

CITY OF NEW ORLEANS

MIZ Update and Office Conversion Evaluation

Presentation to the City Planning Commission (CPC)

November 11, 2025

HR&A

ALEXANDRA MILLER CONSULTING

studio kiro

Agenda

Introduction 03

Mandatory Inclusionