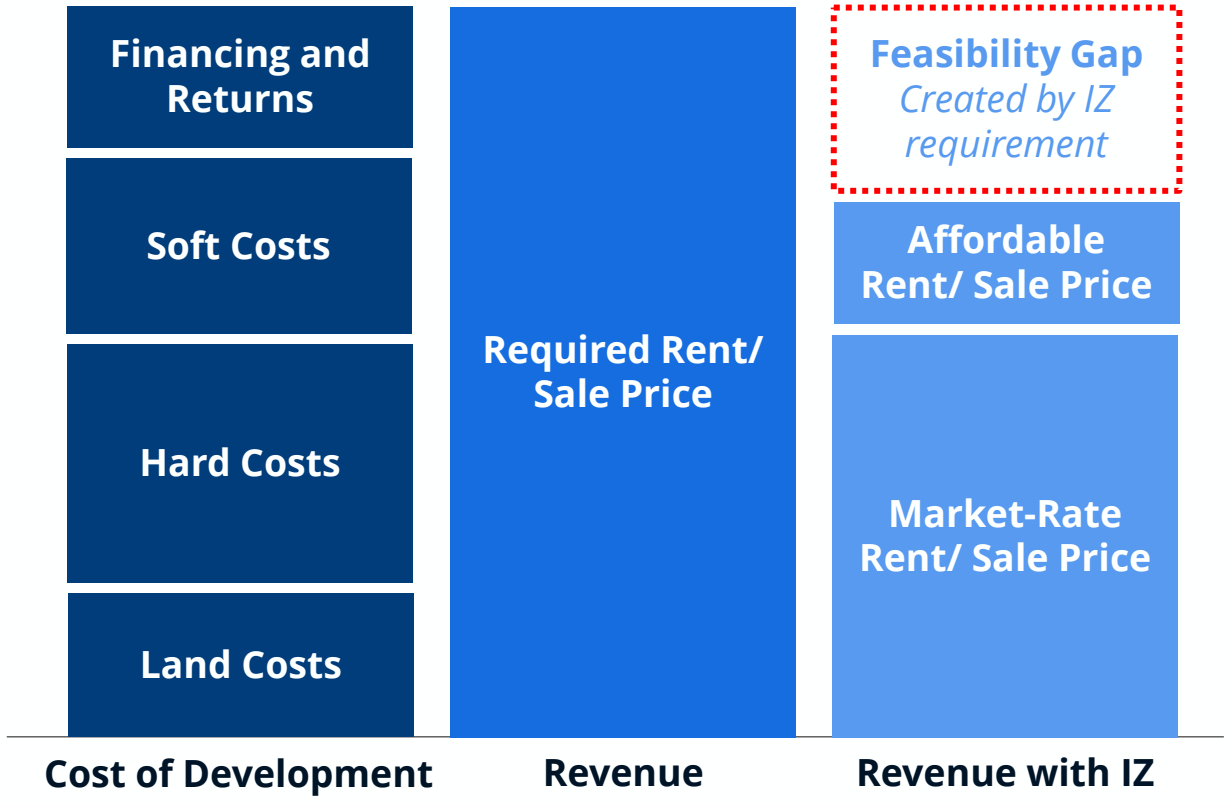
Because affordability requirements increase costs for developers, many IZ programs include incentives – such as density bonuses, parking reductions, or expedited approvals – to offset costs and maintain project feasibility. The effectiveness of these incentives is central to whether developers participate in the program and produce affordable units. Reviewing incentives alongside requirements ensures the policy strikes a balance between public benefit and market viability.

Incentives are the primary mechanism the City can use in closing feasibility gaps that may arise through IZ affordability requirements.

Public incentives offsetting rent reductions from an IZ policy are often required to ensure development remains feasible. An IZ policy reduces attainable rents for property owners by providing units at below-market pricing. As a result, adding IZ units to market rate development can reduce project-wide revenue below minimum thresholds of financial feasibility. If left unaddressed, these feasibility gaps can stunt development interest and have the adverse impact of increasing required rents for market rate units to make up the gap. To avoid these negative impacts, the City can direct public support through the use of incentives to close the gap and ensure that IZ is feasible.

The study evaluated all potential incentive tools available to the City that might support the MIZ policy. Although New Orleans has a range of incentives available for affordable housing development, only some are conducive for incorporating into the MIZ policy – and are already being used.

HYPOTHETICAL MULTIFAMILY DEVELOPMENT



New Orleans has a suite of existing tools available for residential development that provide direct and indirect incentives to produce housing.

REGULATORY RELIEF

- Density Bonuses & Other Zoning Relief*
- Stormwater Fee-in-Lieu Exemption
- Building Code Waivers
- Minimum Parking Reduction*
- Sales Tax Exemption

PROPERTY TAX REDUCTION

- Payment in-Lieu-of Taxes (PILOT)*
- Restoration Tax Abatement (RTA)*
- Tax Increment Financing (TIF)

LOW-COST FINANCING

- Soft Second Mortgage
- NORA Residential Construction Lending
- Rental Housing Program (RHP)
- Owner-Occupied Rehab Program
- Community Dev. Block Grant (CDBG)
- HOME Funds
- Affordable Housing Trust Fund (AHTF)

Incentives marked with an asterisk (*) indicate those included in the current MIZ policy, primarily regulatory relief and property tax reductions. HR&A evaluated the entire suite of incentives to identify modifications to existing incentives and others that may have potential applicability to the MIZ policy. See Appendix 07.01 for descriptions and a high-level overview of the above-listed incentives.

Of the entire suite of incentives, sales tax exemption is the only additional incentive that can be included in the MIZ policy that is suitable for residential development and does not create additional requirements or costs.

REGULATORY RELIEF	PROPERTY TAX REDUCTION	LOW-COST FINANCING	
Density Bonuses & Other Zoning Relief	Payment in-Lieu-of Taxes (PILOT)	Soft Second Mortgage	NORA Residential Construction Lending
Stormwater Fee-in-Lieu Exemption	Restoration Tax Abatement (RTA)	Rental Housing Program (RHP)	Owner-Occupied Rehab Program
Building Code Waivers	Tax Increment Financing (TIF)	Community Devt. Block Grant (CDBG)	HOME Funds
Minimum Parking Reduction		Affordable Housing Trust Fund (AHTF)	
Sales Tax Exemption			

Reason for Exclusion

Stormwater fee and code relief may undermine other City priorities.	TIF is not valuable for residential development.	Housing program funds are limited, cannot be guaranteed by-right, and create significant additional costs (Davis-Bacon, environmental review, etc.)

The study identified five public incentives – four existing and one new – that could be incorporated into the MIZ policy.

PUBLIC SUPPORT TOOLS FOR INCLUSION IN FEASIBILITY ANALYSIS

New Construction	Historic Rehab
• PILOT (Tax Abatement) • Density Bonus • Minimum Parking Reduction • Sales Tax Exemption*	• Restoration Tax Abatement • Density Bonus • Minimum Parking Reduction • Sales Tax Exemption

Based on a review of the available City incentives, the study identified five incentive tools to be considered when evaluating development feasibility for the MIZ policy. These tools include tax reductions through PILOTs and the Restoration Tax Abatement, and regulatory relief through density bonuses that reduce lot area per dwelling unit requirements (where applicable), reduction in minimum parking requirements (where applicable), and exemption of local sales taxes on construction materials. All tools are modeled in the financial feasibility analysis, though there are some scenarios in which certain tools are not applicable. For example, reductions in parking requirements are not applicable in the Downtown Core given that zoning there exempts minimum parking requirements.

** The City of New Orleans is currently exploring the application of sales tax exemption to affordable housing projects. The current tax code permits sales tax exemptions on construction materials depending on the type of project and organization involved. Effective July 1, 2025, construction materials used on public works projects, as well as those sold to Habitat for Humanity organizations, are exempt from sales taxes. Although this study assumes a 100% sales tax exemption on construction materials used in IZ projects, the actual figure might be lower and is yet to be determined.*

Feasibility Analysis Findings

The study tested the financial feasibility of multifamily development across the following variables to determine the financial implications of an inclusionary policy.

Market Conditions

Neighborhood Typologies

Based on differences in market strengths reflected in different rents and land prices, the study established three geographic tiers – Core, Strong, and Transitional – for the feasibility analysis.

Building Typologies

To best target MIZ to the city's diverse housing markets, the study analyzed feasibility in building types typical of each geographic tier.*

Policy Requirements

Levels of Affordability

The study analyzed seven levels of affordability across neighborhood and building typologies, ranging from 60% to 120% AMI based on market analysis which showed higher cost burdens among moderate- and middle-income households.

Incentives

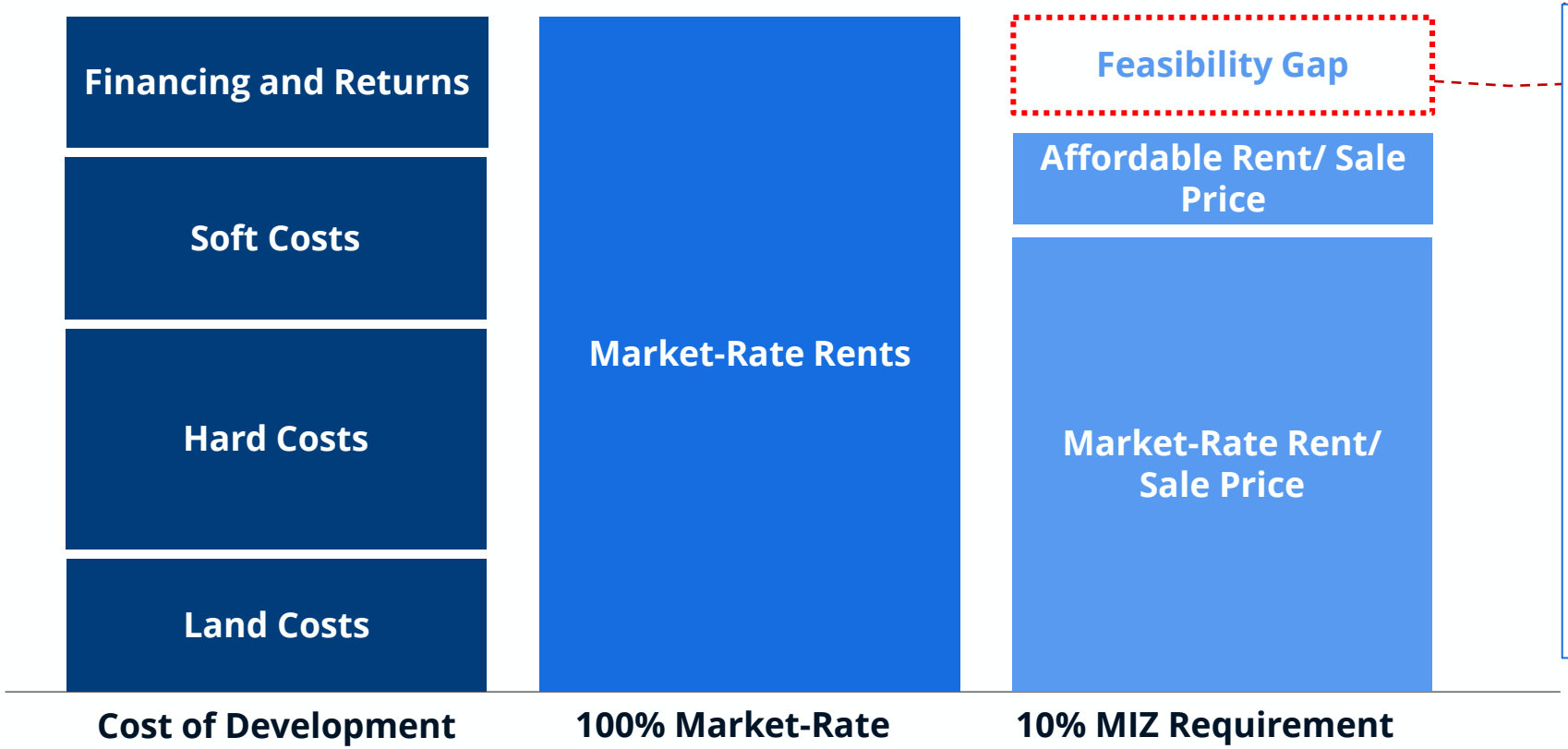
The analysis considered the use of regulatory relief (density bonus, sales tax exemption) and tax reduction (PILOT and RTA) as the primary mechanisms for closing feasibility gaps that arise through IZ affordability requirements.

Conducting analysis across the identified variables is intended to provide findings that are broadly representative of feasibility in New Orleans, though the study recognizes each development project has unique characteristics that can impact feasibility.

** Based on a review of existing, planned, and potential future development.*

A multifamily development must charge enough in rent/ sale price to cover development and operating costs and costs of repaying lenders and investors.

Hypothetical Multifamily Development



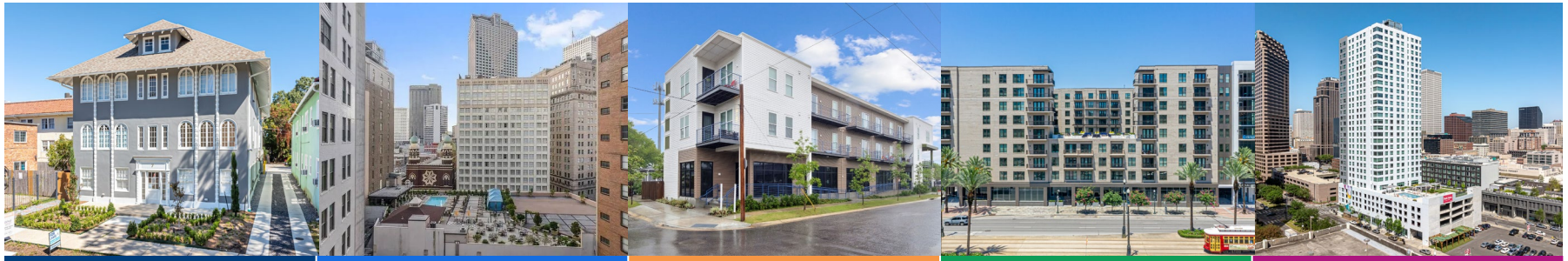
Feasibility Metric

The study used **levered cash-on-cash return to measure financial feasibility for rental projects, solving for a minimum threshold of 7.5%.** A levered cash-on-cash return measures the annual return on cash invested after accounting for financing.

HR&A used an **equity multiple metric to measure financial feasibility for for-sale projects, solving for a minimum of 2.0.** An equity multiplier is a measure of return on the equity invested, showing how many times over the original equity investment is returned to the investor upon sale and all distributions.*

** Because for-sale condo development involves significant upfront investment and yields returns only at the end, i.e., upon sale of all units, an equity multiplier is a commonly used metric to assess risk and test/compare scenarios.*

Setting aside 5% of units at 80% AMI, none of the nine (9) scenarios are feasible, even with the inclusion of incentives. Four (4) are borderline feasible – mid- and high-rise new construction typologies in the core submarket.

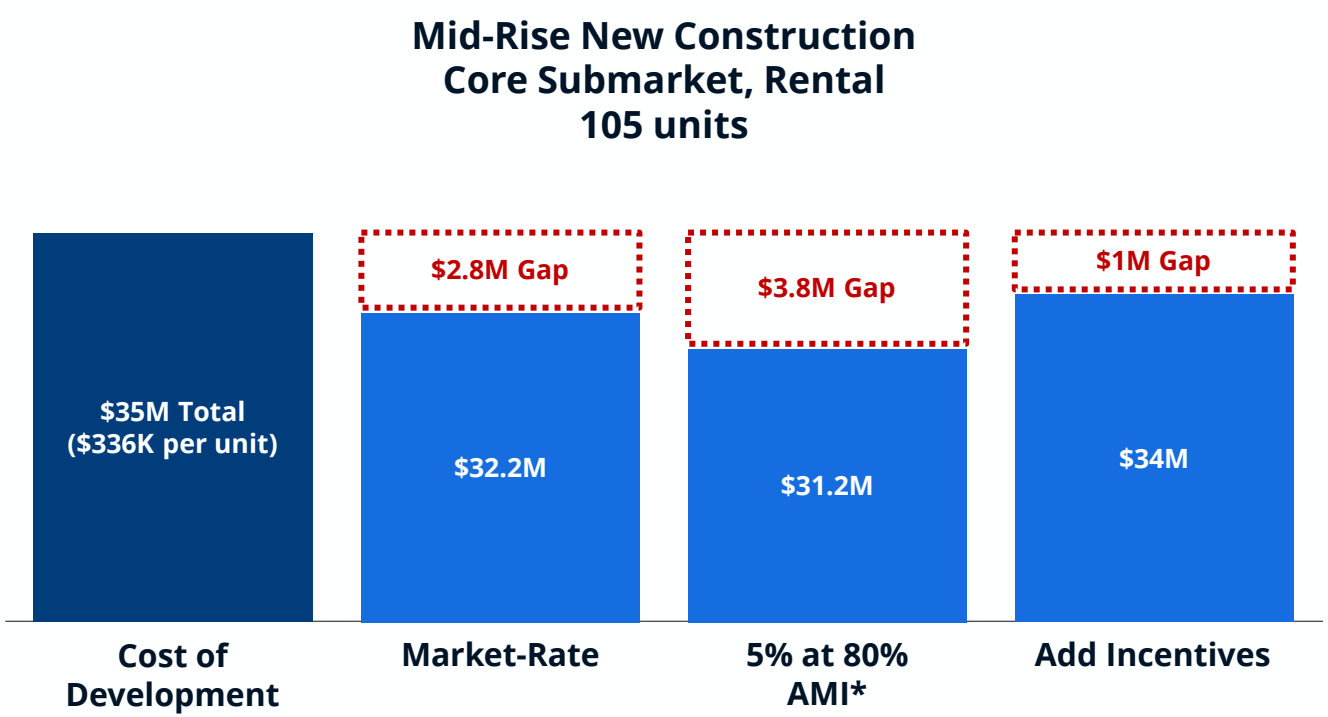


Submarket	Low-Density Historic Rehab	High-Density Historic Rehab	Low-Rise New Construction	Mid-Rise New Construction	High-Rise New Construction
Core (Rental)		●	N/A*	●	●
Core (For-Sale)		●	N/A*	●	●
Strong		●	●	●	N/A*

● **Borderline Feasible** | Rental: 6–7.5% return; For-Sale: 1.5–2.0 equity multiplier ● **Infeasible** | Rental: <6% return; For-Sale: <1.5 equity multiplier

** Typology was not modeled for given submarket.*
Note: See Appendix 07.02 for model assumptions.

A mid-rise new construction rental project in the core submarket is borderline feasible after layering in all potential incentives.



A typical market-rate mid-rise new construction rental project in the Core submarket **is not financially viable**. The project would face a **significant $2.8M gap.** This gap is driven by unfavorable market conditions – higher construction costs, elevated interest rates, flat market rents.

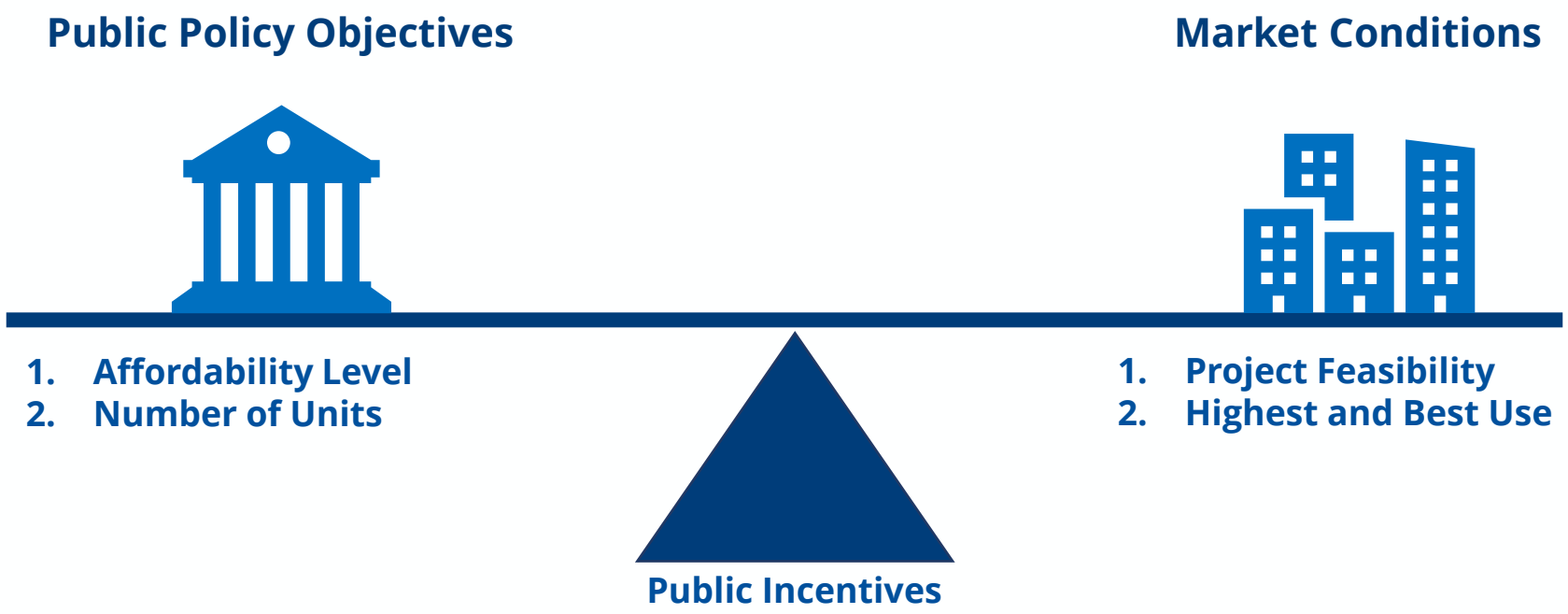
Applying the proposed affordability requirement– 5% of units at 80% AMI* – the gap increases to $3.8M.

Providing incentives (tax abatement and sales tax exemption) decreases the gap to $1M. A $1M gap indicates project viability is on the edge. Projects that have an edge with a lower land basis, higher rents or lower construction costs etc. should be financially feasible. Density bonus and parking reduction are not applied in this scenario as they do not apply to much of the Core submarket. **A gap of any kind signals it will be difficult to find projects that are financially viable**.

** While there is a need for **more housing at lower levels of affordability,** analysis showed the impact on project feasibility was too significant in New Orleans to be supportable as part of the MIZ policy, which is consistent with policies in other cities. Therefore, the study presents findings using a 5% set-aside at 80% AMI.*
Note: Financial feasibility analysis is based on a required 7.5% cash on cash return for development projects.

Recommendations

The public policy goals set in an inclusionary housing policy must be balanced with what the local real estate market can support.



New Orleans is deploying most of the incentives available to boost development feasibility. To increase feasibility the City can add modestly to its incentives and revise the affordability requirements. As the market changes this balance of requirements and incentives can and should be revisited.

The study recommends shifting to a voluntary policy across all submarkets, along with three key changes to the current MIZ policy. The City should periodically assess and revise the policy based on market conditions.

	Current Policy	Recommendations
1. ADJUST AFFORDABILITY REQUIREMENTS *Specifies the proportion of units subject to affordability restrictions and the income bands those units must serve.*		**Reduce the proportion of units and target higher income band; move to voluntary participation across all submarkets**
	Core: 10% of units at 60% AMI	Core, Strong, and Transitional: Voluntary participation; 5% of units at 80% AMI
	Strong: 5% of units at 60% AMI	
	Transitional: Voluntary participation	
2. MODIFY INCENTIVES *Mechanisms designed to offset the cost burden of affordability requirements.*		**Provide additional incentives***
	Density Bonus: 30%, up to 50%	Density Bonus: 30-50%; height requirement up to 75 ft
	PILOT: 10-year term, generally 50-70%	PILOT: 10-year term, generally 50-70%
	RTA: Reduction of renewal requirement	RTA: Reduction of renewal requirement
	Parking Reduction: 10%, up to 30%	Parking Reduction: 30-100%
		Sales Tax Exemption: 100%
3. REDUCE IN-LIEU FEE *An in-lieu fee lets a developer pay instead of producing on-site affordable units required by IZ.*	Designed to encourage on-site production of affordable units	**Reduce to a nominal fee** in response to weak market conditions; designed to add to local housing fund that can be used for other policy priorities
	$291,000 – 305,000 per rental unit	$10,000 – 25,000 per unit capped at $500,000 per project

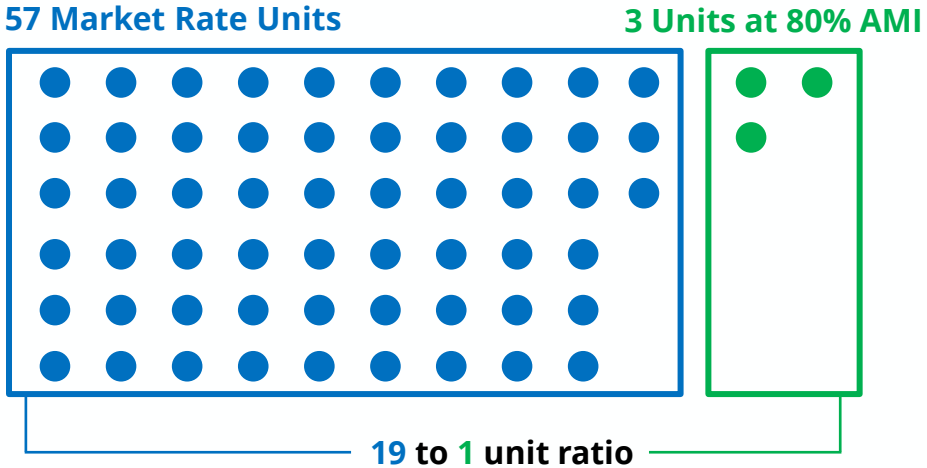
** As described on subsequent pages, increasing incentives helps reduce the feasibility gap but does not close it entirely.*

1. Adjust Affordability Requirements: The study recommends a set-aside of 5% of units at 80% AMI on a voluntary basis, with the provision of incentives.

RECOMMENDATION

- Core, Strong, and Transitional Submarkets: 5% of units at 80% AMI; voluntary participation

EXAMPLE 60-UNIT MIZ PROJECT



In strong housing markets, higher affordability requirements can be sustained because robust rents and sales prices provide sufficient revenue to cross-subsidize affordable units without undermining project feasibility. By contrast, in weaker markets where margins are already thin, requiring too high a proportion of affordable units can quickly render projects infeasible, leading to little or no new housing production. Calibrating the set-aside proportion to market strength is therefore critical: **stronger markets can bear higher requirements, while weaker markets often require more modest thresholds** to ensure development continues and affordable units are actually delivered.

Despite difficult-to-develop conditions, combined with additional public support/funding, the recommended affordability requirement has the possibility of jumpstarting the multifamily housing market while also meeting identified housing needs.

2. Modify Incentives: The study recommends modifying current incentives to help cover the gap between market pricing and below-market pricing for MIZ units.

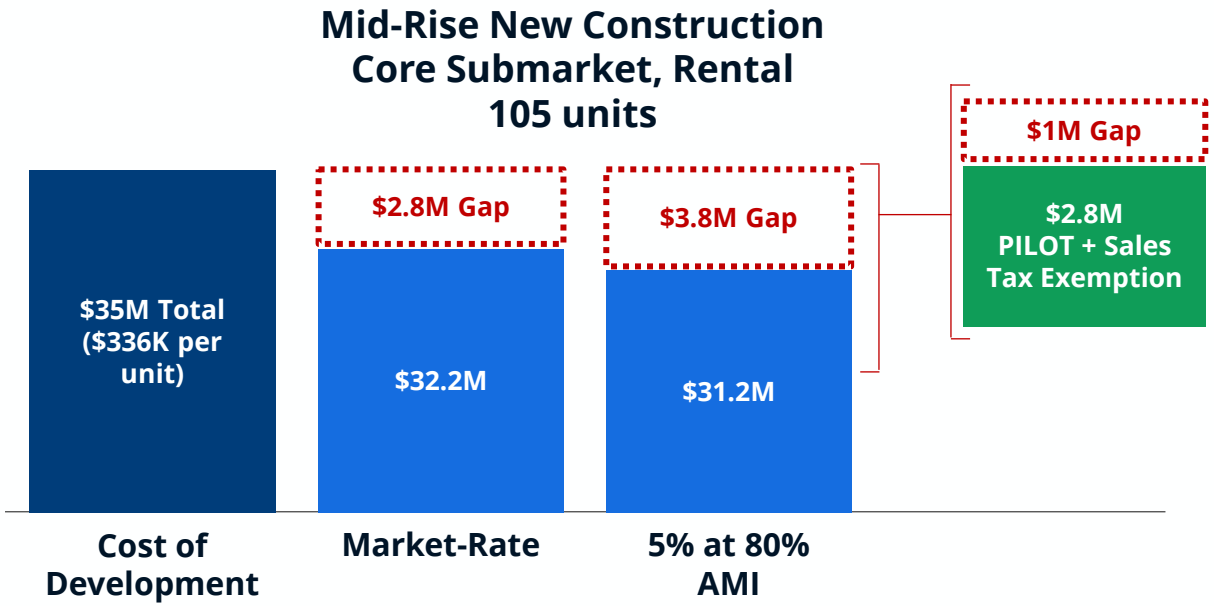
RECOMMENDATION

- Density Bonus: 30 – 50%
- Height Requirement: Up to 75 ft
- PILOT: 10-year term, generally 50-70%
- Parking Reduction: 30 – 100%
- Sales Tax Exemption: 100%

Given current market headwinds, the study recommends targeted refinements to the incentives linked to New Orleans' MIZ policy. The current policy already deploys the major tools the City has at its disposal leaving limited room to introduce new incentives or meaningfully expand existing ones without creating fiscal or planning trade-offs. The proposed approach therefore focuses on **calibrating the current package which is intended to improve feasibility at the margins** while preserving policy intent and responsible stewardship of public resources.

Notes:
- *Reductions in parking requirements are not applicable in the Core submarkets given that zoning there exempts developments from minimum parking requirements.*
- *The City of New Orleans is currently exploring the application of sales tax exemption to affordable housing projects. Although this study assumes a 100% sales tax exemption on construction materials used in IZ projects, the actual figure might be lower and is yet to be determined.*

Layering the proposed incentives in a hypothetical example (105-unit mid-rise new construction rental project in the Core submarket) reduces the feasibility gap by $2.8M. Although the incentives help reduce the gap resulting from high development costs and MIZ requirements, this still does not render the project feasible.



3. Reduce In-Lieu Fee: The City should set in-lieu fees at nominal levels to reflect the strength of the New Orleans' housing market.

RECOMMENDATION

$10,000 – 25,0000
Recommended In-Lieu Fee per Affordable Unit

Capped at
$500,000 per project

- The fee could be placed in the City's Affordable Housing Trust Fund (AHTF) and used, along with other local funding sources, to meet other housing policy priorities such as fortification of roofs or rental/ down payment assistance to eligible households.
- The City should index the fee to allow for regular changes in response to market conditions, such as an annual cost of construction index.

Like most other cities that have IZ policies, New Orleans' MIZ policy's in-lieu fee is structured to encourage on-site production of affordable units. However, in response to weak market conditions and a general slowdown in residential development, **cities across the country have modified their IZ ordinances to spur construction of both market-rate and affordable housing.**

For example, for a 385-unit project above the new Raleigh Union Station Bus facility, Raleigh's City Council approved an affordability requirement adjustment from an on-site requirement to an in-lieu fee (approx. $1.5M total; $40K per affordable unit) due to the inability of the project to obtain financial feasibility with on-site requirements.[1]

Sources:
1. https://indyweek.com/news/wake/raleigh-city-council-accepts-1-5m-in-lieu-of-affordable-housing-units-for-union-station-high-rise/. *Raleigh does not have a citywide IZ policy; the developer voluntarily added the affordable housing condition to their rezoning request in 2019.*

Based on market analysis and feasibility analysis findings, the study recommends the following updated MIZ policy for New Orleans.

REQUIREMENT

Requirement
5% of units affordable at 80% AMI

In-Lieu Fee
$10-25,000
per rental unit, capped at $500,000 per project

Term
99 Years

Scale
Market-rate development of 10+ units

GEOGRAPHY

Voluntary participation across all subdistricts based on market ability to support IZ.

INCENTIVES

Density Bonus
Bonus of 50%

PILOT
10-year term that may be extended to 40 years, amount determined by independent underwriting (generally 70%)

Rest. Tax Abatement
Reduction of renewal requirement for qualifying projects

Parking Reduction
100%

Sales Tax Exemption*
100%

ADMINISTRATIVE POLICY

Development Approvals and Permitting
DSP and CPC

Tax Abatement
FNO

Density Bonus and Parking Reduction
DSP and CPC

Program Management
DSP and OED

Property Management
Units administered at property-level by owner

DSP: Department of Safety and Permits | CPC: City Planning Commission | FNO: Finance New Orleans | OED: Office of Economic Development

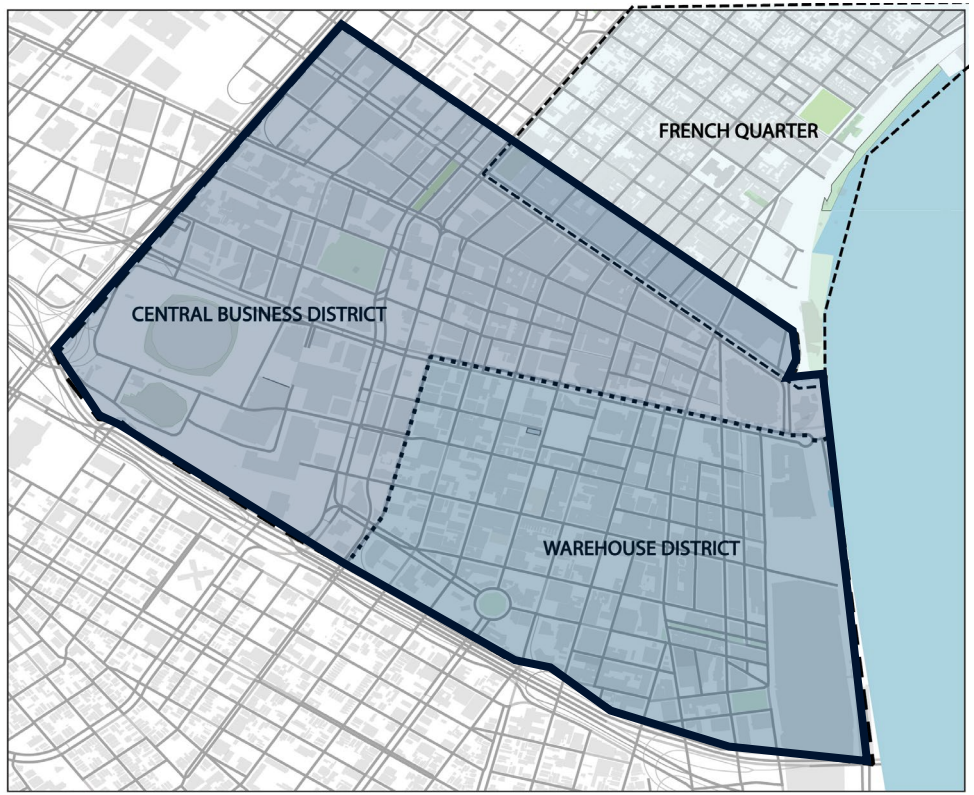
** The City of New Orleans is currently exploring the application of sales tax exemption to affordable housing projects. Although this study assumes a 100% sales tax exemption on construction materials used in IZ projects, the actual figure might be lower and is yet to be determined.*

05

Office Conversion Analysis

The study evaluated the scale of opportunity for office-to-residential conversion projects in New Orleans' downtown core, a promising way to increase the number of affordable homes and market-rate homes in the city.

The **Study Area** encompasses the Central Business District and Warehouse District, bounded by Iberville St., S. Claiborne Ave., and Pontchartrain Expressway.



Methodology

Market Scan: Evaluate the strengths and weaknesses of the Study Area's real estate market.

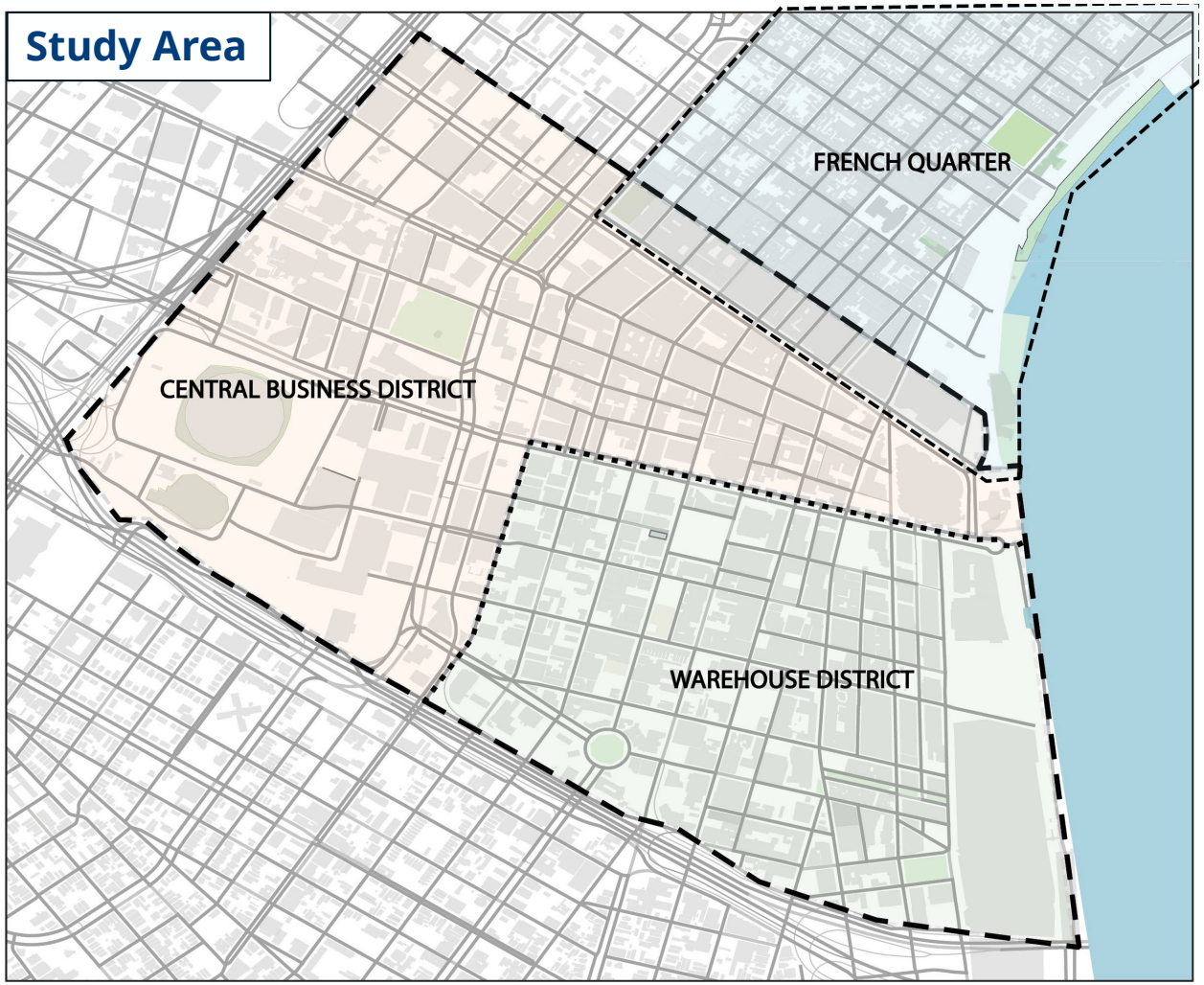
Building Inventory Analysis: Assess the commercial building inventory in the Study Area, including relevant metrics that make a building suitable for conversion.

Building Typology Identification: Define building typologies that are candidates for conversion.

Financial Analysis: Develop a pro forma model to evaluate feasibility of conversion for each building typology.

Building Inventory Analysis

The inventory analysis is intended to help identify office building typologies that represent candidates for conversion in the Study Area.



The **inventory analysis** establishes the universe of commercial buildings that could potentially be viable for conversion within the Study Area boundary.

The study first **mapped all the office buildings in the Study Area**, including individual building data like construction type, year built, building height, number of stories, floor plate size, zoning, and other relevant metrics.

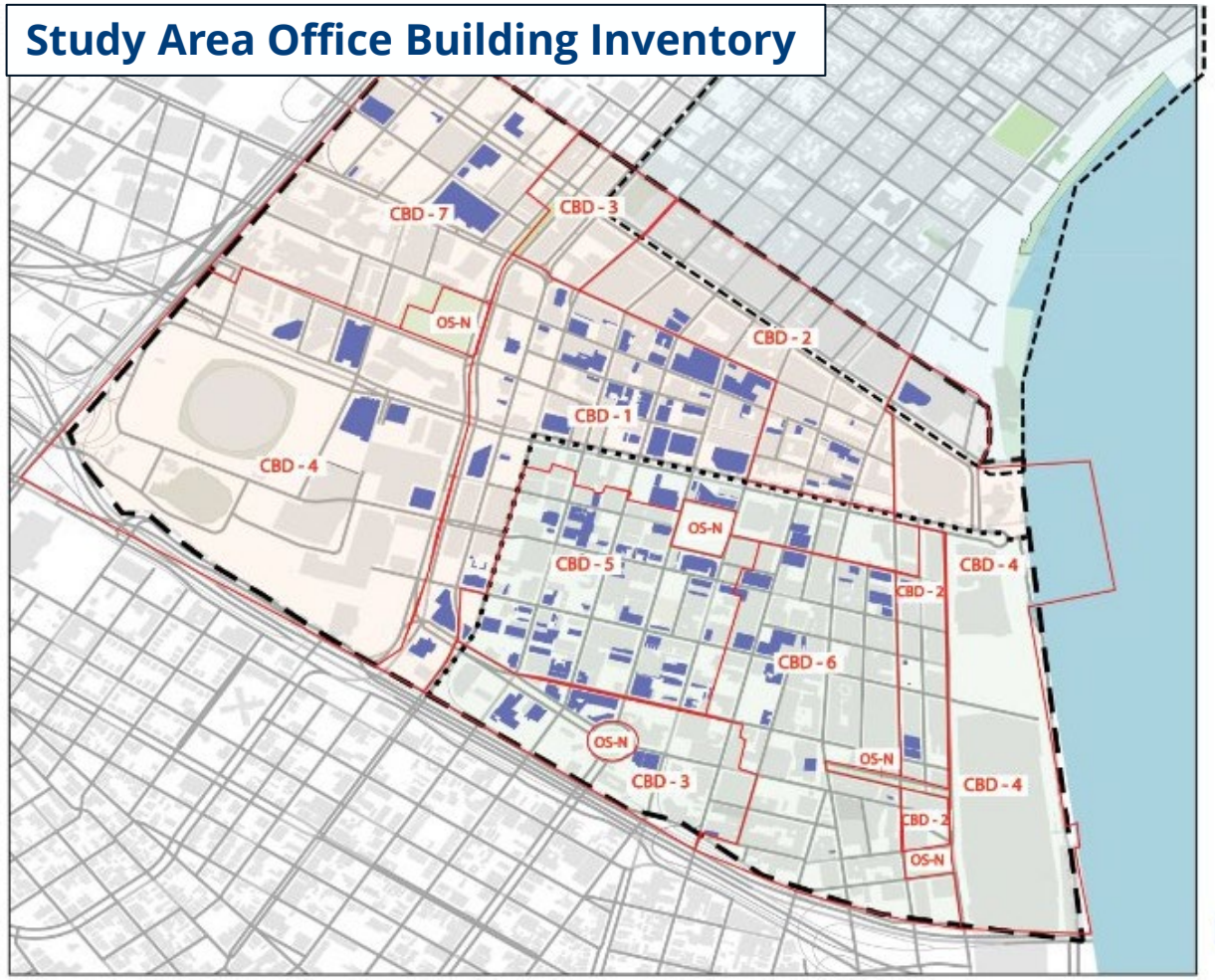
Based on these factors, the study **identified and categorized the office buildings** in the Study Area into different building typologies.

The study then **filtered the office inventory by building typologies** that could be potentially viable for conversion, eliminating those that are unsuitable for conversion.

Source: Studio Kiro

The study used CoStar data to map the office building inventory in the Study Area.

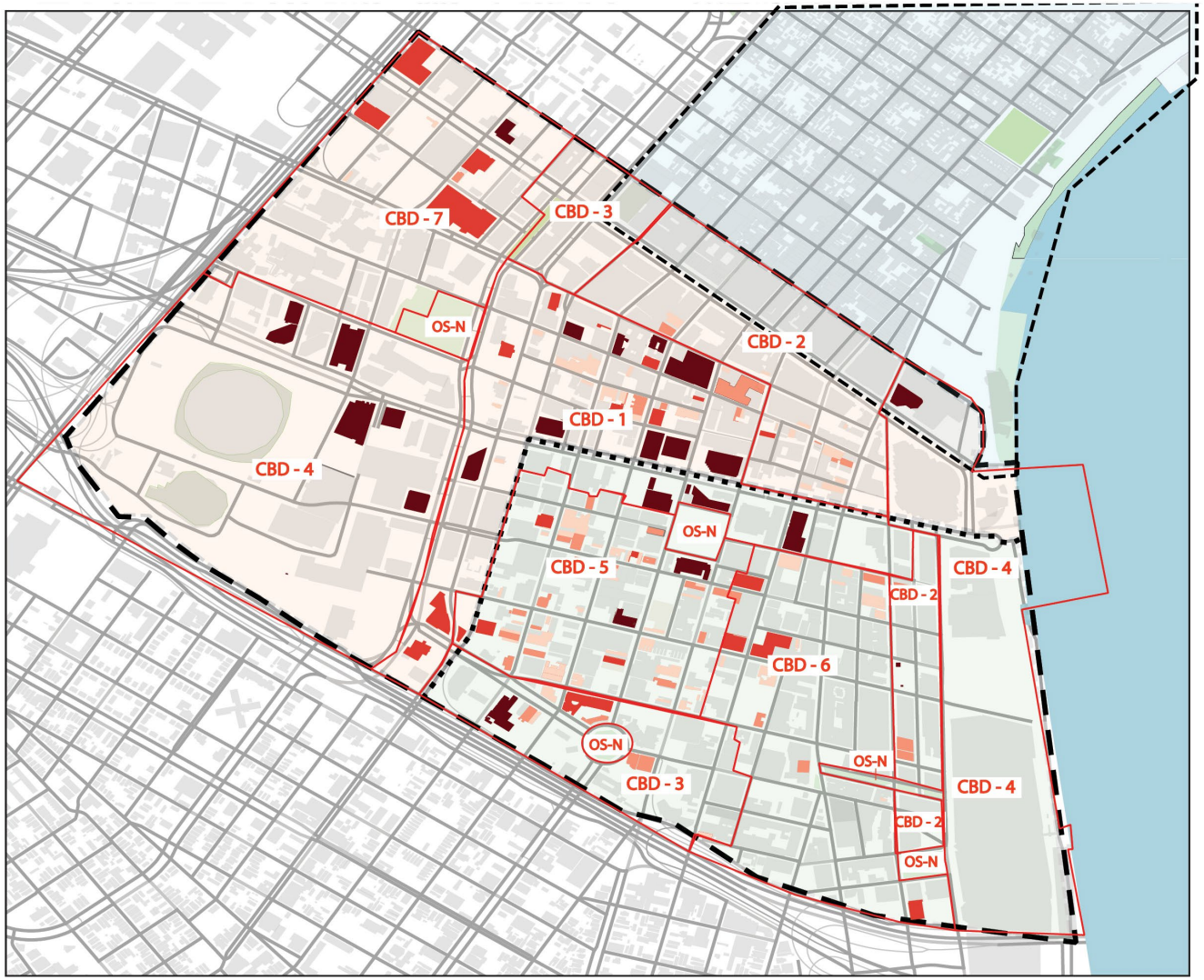
Study Area Office Building Inventory



There are **208 total private office buildings** in the Central Business District. Under this analysis, the office inventory does not include public office buildings, which represent approximately 25 buildings.

Source: CoStar; Studio Kiro

Building width is a key factor in determining residential conversion suitability, with lower building width being more suitable for conversion. Half the office buildings in the study area are less than 45 feet in width.



Source: Studio Kiro

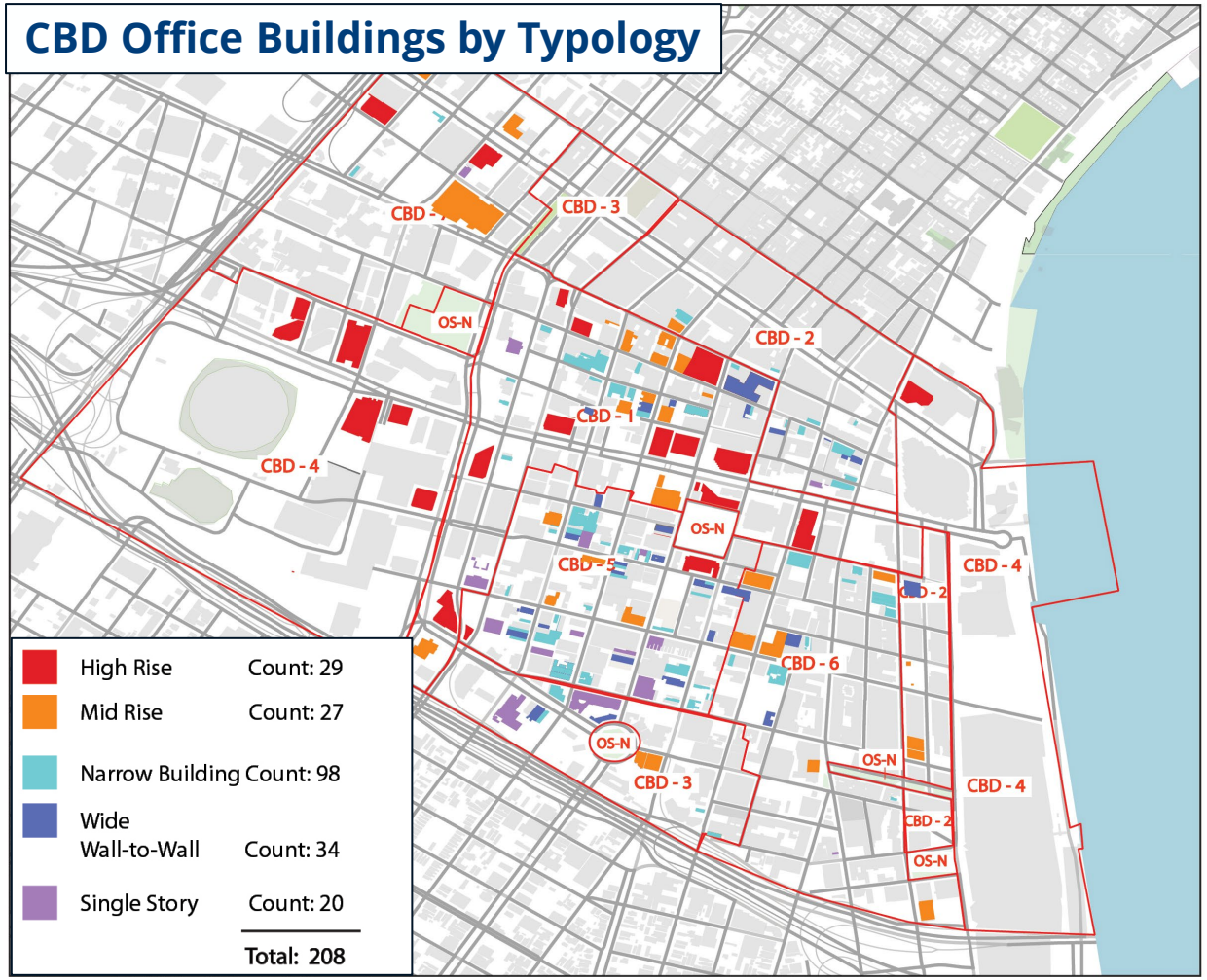
In some cases, buildings with greater building width may make office-to-residential conversion infeasible because they create challenges like insufficient light and airflow for dwelling units. Narrower buildings, which can better accommodate the required number of windows, tend to avoid these challenges and be more feasible for conversion.

That said, from a physical feasibility perspective, all the buildings in the office inventory are suitable for conversion based on building width.

> 120′	Count 34
81′ - 120′	Count 26
46′ - 80′	Count 44
≤ 45′	Count 104
	Total: 208

The 208 private office buildings in the Central Business District were categorized based on their physical building characteristics.

CBD Office Buildings by Typology

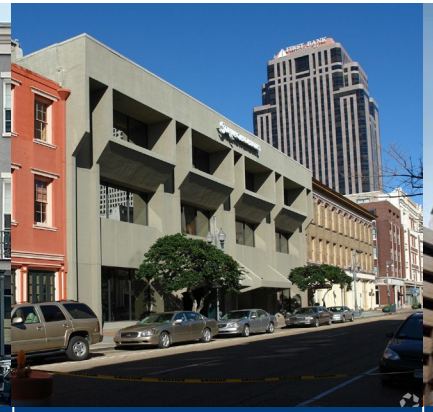
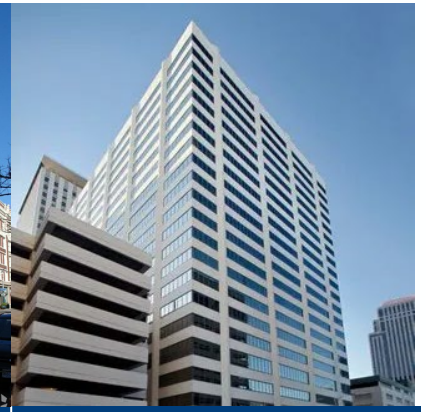


The **208 private office buildings in the Study Area were categorized into 5 building typologies**: High Rise, Mid Rise, Wide Wall-to-Wall, Narrow Building, and Single Story, based on building height, width, and floorplate configuration.

Source: CoStar; Studio Kiro

Of the five building typologies, four are candidates for conversion.



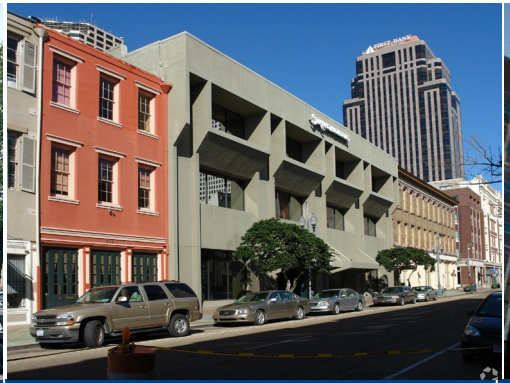




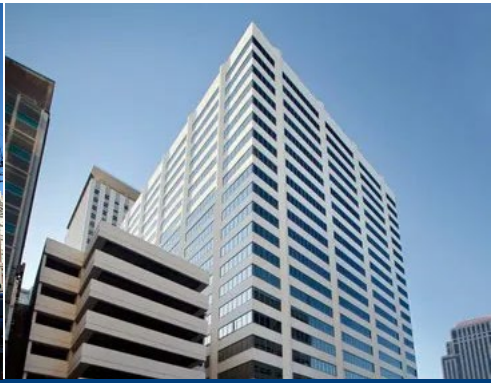
	Single Story	Narrow Building	Wide Wall-to-Wall	Mid-Rise	High-Rise
No. of Buildings	20	98	34	27	29
Candidate for Conversion	Unlikely	Yes	Yes	Yes	Yes

Based on building width and construction materials, **all typologies are potentially viable for conversion though single-story is unlikely** because these buildings consistently appear to be slab on grade structures that would require a variance if there is a substantial renovation. The New Orleans Safety and Permit office generally requires first-floor slabs to be 3' above the street curb which would require a variance through Building Board of Standard and Appeals (BBSA) for a substantial renovation. This situation will apply to the other typologies as well, but owners may justify going through the waiver process since they will have more units in the building.

Source: CoStar; Studio Kiro and HR&A Analysis

The four building typologies that could convert to residential use represent 188 buildings (of a total of 208) in the Study Area.





	Narrow Building	Wide Wall-to-Wall	Mid-Rise	High-Rise
Description				
Floorplate Width	20-45 ft	45-80 ft	80+ ft	80+ ft
Avg. Floorplate Area	2,744 sf	3,240 sf	9,686 sf	16,600 sf
Gross Area (Range)	5,500 – 11,000 sf	6,500 - 16,200 sf	38,700 – 116,200 sf	166,000 – 846,600 sf
No. of Floors (Range)	2-4	2-5	4-12	10-51
Building type* (post-conversion)	Floor-through: layout where an apartment occupies the full floor of the building	Double-loaded corridor: layout where rooms or units are accessed from both sides of a central corridor		

** See the next several slides to see the floorplans of each building type post-conversion to a residential building.*

Source: CoStar; Studio Kiro and HR&A Analysis

The narrow building typology lends itself to a floor-through typology, requiring at least 1-2 window walls.

Example: 604 Baronne St

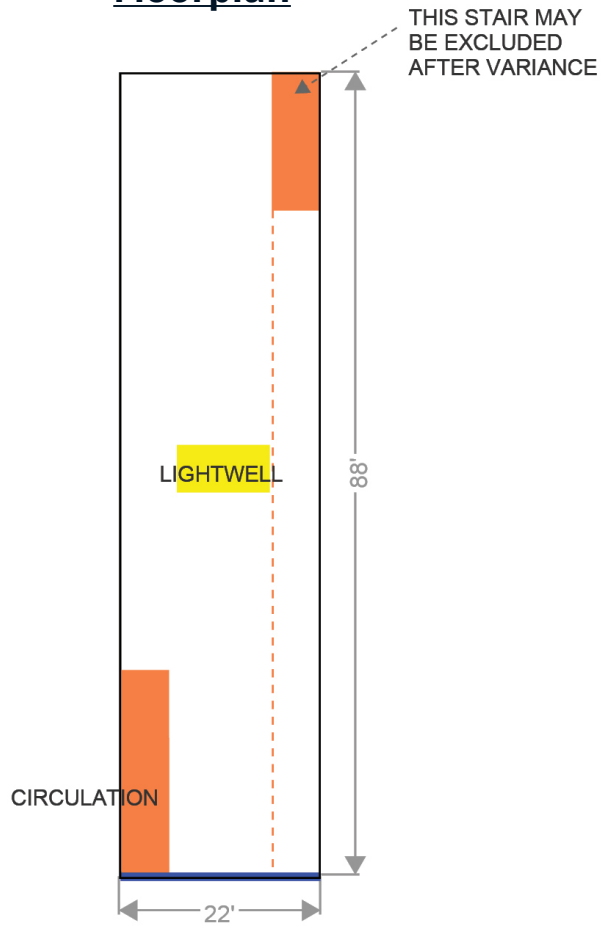
Building Typology Description

NARROW BUILDING

Characterized by narrow street frontage with deep footprint (rough ratio of 1:3 - 1:4), making two means of egress and light access difficult. Typically only one wall has windows.

WIDTH: 20' - 45'
DEPTH: 35' - 110'
OF STORIES: 2-4
WALLS W/ WINDOWS: 1-2

Floorplan



1700 SF 3BEDROOM UNIT PER FLOOR

Source: CoStar; Studio Kiro and HR&A Analysis

The wide wall-to-wall building typology lends itself to a double-loaded bar typology—featuring a central long hallway with rooms on both sides—, requiring at last two window walls ideally on opposite long facades.

Example: 822 Howard Ave

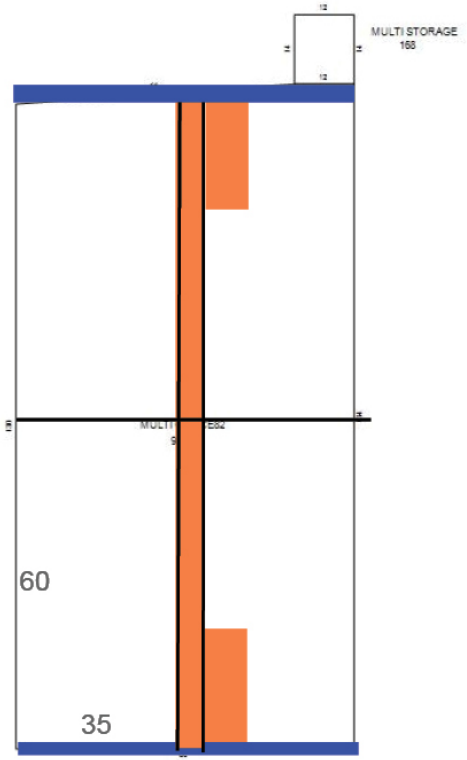
Building Typology Description

WIDE WALL-TO-WALL

Characterized by a width/depth ratio of roughly 1:2 where 2 walls typically have windows, making access to light and egress less challenging.

WIDTH: 45' - 80'
DEPTH: 50' - 160'
OF STORIES: 2-5
WALLS W/ WINDOWS: 1-2

Floorplan



1800 - 2000 SF 3BEDROOM UNIT

Source: CoStar; Studio Kiro and HR&A Analysis

The mid-rise building typology lends itself to a typology featuring a central long hallway with rooms on both sides and requiring windows on all facades.

Example: 334 Carondelet St

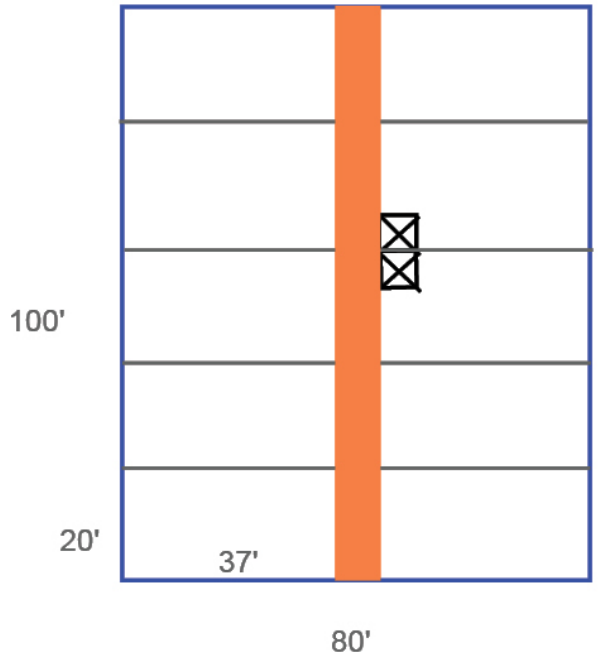
Building Typology Description

MID RISE

2-5 story buildings characterized by deep square and rectangle footprints with long walls of windows.

WIDTH: 80' +
DEPTH: 100' +
OF STORIES: 4-12
WALLS W/ WINDOWS: 2-4

Floorplan



740 SF - 1 BEDROOM UNIT
OR
1500 SF - 3 BEDROOM UNIT

Source: CoStar; Studio Kiro and HR&A Analysis

The high-rise building typology also lends itself to a typology featuring a central long hallway with rooms on both sides and requiring windows on all facades.

Example: 1010 Common St

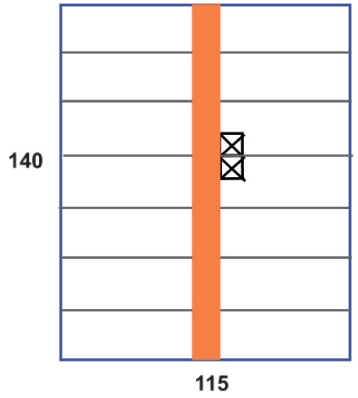
Building Typology Description

HIGH RISE

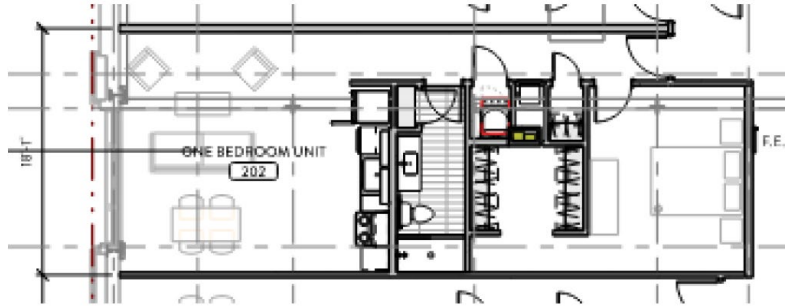
Tall buildings (6 or more floors) typically with deep, square-shaped footprints and 3-4 walls with windows.

WIDTH: 80' +
DEPTH: 80' +
OF STORIES: 10-51
WALLS W/ WINDOWS: 3-4

Floorplan



900 SF - 1 BEDROOM UNIT
OR
1800 SF - 3 BEDROOM UNIT



Source: CoStar; Studio Kiro and HR&A Analysis

Policy & Financial Analysis

The decision to convert an office building to another use is highly dependent on physical building attributes, market conditions, construction costs, building performance, and regulatory requirements.

Factors Impacting Physical Feasibility of Conversion

Some buildings cannot be converted because their physical configuration doesn't allow for the creation of residential units that meet formal code requirements.

Factors Impacting Financial Feasibility of Conversion

Many market and building-level factors affect the return on investment of a conversion project. For instance, high vacancy and high residential market rents can make conversion more profitable than the status quo, while high interest rates can erode the potential financial gain for a project.

Physical Attributes and Location

Building heights, building width, floorplate size; window walls

Market Conditions

Current and projected performance of both the office market and the alternative use (residential)

Construction Costs to Convert the Building

Hard and soft costs; time to vacate; construction and lease-up period; interest rates

Building Performance and Characteristics

Occupancy levels; rents; efficiency factor

Regulatory Requirements

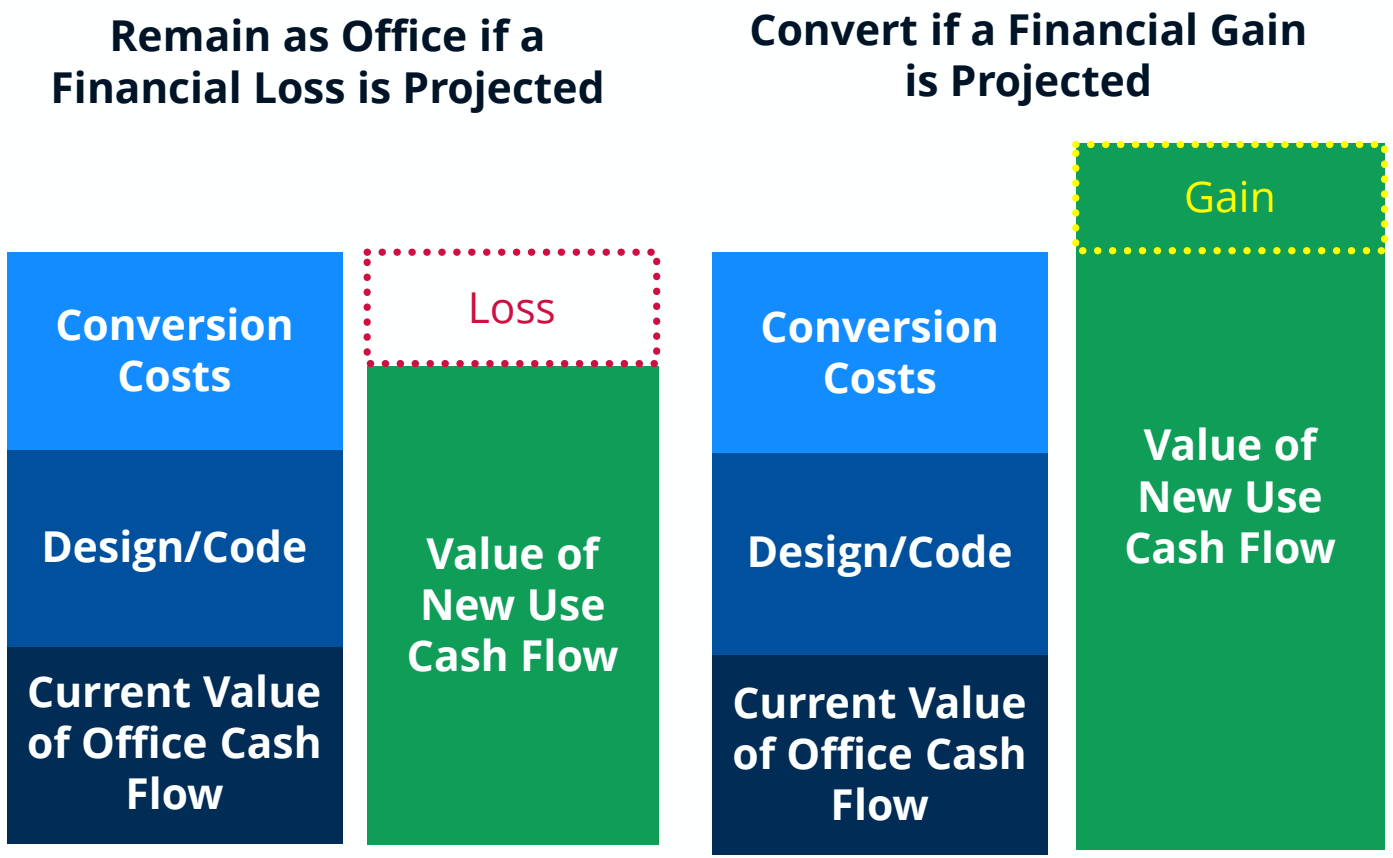
Affordability requirements under Mandatory Inclusionary Zoning

The study used a pro forma model to evaluate the financial feasibility of office to residential conversion projects for each building typology.

Office buildings can either remain as office space if conversion will generate a financial loss or convert to another use if conversion can produce a financial gain.

Conversions only happen when **the cost of conversion plus the existing office value is less than the future value of a residential building***. For each typology, the model measures annual cash flow before, during, and after conversion and demonstrates whether a building owner would be likely to consider a conversion based solely on financial performance.

The study calculates Net Present Value per Square Foot (NPV PSF) of cash flow for each scenario. If NPV PSF of the converted building is less than NPV PSF of the existing building, the conversion operates at a loss and the building owner should not convert. If the NPV PSF of the converted building is higher than in the case of no conversion, then the building should convert.



**Individual owner decision making will be driven by this and countless other building specific factors*

The study calculated the comparative value of a building's cash flows in scenarios where existing owners maintain an office use or convert to another use.

- For each typology, modeled a **scenario in which the building remains as office** and a **scenario in which the building converts to a new use**.
- Calculated the **NPV of the cash flows over 20 years,** including the time to empty and convert the building, using different discount rates for maintain vs. convert.
- **Compared the NPV of the cashflows** to determine if the residual value of office cash flows is less than or greater than the residual value of the converted building.

$30	**Feasible:** Conversion scenario is $30 **greater** than the office scenario **(NPV/GSF)**
$3	**Borderline:** Conversion scenario is $3 **greater** than the office scenario **(NPV/GSF)**
($15)	**Infeasible:** Conversion scenario is $15 **less** than the office scenario **(NPV/GSF)**

Sensitivity Table Legend

The model assesses financial feasibility under different office building performance scenarios and under application of a Mandatory Inclusionary Zoning requirement.

OFFICE BUILDING PERFORMANCE

- Assesses feasibility for different vacancy rates, from 0% (fully occupied office building) to 100% (completely vacant office building).

REGULATORY REQUIREMENTS

- Assesses feasibility based on regulatory requirements, such as affordability requirements.* HR&A modeled the impact of the Mandatory Inclusionary Zoning Policy on feasibility (assuming 10% of units must be set aside for households making up to 60% Area Median Income under the current policy and 5% of units set aside for households making up to 80% Area Median Income under the proposed policy).

**Different regulatory requirements impact different model inputs. For instance, affordability requirements result in lower revenue.*

Most typologies are generally infeasible for conversion of office buildings into market-rate residential buildings even at 100% vacancy due to high construction costs.

	0% Office Vacancy	40% Office Vacancy	60% Office Vacancy	100% Office Vacancy
Type 1 – Narrow	**Infeasible** (-$289)	**Infeasible** (-$223)	**Infeasible** (-189)	**Infeasible** (-$123)
Type 2 – Wide Wall-to-Wall	**Infeasible** (-$356)	**Infeasible** (-$289)	**Infeasible** (-$256)	**Infeasible** (-$190)
Type 3 – Mid-rise	**Infeasible** (-$352)	**Infeasible** (-$271)	**Infeasible** (-$238)	**Infeasible** (-$171)
Type 4 – High-rise	**Infeasible** (-$390)	**Infeasible** (-$324)	**Infeasible** (-$291)	**Infeasible** (-$224)

Notes:
- *All scenarios in this table are modeled on **Central Business District** data.*
- *Preliminary findings subject to change.*

All 4 building typologies are generally **infeasible for conversion**. This is true even when an office building is 100% vacant and when all the units are market-rate.

The primary factors driving this infeasibility are **high costs of construction and conversion** in New Orleans and **residential rents** that are not high enough to offset those costs.

Conversion projects are infeasible under both 100% market-rate and inclusionary zoning requirements for all four building typologies.

	Baseline Conversion 100% Market Rate*	**Scenario 1: Current MIZ requirements** 10% Affordable at 60% AMI	**Scenario 2: Proposed MIZ requirements** 5% Affordable at 80% AMI
Type 1 – Narrow	**Infeasible** (-$355)	**Infeasible** (-$407)	**Infeasible** (-$404)
Type 2 – Wide Wall-to-Wall	**Infeasible** (-$198)	**Infeasible** (-$217)	**Infeasible** (-$205)
Type 3 – Mid-rise	**Infeasible** (-$250)	**Infeasible** (-$267)	**Infeasible** (-$256)
Type 4 – High-rise	**Infeasible** (-$392)	**Infeasible** (-408)	**Infeasible** (-$398)

Assumes standard construction and no affordability requirement.
**Using Central Business District data. Market vacancy for the building typologies is 0%, 95%, 57%, and 24%, respectively.*
*Note: All scenarios in this table are modeled on **Central Business District** data.*

All 4 building typologies are generally **infeasible for conversion under both conversion to market-rate units and conversion with affordable units**. This is primarily driven by high conversion costs and rents that are not high enough to offset the cost of conversion. Among the four typologies, Wide Wall-to-Wall and Mid-rise are most financially feasible (e.g., have the smallest projected financial loss).

Affordability requirements make financial feasibility marginally worse relative to conversion to 100% market-rate housing.

Conversions are dependent on office market and conversion market performance and construction costs. In general, office-to-residential conversions are unlikely to work in New Orleans but could be feasible on a case-by-case basis.

Building Typologies
The Wide Wall-to-Wall and Mid-Rise typologies are more financially feasible to convert to residential use than the Narrow and High-Rise typologies.

Regulations
Regulations like affordability requirements make projects less feasible. However, this can potentially be offset with incentives.

Though it is not generally feasible to convert buildings to residential use, feasibility depends on a number of building specific factors. For instance, if land basis is low or zero, then feasibility is greater. The addition of state and federal tax credits could significantly reduce the feasibility gap for eligible buildings. Therefore, the City should consider instituting an office to residential conversion policy that can support long-term owners of historic buildings.

There are a variety of incentives and tools to enable more office conversions, each of which can be used in different ways depending on the goals of the City.

Tax Tools

- **Eliminating/Reducing property taxes** for a period following the conversion **can allow more buildings to feasibly convert.**
- Tax abatements have frequently been used to enable conversion feasibility, often in exchange for the inclusion of affordable housing units, by reducing the tax bill of the converted building.
- **The 421-g program in New York City** offered a 100% abatement on the increase in property tax for 8 years, followed by a four-year phase-out. The program resulted in the conversion of 13M SF of office space in Lower Manhattan between 1995 and 2006 (13% of Lower Manhattan's office market).

Financing Tools

- Historic tax credits and TIF financing could **potentially have the greatest impact on the financial feasibility** of conversion, especially as construction costs increase and developers seek gap financing.
- **Through the LaSalle Street Reimagined Initiative, the City of Chicago** issued an RFP for the conversion of underutilized commercial spaces in the LaSalle Street corridor. The City will provide funding through TIF and the $300K Small Business Improvement Fund. The selected projects are expected to create >1,000 units with 300 of them being affordable units.

Process Tools

- Process tools **can encourage developers** to pursue conversions by **lowering the perceived level of difficulty.**
- These tools have **less of an impact on financial feasibility** compared to tax abatements or direct financing but can lower barriers for developers.
- **The City of Los Angeles' Adaptive Reuse Ordinance** provides an expedited approval process and ensures that historic buildings are not subject to the same zoning and code requirements as new construction. The program resulted in the addition of 7,300 housing units to downtown LA between 1998 and 2008 (after adding only 4,000 units in the 30 years prior).

The study modeled the effects of tax abatements and historic tax credits.

See next section (Recommendations) for details.

Recommendations

The City of New Orleans should consider a combination of policy tools to encourage conversions of different office building types.

Based on the findings of our study, residential conversions are generally infeasible but may be feasible under certain conditions and with incentives. The decision to convert is dependent on several building-specific factors (in addition to market and other factors) and will therefore need to be addressed on a case-by-case basis. HR&A's analysis leads to the following recommendations:

1. Identify viable candidates for conversion: Historic buildings with floorplates and configurations conducive to conversion are low-hanging fruit. Then, the City should work with its partners to identify owners motivated to convert/ long-term ownership.

2. Financing tools: Because high development costs are the biggest barrier to feasibility, the City should also consider ways to cover the gap:

- **Prioritize historic buildings:** Qualifying buildings can leverage state and federal historic tax credits to offset some portion of conversion costs.
- **Utilize property tax abatements:** The elimination or reduction of property tax abatements can allow buildings to more feasibly convert.

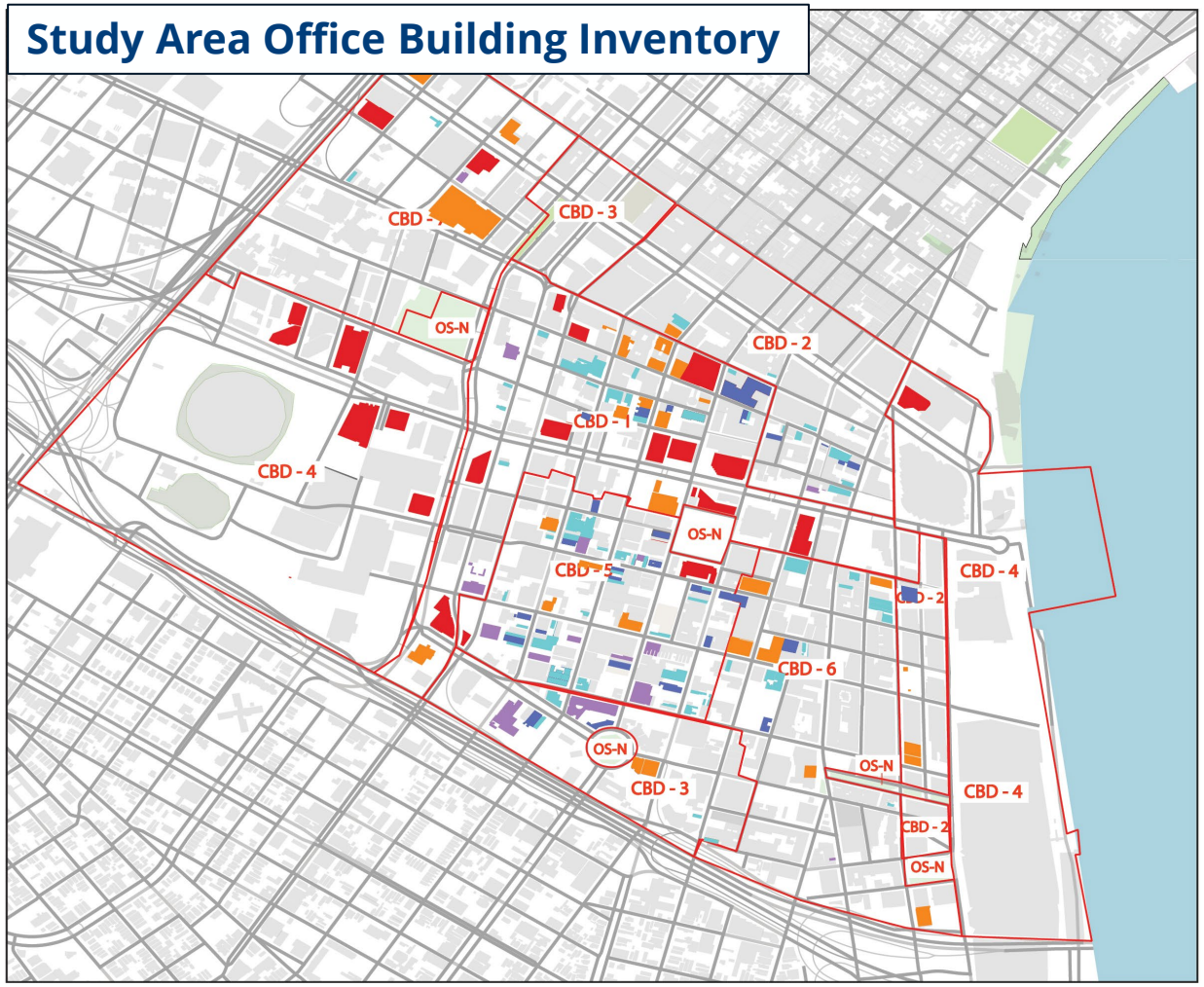
1. The City of New Orleans should first identify viable office building candidates for conversion.

CONTEXT | Given the high vacancy rates of downtown office buildings, office-to-residential conversion presents an opportunity to revitalize downtown while increasing the supply of housing in the city. Of the 208 office buildings in the Study Area in New Orleans' downtown core, 158 sites could be viable candidates for conversion to residential buildings. However, not all of these sites have high vacancy rates and owners willing to convert.

RECOMMENDATION | The City of New Orleans should work with its downtown partners to identify viable candidates for conversion among the existing inventory of office buildings in the Central Business District and Warehouse District. Historic buildings with floorplates and configurations conducive to conversion are low-hanging fruit. Then, the City should work with its partners to identify owners motivated to convert/ long-term ownership.

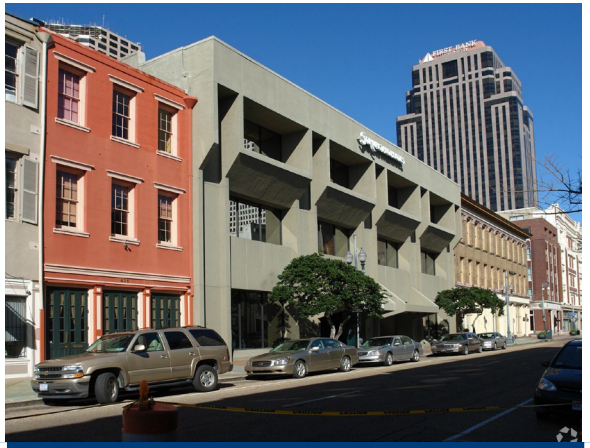
POTENTIAL OUTCOMES | Once potential projects are identified, then the City and its development partners can conduct financial feasibility analysis for that site. If financially feasible, the team can move forward with the conversion project. In the long run, this may yield a handful of executed conversions.

Study Area Office Building Inventory



Wide wall-to-wall and mid-rise building typologies – representing 61 buildings – could be candidates for conversion on a case-by-case basis and potentially leverage incentives.

Wide Wall-to-Wall (34)



Mid-Rise (27)

Narrow Building (98)

High Rise (29)

These two typologies could be candidates for conversion because:

- They typically have lower costs because of building scale
- Historic tax credits could help fill the gap
- City may consider providing upfront subsidy

Narrow buildings are typically not feasible candidates for conversion because rents are not high enough to offset construction costs.

High rise buildings are typically not ideal candidates for conversion because overall acquisition and project costs are prohibitively high, and the downtown market is unlikely to be able to absorb an influx of a large number of new homes at high price points.

2. The City of New Orleans should consider providing additional financing tools to close the financing gap for office-to-residential conversion projects.

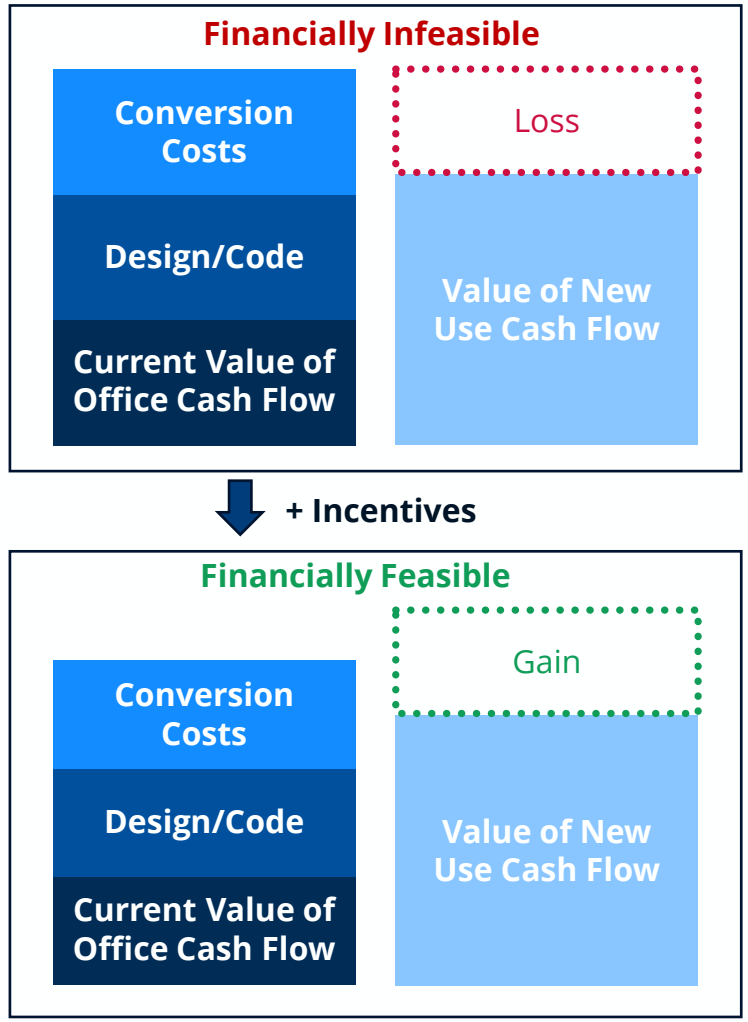
CONTEXT | Office-to-residential conversions are generally financially infeasible in New Orleans. High construction costs play a significant role in making projects financially infeasible. Many cities across the country have leveraged additional financing tools to close the financing gap for office conversion projects. Namely, federal and state historic tax credits have been an essential tool for reducing conversion costs and increasing project feasibility.

RECOMMENDATION | Because high development costs are the biggest barrier to feasibility, the City should also consider ways to cover the gap:

- **Prioritize historic buildings:** Qualifying buildings can leverage state and federal historic tax credits to offset some portion of conversion costs. See the case study slides for examples of cities that have utilized historic tax credits to enable office conversion projects.
- **Leverage property tax abatements:** Tax abatements can enable conversion feasibility, often in exchange for the inclusion of affordable housing units, by reducing the tax bill of the converted building.

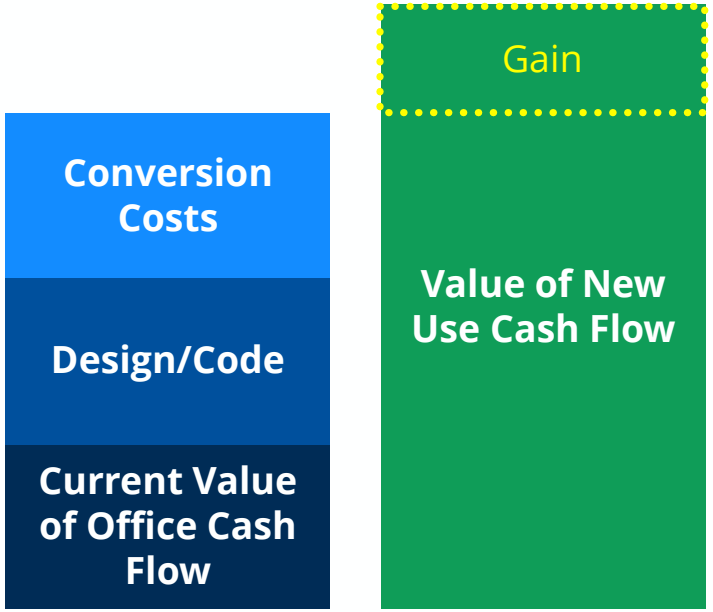
POTENTIAL OUTCOMES | Additional financing tools can reduce the costs associated with a conversion project and help projects become more financially feasible than they would have been otherwise, helping borderline financially feasible projects become profitable in the long run and move forward with conversion.

Historic tax credits make a significant difference in increasing financial feasibility, while property tax abatements reduce the financial feasibility gap marginally.

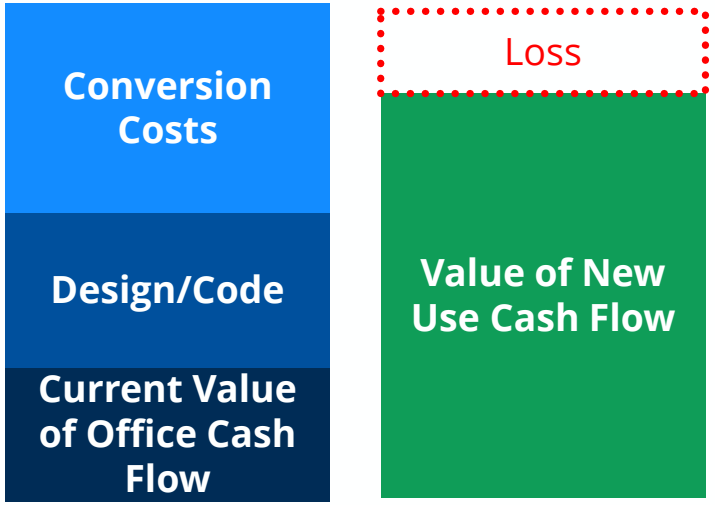


The study used the following approach to model financial incentives required to spur conversions with affordable units.

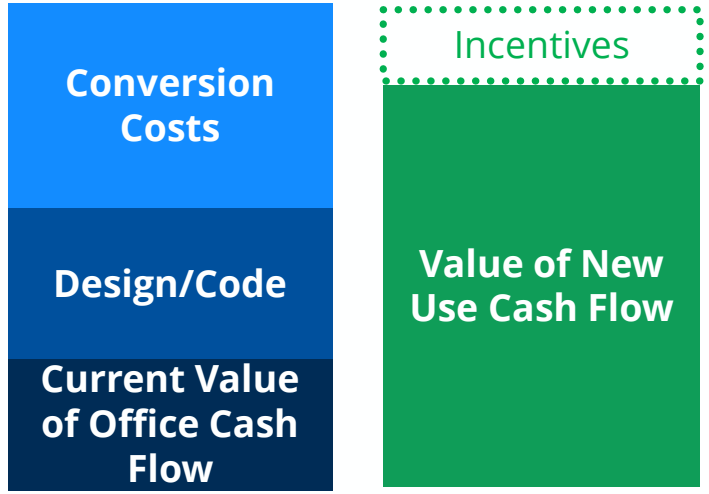
1. Started with buildings that would convert without incentives in the baseline scenario



2. Affordability requirements reduce cash flow and increase conversion costs



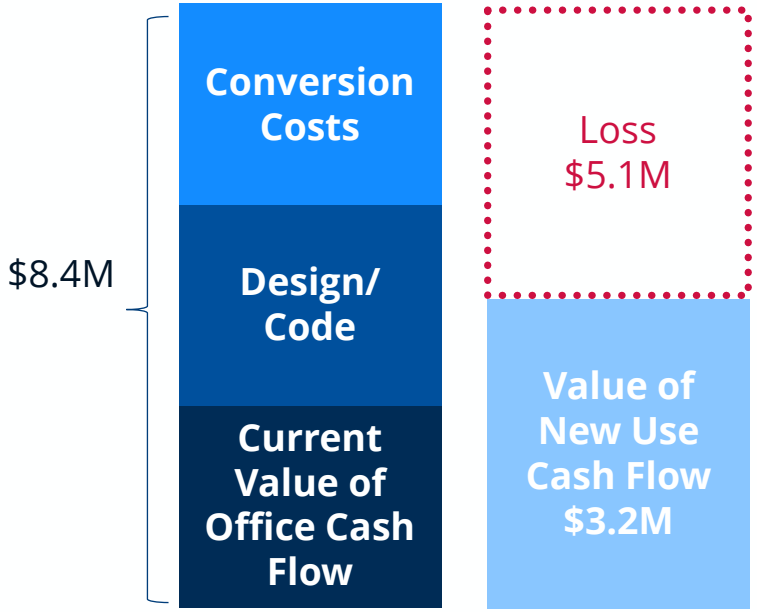
3. Added abatement and gap financing incentives to eliminate the gap



Tax abatements and historic tax credits were incorporated into the financial model to calculate the financial feasibility of conversions in the scenario with affordable units and demonstrate whether they are sufficient to close the financing gap.

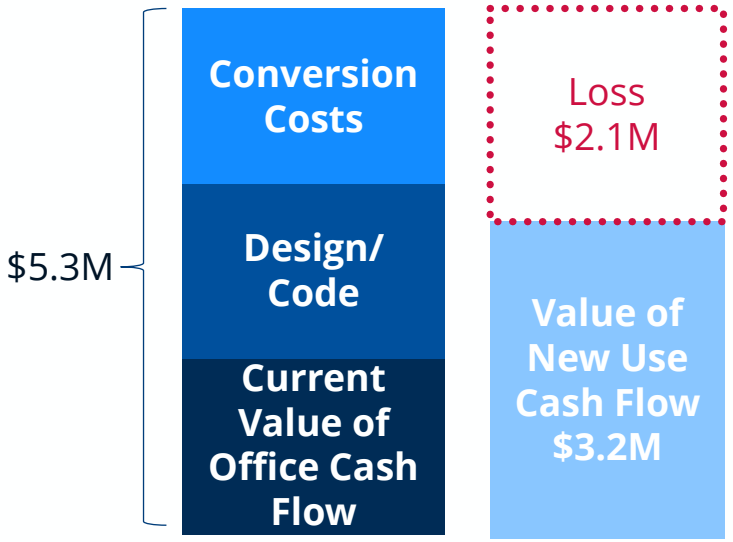
Layering in incentives reduces the gap to roughly $160K per unit for a (typical) 3-story, 12-unit **wide wall-to-wall building.**

No Incentives



Financially Infeasible

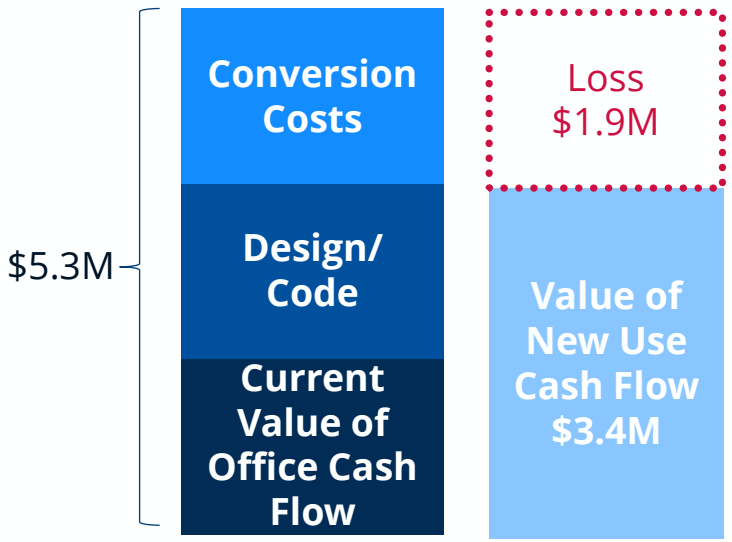
With Incentives
(Historic Tax Credits Only)



Financially Infeasible

Historic Tax Credit Value: $2.8M

With Incentives
(Historic Tax Credits + Property Tax Abatement)



Financially Infeasible

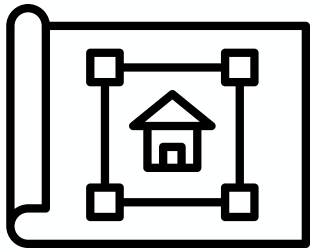
Historic Tax Credit Value: $2.8M

Notes:
- *Individual owner decision making will be driven by this and countless other building specific factors*
- *See Appendix 07.03 for results for narrow and mid-rise building typologies.*

Other Considerations and Case Studies

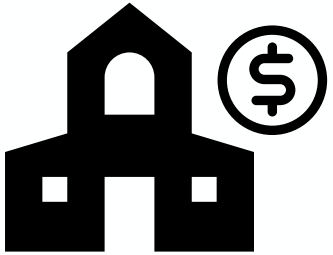
The study identified additional considerations and conducted research on cities that have successfully employed innovative strategies to increase the feasibility of office to residential conversions.

CASE STUDIES THEMES



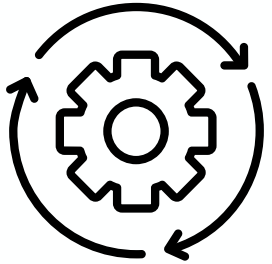
Alternative Design Considerations

Given that conversion costs are high and the number of subsidy and financing tools is limited, New Orleans should explore alternative ways to reduce costs. Single-room occupancy is one promising design configuration that can significantly reduce costs and improve financial feasibility and provide housing to lower-income residents.



Historic Tax Credits/ Financing Mechanisms

Many cities nationwide have successfully leveraged historic tax credits to reduce the cost of conversions. This is especially applicable to New Orleans because the city has a large number of properties eligible for HTCs.



Expedited Permitting Process

Streamlined permitting processes can help reduce barriers to conversion for developers. Office-to-residential conversion projects often navigate complex permitting processes and can benefit from cost savings and accelerated development timelines under a streamlined permitting process.

Converting downtown office properties into small-scale residential units with alternative design configurations can improve conversion viability.

CONTEXT

In New Orleans, one of the main challenges driving financial infeasibility of office to residential conversions is the high cost of development.

Smaller unit configurations are a possible solution to this cost barrier because:

- New Orleans has a need for smaller homes catering to service and tourism sector workers who work primarily in downtown and a need for more housing citywide.
- **Smaller units with shared kitchens and bathrooms** are cheaper to build relative to larger residential units (e.g., 2- or 3-bedroom apartment)
- **Single resident occupancy (SROs) and student dormitory-style housing** are examples of smaller unit configurations

ZONING CONSIDERATIONS

SROs are not permitted in NOLA and most U.S. cities. As such, there aren't any examples of conversion to SROs but there are some examples of conversion to student housing which is similar from a design/ configuration perspective, i.e., shared baths and kitchens, so lower development costs.

Suffolk University is pursuing an office-to-student housing conversion in Boston, building on its experience with a hotel-to-student housing conversion project.

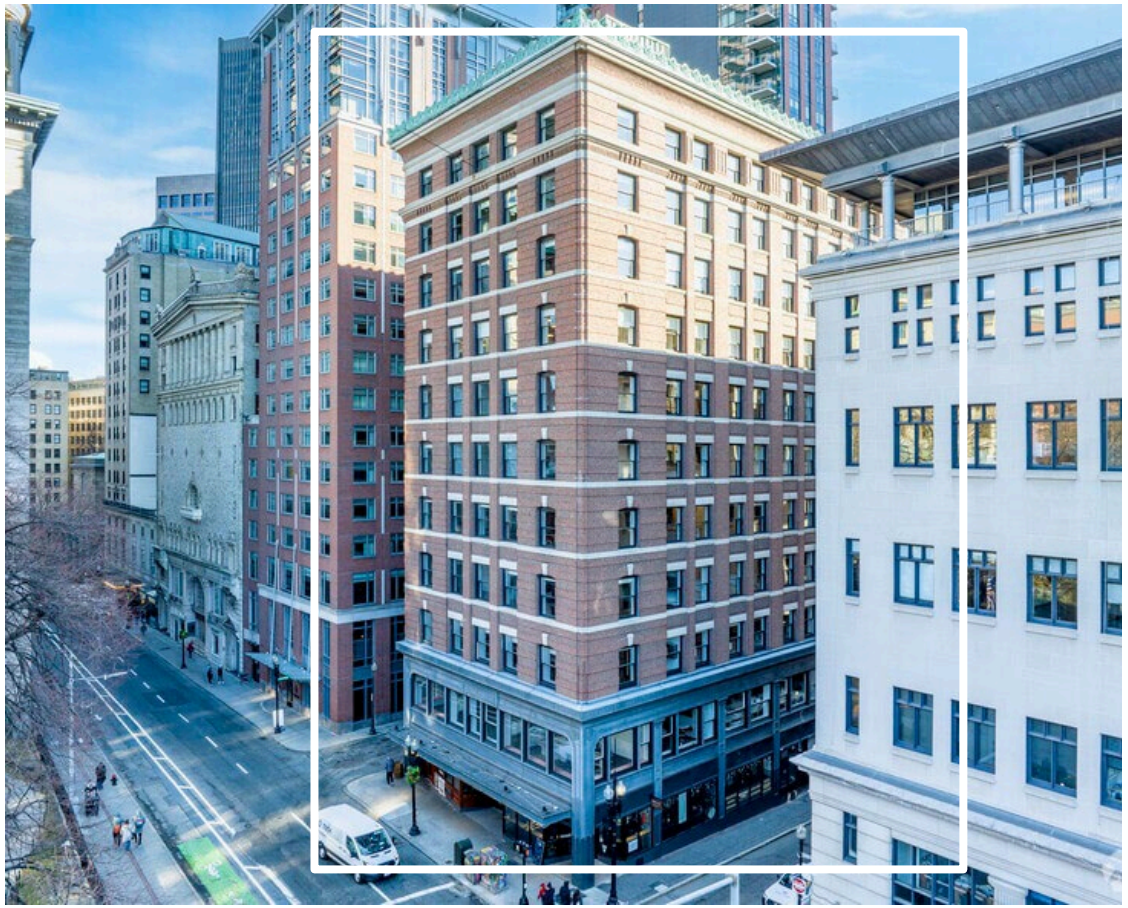
Case Study: Suffolk University, Boston, MA

Project Details:

- Suffolk University bought an 11-story, 88,265 SF Class B office building, 101 Tremont St, for $30 million to convert into a new student dormitory (~280 beds) while retaining existing ground floor retail and restaurant space.
- The university has experience converting buildings to student residences. It purchased a hotel for $64.5 million in 2019 and reopened the development as student housing in fall 2020.

Project Status:

- Suffolk University issued a $158 million bond to finance project capital improvements.
- Conversion was approved by city officials in January 2025.
- Not yet under construction.



Research from The Pew Charitable Trusts and the architectural firm Gensler demonstrates how office to co-living conversions could be viable.

RESEARCH FINDINGS

Office to co-living conversions, featuring private micro-units along the perimeter of each floor with shared kitchens, bathrooms, laundry, and living rooms, can be more viable than traditional conversions because layout efficiencies can reduce construction costs (roughly 25%-35% below conventional apartment conversions).

Benefits:

- Lowers construction costs (e.g., estimated $123k per unit compared to $400k per studio unit in Denver)
- Saves time by keeping the existing building shell and avoiding demolitions
- Making these conversions work requires leaving plumbing as-is in the center of each floor, retaining it as shared kitchens, laundry, and bathrooms for each floor
- Accommodates more additional units than typical apartment buildings

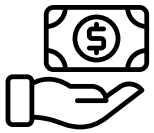
Challenges:

- Requires updates to city building or zoning code (e.g., parking minimums, minimum unit size, co-living prohibition)
- Complicated to reconfigure core building systems
- Need to develop strong building management practices
- Requires an investor that accepts a modest rate of return
- Requires a below-market rate loan, public subsidy or philanthropic funding, or historic tax credits

The City of New Orleans should explore potential opportunities for office-to-co-living conversions alongside institutional and philanthropic partners, which can reduce construction costs by 25-35%.

IMPLICATIONS

- **Zoning and building code updates:** New Orleans must address zoning or building code barriers to legally allow conversions, including updates to minimum unit sizes, maximum number unrelated individuals living in one unit, and bans on co-living.



- **Financing:** Given that SROs and student-living dormitories are not meant to be high-cost housing options and are generally more affordable, investors should not expect high rates of returns on this type of conversion. This presents an opportunity to leverage funding and partnerships with institutions like universities and philanthropy to help close the financing gap for office-to-co-living conversions.

- **Complex Design Process:** Redesigning office buildings into smaller residential units surrounding common kitchens, living rooms, bathrooms, and laundry amenities requires a complicated design process to ensure that existing office building systems (e.g., plumbing) can be repurposed for residential use.

Historic tax credits, combined with other financing mechanisms, have fostered the execution of many office to residential conversion projects across the country.

CONTEXT

One of the primary obstacles to office conversions in New Orleans is the extraordinarily high cost of construction. Federal and local financing incentives are key to reducing real estate development costs and achieving financial feasibility.

Historic tax credits are an essential tool for reducing the construction costs associated with conversion and is the most commonly used tax credit for office to residential conversions in many cities across the nation. They are oftentimes the deciding factor in whether redevelopment of an older building is financially feasible or not. Typically, projects use both federal and state HTCs on conversion projects. The developer can use the HTC to reduce its corporate taxes or sell the credit to an outside investor for cash that can be used for project construction. Federal HTCs are federal sources of funding that help facilitate the rehabilitation of historic buildings with a 20% tax credit for qualified expenditures. The State of Louisiana also offers a state HTC to complement the federal HTC, which provides eligible redevelopments in urban areas a 25% credit for expenses.

The study estimates that 70% of the office building stock in New Orleans' Central Business District is eligible for HTCs. To qualify, buildings must be at least 50 years old and in the National Register of Historic Places (NRHP) or contributing to a NRHP Historic District.

Cleveland is a national leader in office conversions whose scale of success has been achieved due to the availability and use of federal and state historic tax credits.

Case Study: Terminal Tower, Cleveland, OH

Project Details:

- Terminal Tower is an anchor of Public Square in downtown Cleveland, built in 1930 with 42 floors of office space.
- K&D group leveraged federal and state historic tax credits to convert 12 floors of office space in historic Terminal Tower into ~300 apartments while retaining the rest as leasable office space. K&D Group bought Terminal Tower in 2016.
- KR&A converted 4th through 14th floors into ~300 market-rate, luxury one- and two-bedroom apartments ranging from 600 square feet to 1,800 square feet and the 15th floor into gym, office space, and restaurant.
- Total project cost of $112 million.
- Began construction in 2018. Completed in 2020. Nearly 100% leased.

Project Financing:

- $74.5 million construction loan from PNC
- $12 million of federal HTC equity from PNC
- $5 million in state HTCs syndicated by Foss & Company (maximum amount)
- $10.2 million in sponsor equity from K&D Group
- $7.2 million deferred developer fee
- $5 million brownfield loan from Ohio Water Development Authority

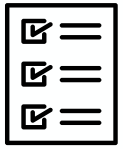
Source: Novogradac

The City of New Orleans should explore potential opportunities to leverage federal and state historic tax credits in office to residential conversions.

IMPLICATIONS

- **Eligible Historic Office Building Stock:** New Orleans should target conversions of buildings within its Central Business District that could be eligible for historic tax credits (~70% of the office building stock) and are suitable for office conversion based on building typology (smaller and narrower buildings). A building must be at least 50 years old to qualify.

- **Historic Tax Credit Financing:** The State of Louisiana offers a state HTC to complement the federal HTC, which provides eligible redevelopments in urban areas a 25% credit for expenses. This is a relatively generous state HTC program compared to other states. This program does not have a per-project cap, though the entire state program is capped at $85 million per year starting in 2025. No investor entity can claim more than $5 million of credit annually, but projects may be awarded more than $5 million in a given year.



- **Permitted Uses:** Owner-occupied buildings do not quality for HTCs. Therefore, this tool cannot be used for office-to-condo conversions.

Expedited permitting is a critical tool in making the office conversion viable, as speeding up the process can reduce barriers and costs for developers.

CONTEXT

New Orleans' Central Business District and Warehouse District have office spaces that are good candidates for conversion, yet high project development costs prevent many projects from becoming financially viable. While the City of New Orleans can leverage financial tools to reduce project costs, it has a limited amount of public dollars that it can commit to office-to-residential conversions and a limited set of financial tools (e.g., property tax abatement, historic tax credits, direct public subsidy). And even with the use of financial tools, there may sometimes still be a financing gap in office-to-residential conversion projects.

The City of New Orleans should consider streamlining its permitting process for office-to-residential conversions to improve project viability. Office-to-residential conversions often confront especially complicated permitting processes because they may involve use changes of landmarked buildings, which can require navigating multiple processes with many disconnected departments over different elements of a conversion. Policy tools focused on the regulations and processes around development can have a significant impact on development timelines and project development costs, which can increase when projects experience delays during the permitting process.

Cities across the country have spearheaded efforts to streamline permitting for office-to-residential conversions. For instance, Winston-Salem, NC, has undertaken a multiyear review to create a more transparent and efficient permitting environment for development, bringing together inter-agency teams to work with developers to support office-to-residential conversions. In addition, New York City has created a team that serves as the single point of contact for any office-to-residential conversion project so that a conversion can move through the regulatory process quickly.

The City of Pittsburgh has implemented a policy to streamline permitting reviews in order to expedite the office-to-residential conversion process.

Case Study: Pittsburgh, PA Building & Development Application

In 2024, the City of Pittsburgh consolidated permit reviews into a single permit application and added a pre-application meeting requirement between applicants and staff. This has helped simplify and increase the efficiency of the permitting process for office-to-residential conversions in downtown Pittsburgh.

- **Simplified Application:** The application requires no expertise in the construction process and has simplified prompts involving information relative to the project. It also eliminates the reviews related to Zoning Development Review that previously required a second application for the same scope.
- **Inter-agency Review:** Each application is reviewed by all relevant departments, which coordinate together to determine project and additional permit requirements.
- **Pre-application Meeting:** The City Department of City Planning offers a pre-application meeting to advise applicants on the zoning and planning approval processes to help applicants understand the process and expectations.

Project Example: The Porter (601 Grant Street)

- This building will be converted from an office building into a 165-unit apartment building with street-level commercial space. 32 units will be affordable. It is not yet under construction.

New York City has developed a program to help developers navigate the regulatory process and accelerate office-to-residential conversion timelines.

Case Study: New York City Office Conversion Accelerator Program

New York City launched the Office Conversion Accelerator Program in August 2023 to help accelerate and simplify the permitting process for office-to-residential conversions, to ultimately help the city reach its housing production goals. Housed in the Department of City Planning, this program serves as a single city government point of contact for potential projects that can help them more efficiently navigate the initial stages and approvals portion of the conversion process.

Program Details:

- **Target Audience:** Owners and developers that are considering office-to-residential conversion projects that will produce 50 units of housing or more.
- **Entities Involved:** Housed in the Department of City Planning. Convenes staff from City Hall, the Department of City Planning, the Department of Buildings, the New York City Department of Housing Preservation and Development, the Board of Standards and Appeals, the Landmarks Preservation Commission, and others to assist with projects.
- **Support Offered:** Analysis of zoning feasibility of individual projects, assistance securing necessary permits.
- **Impact:** 64 buildings enrolled as of May 2024.

Project Example: 25 Water Street

- 32-story office building in Manhattan's Financial District
- Converted into 1,320 apartments

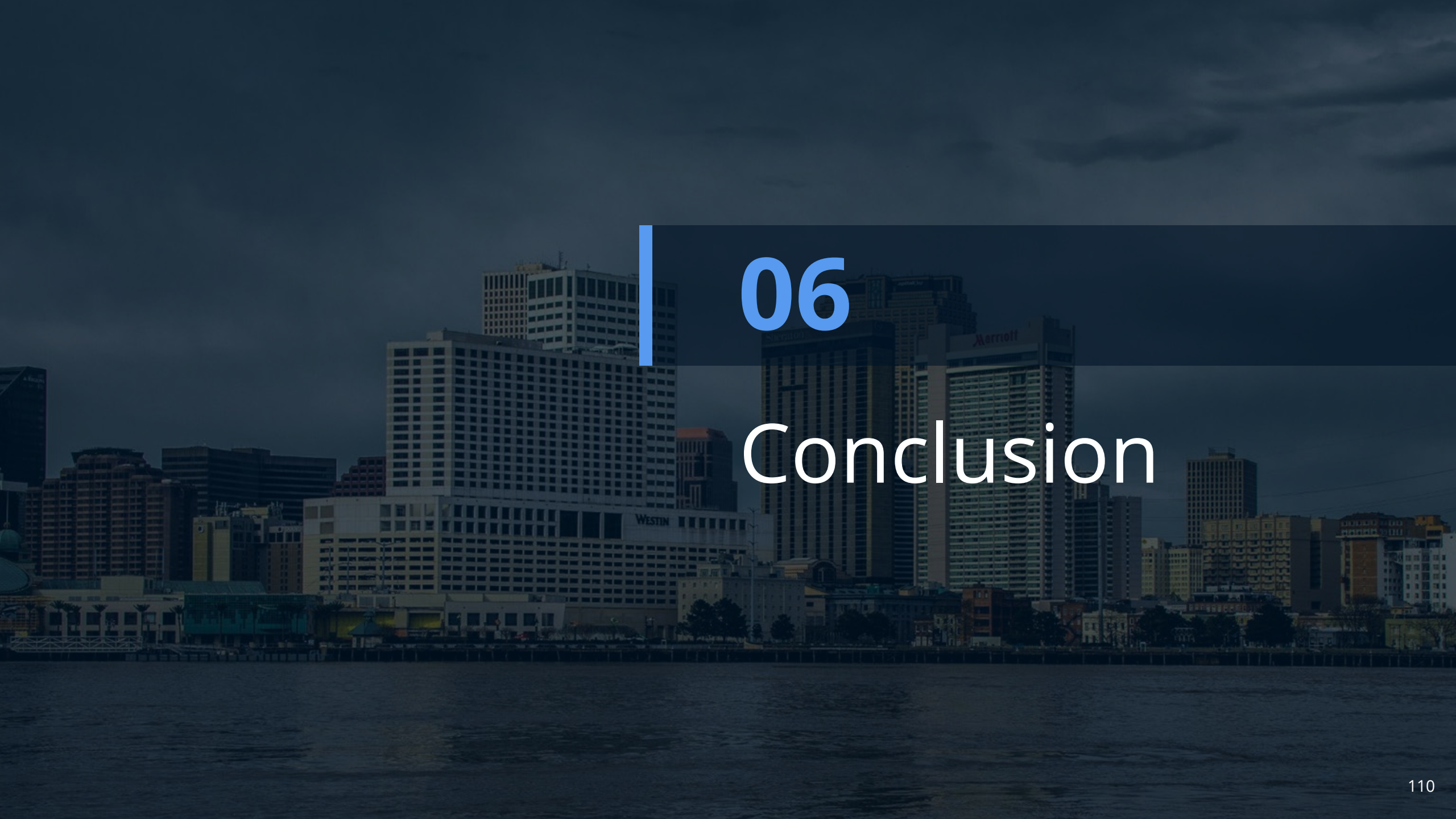
The City of New Orleans should explore opportunities to streamline processes that can impact the speed and costs of projects and their ultimate viability.

IMPLICATIONS

- **Cost savings:** An expedited permitting process will generate cost savings for both developers and for the City. The implementation of a new or updated permitting process to streamline development does not cost additional public dollars, unlike financial tools like tax abatements and direct project subsidy.

- **Administrative change:** The creation of a new expedited permitting process does not require legislative action and can be undertaken as a mayoral administration-led initiative and coordinated efforts across City department.

- **Transparency during approvals process:** Creating an opportunity for early feedback through a pre-development review meeting can give developers the opportunity to seek clarity early on and remove uncertainty as they navigate the approvals process, as well as helping developers allocate resources more efficiently. This can help accelerate project approval timelines for office-to-residential conversion projects.



06

Conclusion

Macroeconomic headwinds mean layered incentives still leave gaps. New Orleans, like many cities, will need added public support to restart feasible housing and conversion projects.

Macroeconomic conditions – elevated interest rates, construction costs, and insurance costs – have made both mixed-income development under MIZ and office-to-residential conversions difficult to pencil. **Even after layering typical incentives used to offset policy requirements, projects in New Orleans are still showing residual gaps that impede starts.**

New Orleans is not alone: cities across the U.S. – including traditionally strong markets – are re-balancing housing policies, weighing requirements against incentives, and experimenting with temporary relief to keep production moving.

The study finds the direction of the City's policy framework sound, but insufficient under present conditions without added public support. **To re-activate the pipeline, the City will need to pair its existing tools with additional, time-limited support calibrated to current market realities.**

SPOTLIGHT

San Jose extends housing developer tax breaks

by **Vicente Vera**

MAY 20, 2025

The San Jose City Council voted unanimously May 13 to increase the number of new homes qualifying for a 50% reduction in commercial, residential, mobile home park taxes and building and structure taxes from 1,500 to 1,800. Housing developers have an opportunity to apply for such tax breaks through the city's multifamily housing incentive program until the end of the year.

*After not seeing a single multi-family development >20 units break ground in 2024, **San Jose** approved the multifamily housing incentive program (MHIP) in December 2024. It offers tax and fee breaks to help jumpstart the market.*

CONCLUSION | **HIGH-LEVEL OPTIONS FOR ADDITIONAL CITY SUPPORT (FOR FUTURE EVALUATION)**

The City should evaluate options such as gap financing, rental assistance, and targeted tax/fee relief to bridge current feasibility gaps.

At a high level, the City could consider pairing MIZ and office conversion pathways with support such as:

- **Gap-financing support:** Flexible public capital, often soft loans or targeted grants, used to close the gap between a project's total development costs and what can be supported by conventional debt and equity.
- **Rental assistance/operating support:** Ongoing project-based subsidy that covers the gap between what households can afford and the rent needed to sustainably operate the property, stabilizing occupancy and cash flow. Can be leveraged to drive deeper affordability.
- **Expedited processes:** Streamlined approvals, such as by-right pathways, consolidated and parallel reviews, firm timelines, and dedicated case management, to shorten entitlement and permitting time and reduce carrying costs.

These can be structured as time-limited pilots with competitive selection, clear public benefits, and measurable outcomes.

Implementation should prioritize near-term deliverability and fiscal stewardship: target support to projects closest to "shovel-ready," leverage state/federal resources, require transparent proformas, and commit to periodic recalibration as market conditions evolve. Detailed program design, financial modeling, and impact analysis are beyond our current scope but are recommended next steps to translate these conclusions into action.

HR&A + CITY OF NEW ORLEANS

Mandatory Inclusionary Zoning (MIZ) Update and Office Conversion Evaluation

FINAL REPORT

October 28, 2025

07

Appendix

07.01

Public Incentives

	Density Bonuses & Other Dimensional Relief	Minimum Parking Reduction
Description	Provides greater building envelope to develop more or smaller units than allowable under current regulation, reducing the marginal cost per unit in a development.	Reductions in required parking reduce development costs, particularly on smaller sites where structured parking is essential.
Current Use in New Orleans	Current density bonuses for affordable housing have not been broadly utilized where available and have not created a substantial number of affordable units.	The current MIZ policy provides for reductions of parking requirements up to 30%.
Use in IZ Programs Elsewhere	Density bonus in IZ generally range from 10% to 20% and may be paired with other dimensional relief such as height and setback waivers.	Reductions of 10 to 20% of required parking are common.
Incentive Value to Developers	**Medium –** Density bonuses can be an attractive incentive to make IZ feasible in New Orleans but require being paired with other incentives to fully meet the additional costs of affordable housing.	**Low –** The development community held mixed views on the value of reduced parking minimums. Many developers believe renters and condo owners in most parts of the city would avoid apartments or condos that did not provide sufficient parking. The CZO exempts Historic Core Neighborhood Districts, the HU-B1A district, and the Central Business District from minimum parking requirements, while requirements in other areas align with market demand, limiting the value of this incentive in most areas of the city.
Included in New Orleans Feasibility Analysis?	**Yes –** HR&A modeled density bonuses up to 50%, assuming that other dimensional relief to fully utilize density bonuses are secured.	**Yes –** There is limited ability to implement parking incentives in a meaningful way due to market demand for parking in much of the city and current zoning that exempts most downtown locations from parking requirements. However, to the extent minimum parking reductions could be applied to a specific development site, this tool should be considered.

	Sales Tax Exemption
Description	Waives local and/or state taxes on building materials, equipment rentals, or supplies purchased for qualifying development projects. By reducing or eliminating sales taxes on materials, lowers upfront construction costs and therefore the feasibility gap created by IZ affordability requirements.
Current Use in New Orleans	Effective July 1, 2025, local and state sales and use tax exemptions apply to materials and equipment rentals for specific projects and organizations, i.e., public construction projects and Habitat for Humanity affiliates building new residential dwellings. It does not apply to other residential development.
Use in IZ Programs Elsewhere	Some cities have temporarily waived construction taxes to spur multi-family development, but a waiver of sales tax on construction materials is not a commonly used incentive in IZ programs.
Incentive Value to Developers	**Medium –** Sales tax exemptions can be an attractive incentive to make IZ feasible in New Orleans but require being paired with other incentives to fully meet the additional costs of affordable housing.
Included in New Orleans Feasibility Analysis?	**Yes –** The study modeled sales tax exemption up to 100%.

	Payment-in-Lieu-of-Taxes (PILOT)	Restoration Tax Abatement (RTA)
Description	Sets a negotiated payment to a non-taxable public entity for a duration of time in exchange for not paying property tax. Payments are typically significantly less than taxes would otherwise have been, reducing the operating costs for a property.	Provides abatement of improved ad valorem tax for two 5-year periods for qualifying properties within in the Downtown Development District, historic districts, and economic development districts. In New Orleans, renewal for the second 5-year term requires reinvestment.
Current Use in New Orleans	Finance New Orleans (FNO) provides PILOT agreements in New Orleans.	86 new residential or mixed-use RTA deals were made between 2007-2016.
Use in IZ Programs Elsewhere	While property tax reduction or freezes are common in the many jurisdictions with inclusionary housing, PILOTs are not often the vehicle of incentive delivery for inclusionary housing.	RTA is specific to Louisiana; however, tax abatements and freezes are common elsewhere.
Incentive Value to Developers	**High –** PILOTs have been key to the success of many of the new construction projects in the city in recent years.	**High –** The development community in New Orleans sees particular value in pairing the RTA with state and federal Historic Tax Credits.
Included in New Orleans Feasibility Analysis?	**Yes –** HR&A included varying levels of PILOT incentive as part of the feasibility analysis.	**Yes –** HR&A included RTA financing in a historic renovation scenario after layering in both state and federal Historic Tax Credits.

	Tax Increment Financing (TIF)
Description	TIF refers to a special tax levied or a portion of incremental property and sales taxes diverted to raise funds for public infrastructure or other improvements needed in order to enable new development projects in designated districts. TIFs in Louisiana may only capture the undedicated portion of incremental tax, and revenue bonds backed by property taxes require voter approval, while bonds from sales tax increment do not.
Current Use in New Orleans	The five TIF projects in New Orleans through 2016 have focused on sales tax increments, though the City is also authorized to issue property tax TIFs. Undedicated property taxes amount to just 10% of the City's millage rate, limiting property tax TIF impact.
Use in IZ Programs Elsewhere	TIFs have been effective in stimulating development but are not commonly utilized to produce substantial affordable housing.
Incentive Value to Developers	**Low –** Developers would like to see expanded TIF use in the City but are unsure of how it could be utilized to improve project value within an inclusionary policy.
Included in New Orleans Feasibility Analysis?	**No –** HR&A did not model a detailed TIF scenario because an IZ policy will impact residential projects, which typically produce little sales tax that TIFs are able to capture.

07.02

Detailed MIZ Feasibility Analysis Findings

The study analyzed nine (9) development scenarios to model the feasibility of the MIZ policy.

		Scenario*	Parcel Size	Lot Area/Unit (SF)	Modeled Units	Avg. Unit Size (GSF)	Building GSF
Rental	Core	1: High-density Historic Rehab	42,000	N/A**	209	1,004	210,110
		2: High-rise New Construction	42,000	N/A**	232	886	205,060
		3: Mid-rise New Construction	42,000	800	105	886	93,000
	Strong	4: High-density Historic Rehab	50,000	1,000	50	1,004	50,200
		5: Mid-rise New Construction	65,000	1,000	65	886	57,600
		6: Low-rise New Construction	41,000	1,200	34	886	30,100
For-Sale	Core	7: High-density Historic Rehab	42,000	N/A**	156	1,423	222,200
		8: Mid-rise New Construction	42,000	800	72	1,256	90,400
		9: High-rise New Construction	42,000	N/A**	174	1,256	218,200

** Assumes*
*** No minimum lot area/unit is required by zoning in the CBD. In these scenarios a 65 ft height limit is used to size developments.*

Financial inputs for development costs were developed through the study team's research and interviews of professionals with knowledge of local market conditions.

	Core Submarkets	Strong Submarkets
Construction Cost ($/GSF of development)		
Low-density, Historic Rehab	--	--
High-density, Historic Rehab	$405	$405
Low-rise, New Construction	--	$280
Mid-rise, New Construction	$345	$345
High-rise, New Construction	$420	--
Land Cost ($/GSF of land)	$110 ($80 Mid-rise)	$40
Gross-to-Net Ratio New Construction	0.85	0.85
Gross-to-Net Ratio Rehab	0.75	0.75
Cap Rate	6.25%	6.5%

Assumptions for revenue and operations are also based on the study team's research and interviews of professionals with local knowledge.

		Core Submarkets	Strong Submarkets
Rental	**Rent ($/NSF/month)**		
	Low-density, Historic Rehab	--	--
	High-density, Historic Rehab	$2.40	$1.80
	Low-rise, New Construction	--	$1.90
	Mid-rise, New Construction	$3.00	$2.00
	High-rise, New Construction	$3.30	--
	Operating Expense (as % of revenue, excl. taxes)	22%	22%
	Taxes (as % of revenue)	5%	5%
	Vacancy	5%	5%
For-Sale	**Price ($/NSF)**		
	Low-density, Historic Rehab	--	--
	High-density, Historic Rehab	$504	--
	Low-rise, New Construction	--	--
	Mid-rise, New Construction	$567	--
	High-rise, New Construction	$693	--

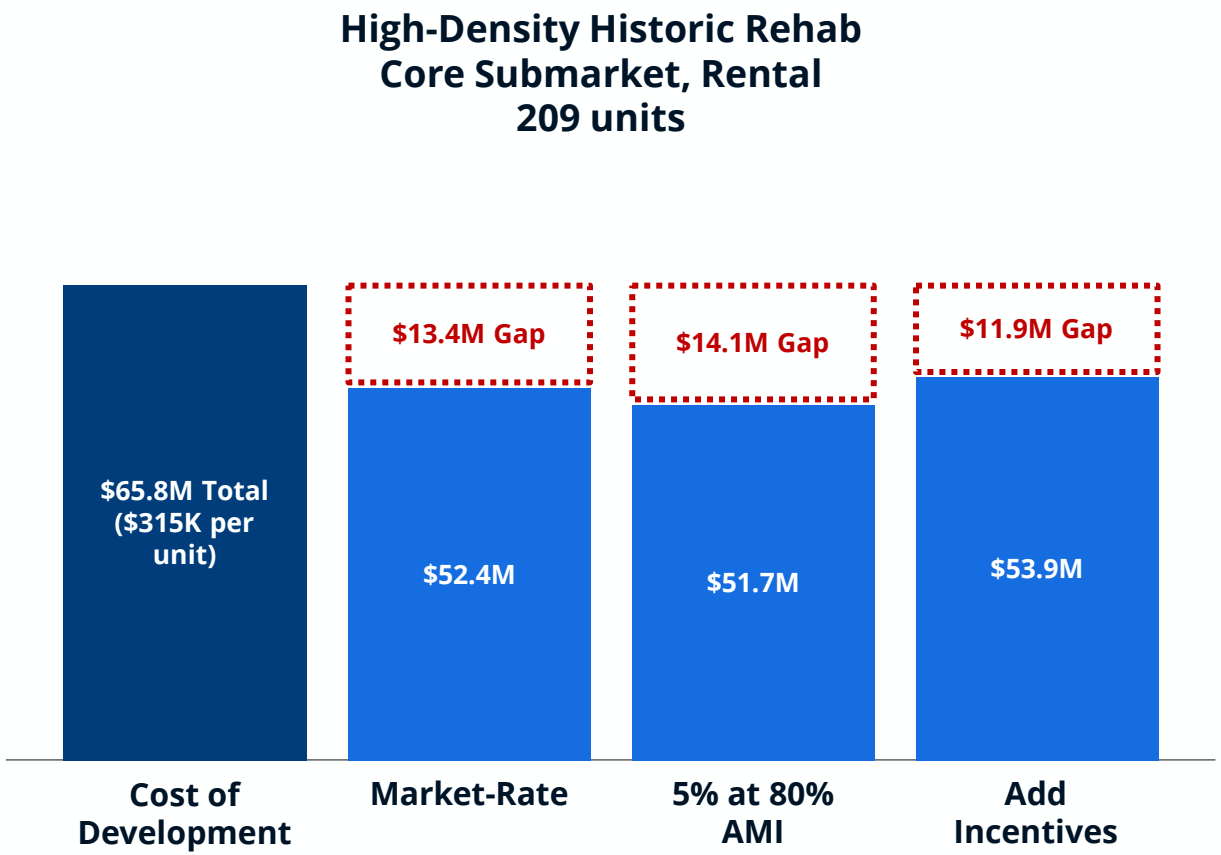
Core Submarket, Rental | Development feasibility is constrained even in Core submarkets but can marginally support a 5% at 80% AMI requirements in some typologies.

CORE SUBMARKET FEASIBILITY (RENTAL)	10% at 60% AMI	5% at 60% AMI	10% at 80% AMI	5% at 80% AMI	100% Market-rate, in-lieu fee
	Infeasible	Infeasible	Infeasible	Infeasible	Infeasible
	Infeasible	Infeasible	Infeasible	Borderline Feasible	Infeasible
	Infeasible	Infeasible	Infeasible	Borderline Feasible	Infeasible

Borderline Feasible | Rental: 6–7.5% return; For-Sale: 1.5–2.0 equity multiplier

Infeasible | Rental: <6% return; For-Sale: <1.5 equity multiplier

Incentives do not fully close feasibility gaps for large rehab projects in the Core submarkets under a 5% at 80% AMI requirement.

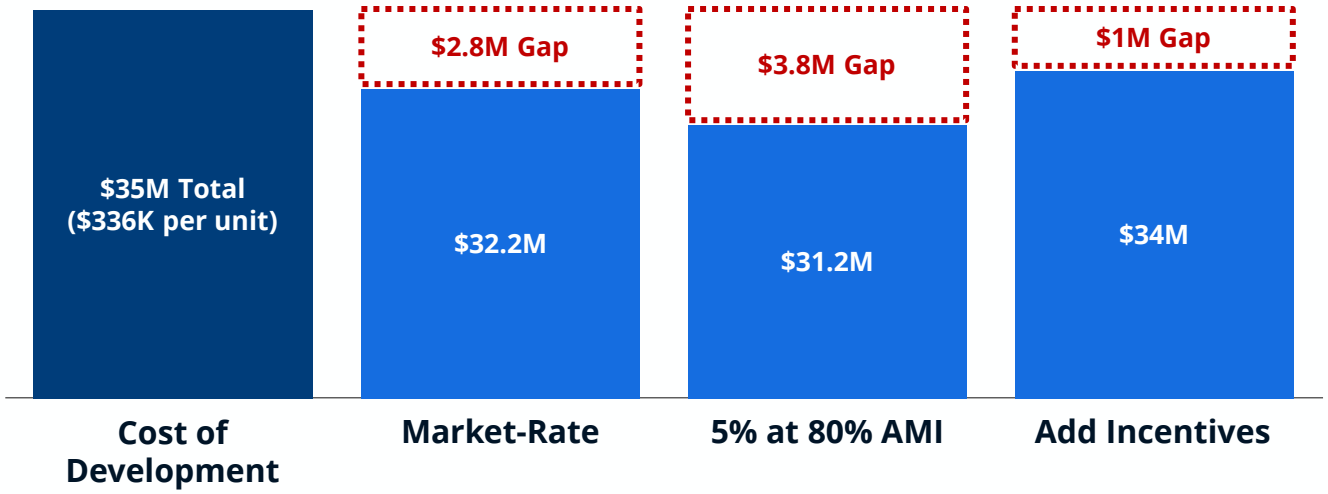


Rehab projects in the Core submarkets benefit from the support of state and federal historic tax credits. Despite that, the upfront gap for high-density rehab projects do not, even with the layering of incentives, make the project feasible.

Notes:
- *Financial feasibility analysis is based on a required 7.5% cash on cash return for development projects, based on return requirements noted by professionals with local knowledge.*
- *Historic rehab costs are net of savings from state and federal historic tax credits.*

A mid-rise new construction rental project in the core submarket can become borderline feasible by layering in all potential incentives.

Mid-Rise New Construction
Core Submarket, Rental
105 units



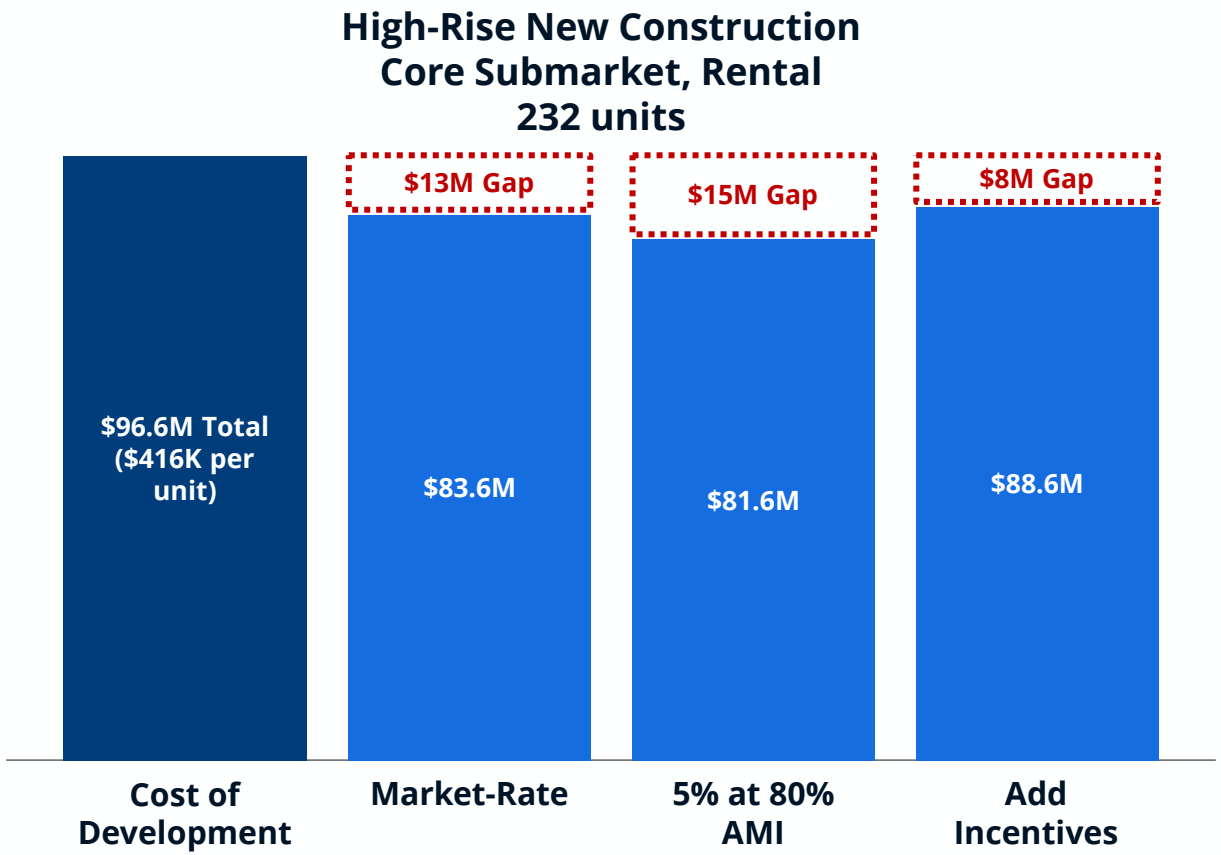
A typical market-rate mid-rise new construction rental project in the Core submarket **is not financially viable**. The project would face a **significant $2.8M gap.** This gap is driven by unfavorable market conditions – higher construction costs, elevated interest rates, flat market rents.

Applying the proposed affordability requirement– 5% of units at 80% AMI – the gap increases to $3.8M.

Providing incentives (tax abatement and sales tax exemption) decreases the gap to $1M. A $1M gap indicates project viability is on the edge. Most project works, but there may be some projects that can move forward, those with a lower land basis, higher rents because of location, lower construction costs because of site conditions, etc. Density bonus and parking reduction are not applied in this scenario as they do not apply to much of the Core submarket. **A gap of any kind signals it will be difficult to find projects that are financially viable**.

Note: Financial feasibility analysis is based on a required 7.5% cash on cash return for development projects.

High-rise development in the Core submarkets is borderline feasible with an MIZ policy with the layering of all incentives.



High-rise new construction is prevalent only in the Core submarket. At current rents, the layering of incentives makes the project borderline feasible but leaves a feasibility gap.

Note: Financial feasibility analysis is based on a required 7.5% cash on cash return for development projects, based on return requirements noted by professionals with local knowledge.

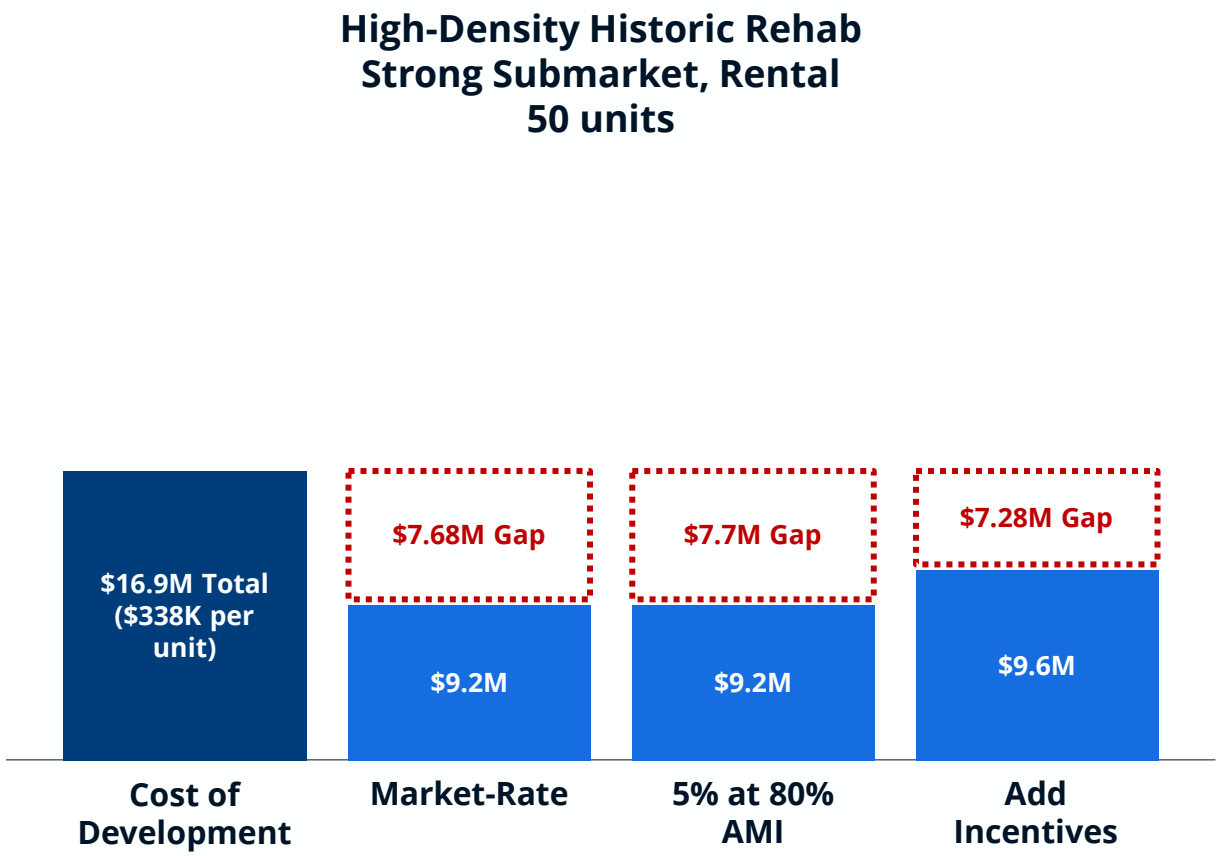
Strong Submarket, Rental | Development feasibility is severely constrained in Strong submarkets, driven by high development costs and lower rents than Core submarkets.

STRONG SUBMARKET FEASIBILITY (RENTAL)	10% at 60% AMI	5% at 60% AMI	10% at 80% AMI	5% at 80% AMI	100% Market-rate, in-lieu fee
 High-Density Historic Rehab	Infeasible	Infeasible	Infeasible	Infeasible	Infeasible
 Low-Rise New Construction	Infeasible	Infeasible	Infeasible	Infeasible	Infeasible
 Mid-Rise New Construction	Infeasible	Infeasible	Infeasible	Infeasible	Infeasible

Borderline Feasible | Rental: 6–7.5% return; For-Sale: 1.5–2.0 equity multiplier

Infeasible | Rental: <6% return; For-Sale: <1.5 equity multiplier

Across all Strong submarket typologies, market rents cannot support development with or without an MIZ policy.

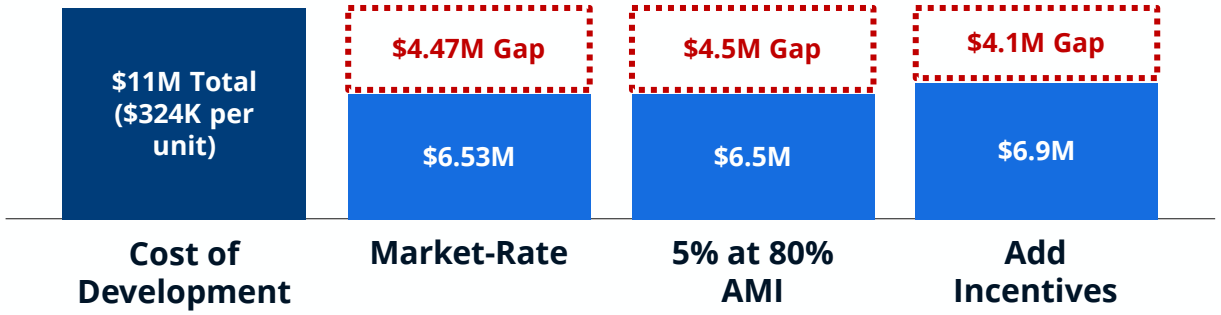


Rehab projects in the Strong submarkets benefit from the support of state and federal historic tax credits. Despite that, the upfront gap for high-density rehab projects do not, even with the layering of incentives, make the project feasible.

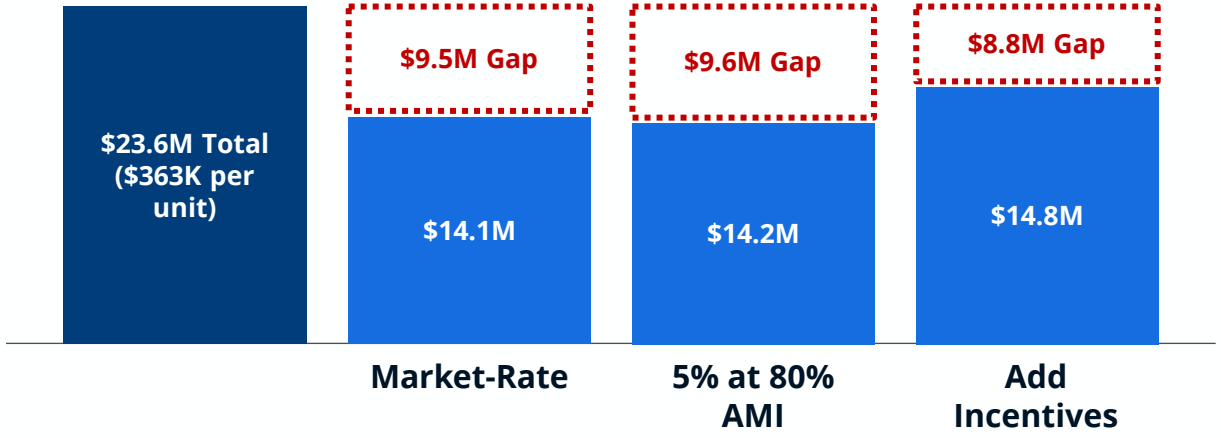
Notes:
- *Financial feasibility analysis is based on a required 7.5% cash on cash return for development projects, based on return requirements noted by professionals with local knowledge.*
- *Historic rehab costs are net of savings from state and federal historic tax credits.*

Across all Strong submarket typologies, market rents cannot support development with or without an MIZ policy.

Low-Rise New Construction
Strong Submarket, Rental
34 units



Mid-Rise New Construction
Strong Submarket, Rental
65 units



Like other development typologies in the Strong submarkets, low- and mid-rise new construction projects are infeasible despite the application of incentives.

Note: Financial feasibility analysis is based on a required 7.5% cash on cash return for development projects, based on return requirements noted by professionals with local knowledge.

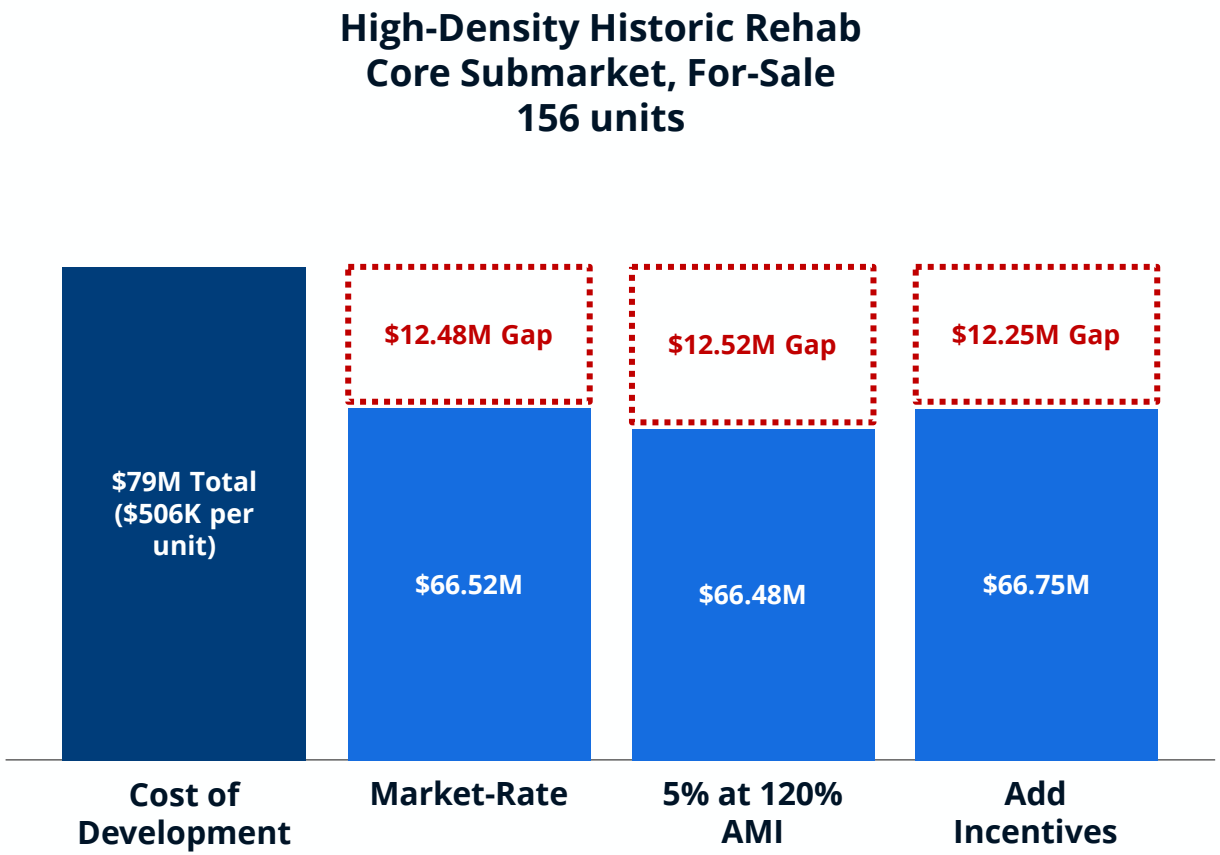
Core Submarket, For-Sale | Like rental development, for-sale condo development in the Core submarket can marginally support 5% of units at 120% AMI with the provision of incentives.

CORE SUBMARKET FEASIBILITY (FOR-SALE)	10% at 80% AMI	5% at 80% AMI	10% at 120% AMI	5% at 120% AMI	100% Market-rate, in-lieu fee
 High-Density Historic Rehab	Infeasible	Infeasible	Infeasible	Infeasible	Infeasible
 Mid-Rise New Construction	Infeasible	Infeasible	Infeasible	Borderline Feasible	Infeasible
 High-Rise New Construction	Infeasible	Infeasible	Infeasible	Borderline Feasible	Infeasible

Borderline Feasible | Rental: 6–7.5% return; For-Sale: 1.5–2.0 equity multiplier

Infeasible | Rental: <6% return; For-Sale: <1.5 equity multiplier

Incentives do not fully close feasibility gaps for large rehab projects in the Core submarkets under a 5% at 120% AMI requirement.

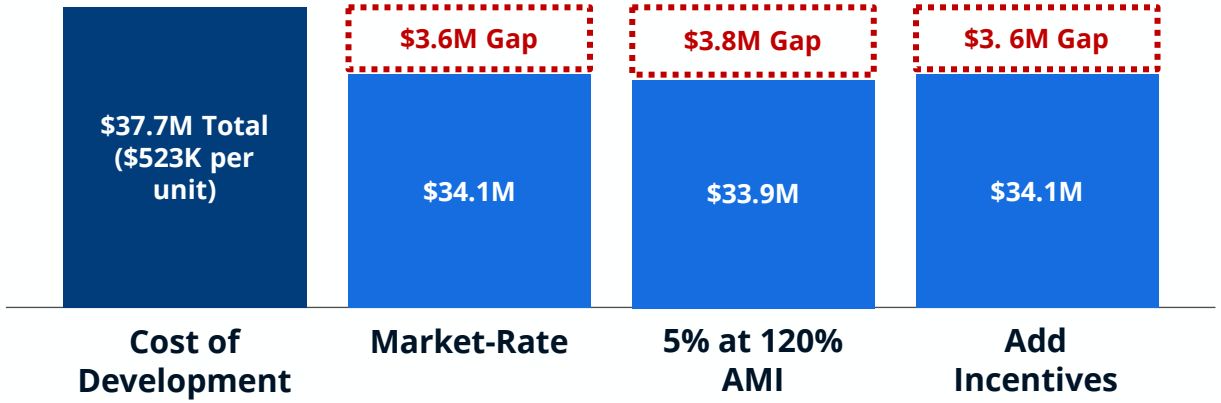


In addition to the sales tax exemption, rehab projects in the Core submarket are eligible for state and federal historic tax credits. However, that still leaves a significant feasibility gap to make the project viable.

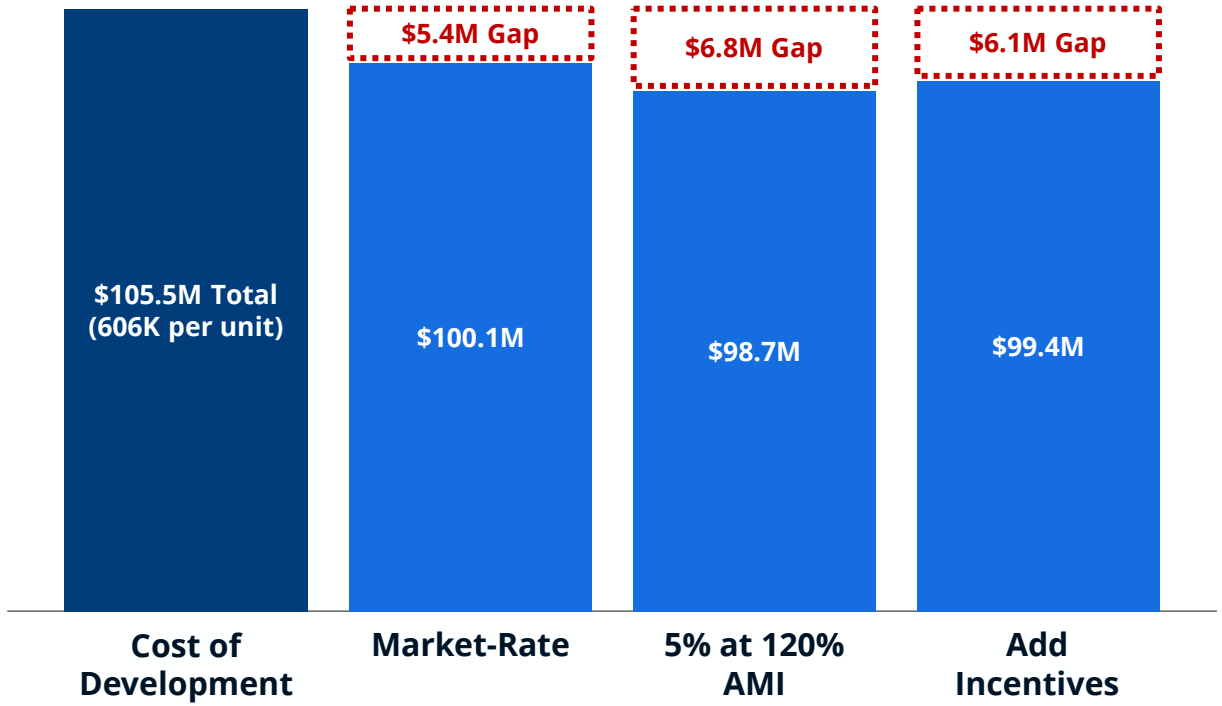
Notes:
- *Financial feasibility analysis is based on a required 2.0 equity multiplier for development projects, based on return requirements noted by professionals with local knowledge.*
- *Historic rehab costs are net of savings from state and federal historic tax credits.*

Mid- and high-rise new construction for-sale product in the Core submarket is borderline feasible upon the application of the sales tax exemption.

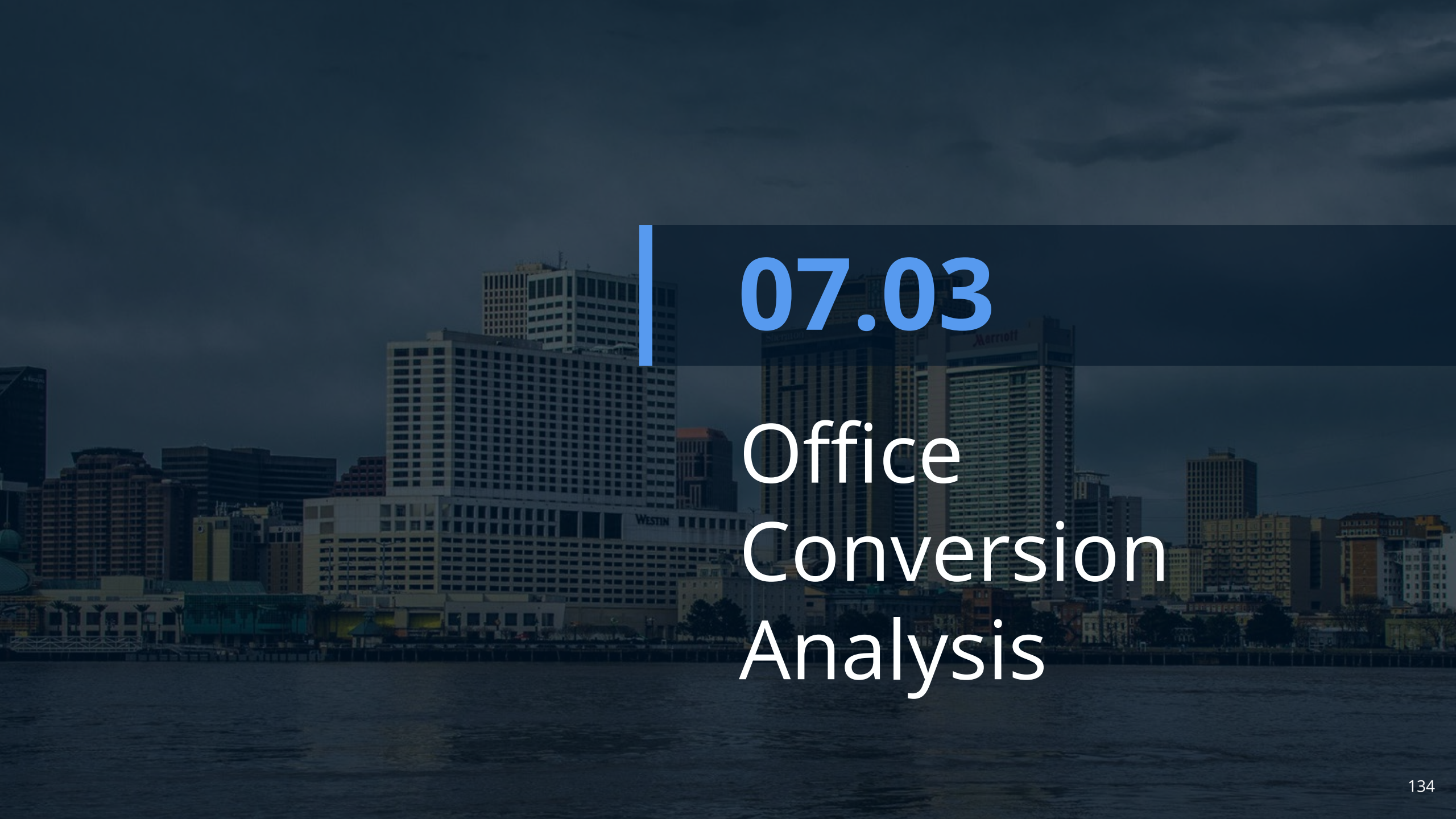
Mid-Rise New Construction
Core Submarket, For-Sale
72 units



High-Rise New Construction
Core Submarket, For-Sale
174 units



Neither RTA nor PILOT can be applied to for-sale product; sales tax exemption is the only incentive that can be applied to new construction for-sale condo projects.



07.03

Office Conversion Analysis

The following initial assumptions were used as inputs in the model. Findings are currently based on these assumptions and are subject to change.

	Office
Rent	$19.78
Vacancy	100%
Concessions	0%
OpEx per SF	$6.50
Rent Growth	1.1%
Expense Growth	3.0%
Cap Rate	13.5%

	Residential
Rent	$2.39
Vacancy	6.1%
SF/Unit	Wide Wall-to-Wall: 770 Narrow Building: 2,200 Mid-Rise: 800 High-Rise: 923
Concessions	0.6%
OpEx per Unit	$6,238
Rent Growth	1.3%
Expense Growth	3.0%
Cap Rate	6.9%

Source: CoStar, Boston Assessors Database, Newmark, Colliers, CBRE

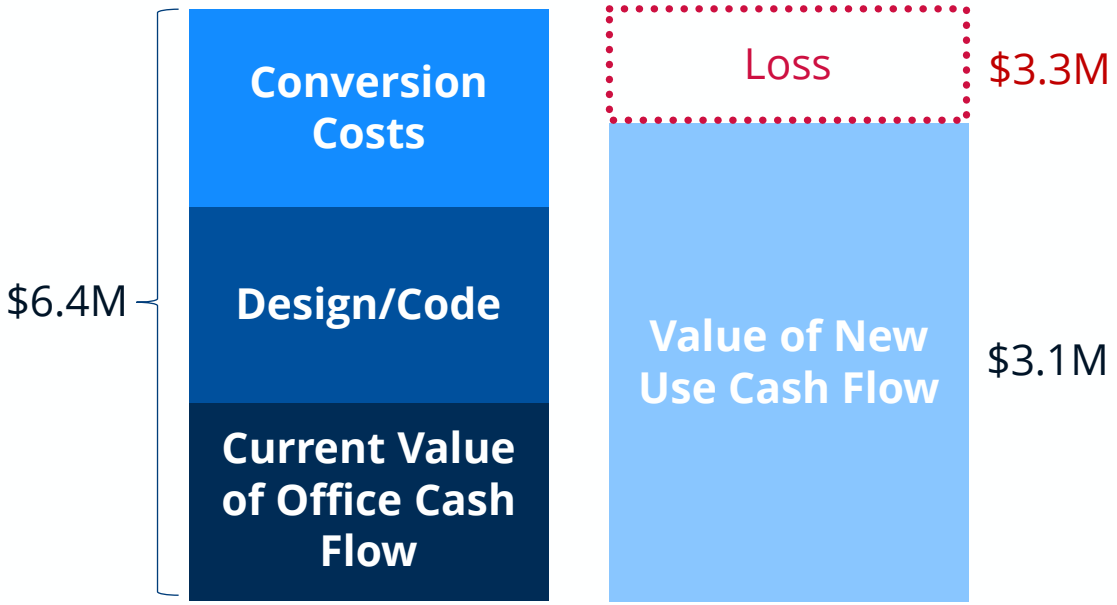
The following initial assumptions were used as inputs in the model. Findings are currently based on these assumptions and are subject to change.

	Type 2 Narrow Building	Type 1 Wide Wall-to Wall	Type 3 Mid-Rise	High-Rise
Gross SF	11K	16K	57K	166K
Gross to Rentable	80.0%	80.0%	80.0%	80.0%
Efficiency Factor – Converted Use	80.2%	80.2%	84.3%	78.4%
Hard Costs/GSF	$400	$400	$400	$450
Soft Costs as % of HC	20%	20%	20%	20%
Time to Vacate Office	2 Years	2 Years	2 Years	2 Years
LTC	60%	60%	60%	60%
Interest Rate	8%	8%	8%	8%

Source: CoStar, Studio Kiro

Layering in tax abatements and historic tax credits (HTC) reduces the gap from $1.1M per unit to a gap of $300K per unit (for a typical three-story **narrow building** that yields one unit per floor).

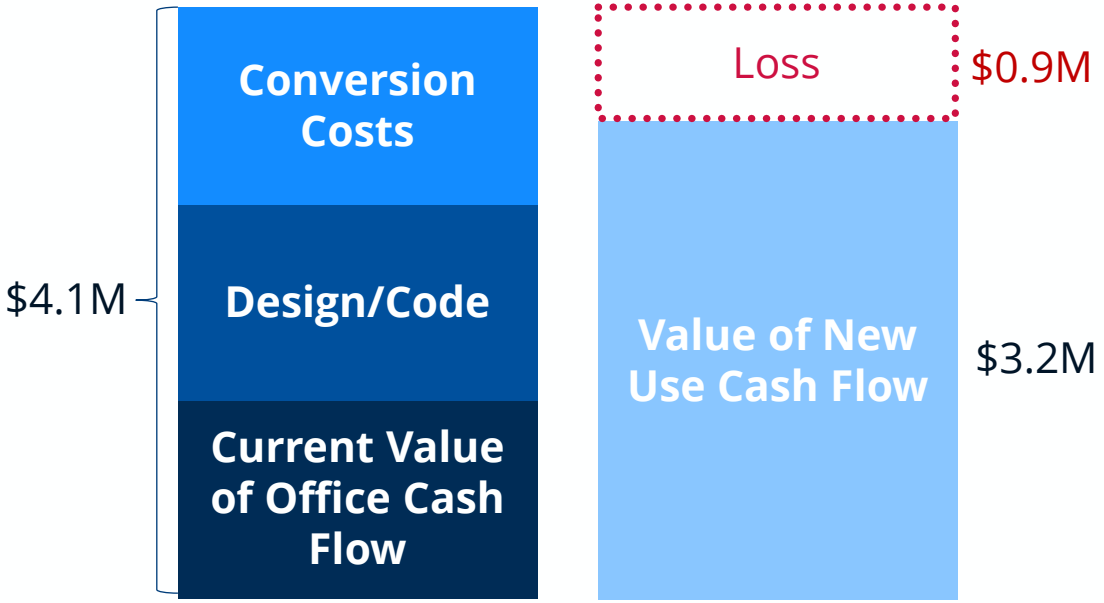
No Incentives



Financially Infeasible

With Incentives

(Historic Tax Credits + Property Tax Abatement)

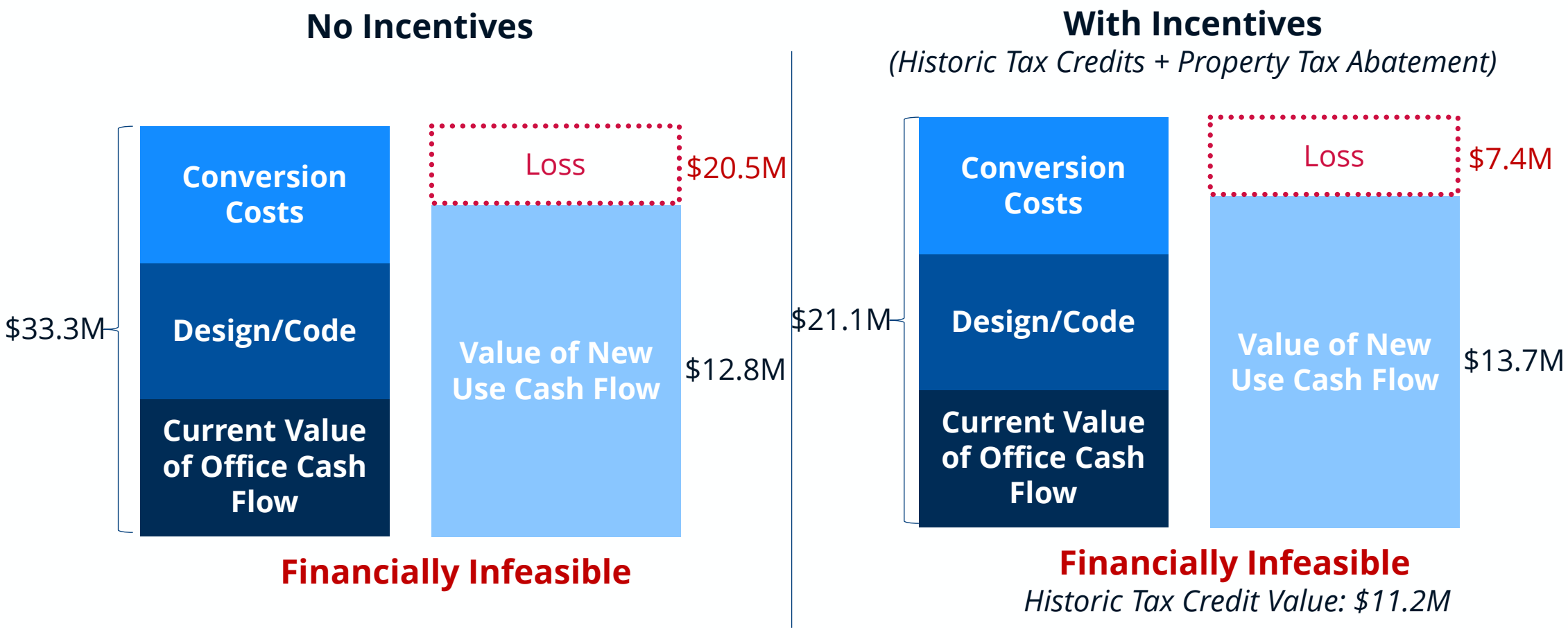


Financially Infeasible

Historic Tax Credit Value: $11.2M

Note: Individual owner decision making will be driven by this and countless other building specific factors

Layering in incentives reduces the gap to roughly $148K per unit for a (typical) 5-story, 50-unit wide **mid-rise building.**



Note: Individual owner decision making will be driven by this and countless other building specific factors

CITY PLANNING COMMISSION MEETING (November 11, 2025)

Staff provided background on the City's MIZ policy and then introduced two representatives from the consulting firm HR&A Advisors, Vidhee Garg and Philip Kash, who led the study. The consultants delivered a thorough presentation to the Commission, outlining the market analysis findings that informed the policy recommendations for both the MIZ and the office-to-residential workstreams.

The Commissioners engaged in discussion with the consultants and staff about the report and its findings. One member of the public, representing the Housing Nola, provided comment in support of the findings. The speaker card is attached to this report. A video of the presentation, public testimony, deliberations, and votes by the City Planning Commission is available on the Commission's website at the following link:

https://cityofno.granicus.com/MediaPlayer.php?view_id=2&clip_id=5237

Commissioner Steeg made a motion to adopt the study which was seconded by Commissioner Flick and unanimously adopted.

MOTION:

BE IT MOVED BY THE CITY PLANNING COMMISSION THAT THE 2025 MANDATORY INCLUSIONARY ZONING FEASIBILITY ANALYSISIS HEREBY ADOPTED. BE IT FURTHER MOVED THAT THE EXECUTIVE DIRECTOR IS HEREBY AUTHORIZED TO FORWARD THE STUDY TO THE CITY COUNCIL.

YEAS: Flick, Joshi-Gupta, Kepper, Poché, Steeg, Stewart, Witry

NAYS: None

ABSENT: Jordan

7

City Planning Commission Speaker Card

Date : 11/11/25

I would like to speak regarding CPC Docket : #7 (MIZ)

INFORMATION ONLY

Name: Jourdan Rogers

Address: 4640 S Carrollton Ave

○ I am the applicant for this docket

○ I'd like to cede my time to: _____

I hereby affirm that the written or oral statements I give before the City Planning Commission will be true and correct. By ascribing my signature below, I acknowledge all information presented is of my own volition and true and correct to the best of my knowledge.

☐ Please check if you are a paid representative or receiving any type of compensation or thing of value in exchange for speaking or attending today.

Signature of Speaker: _____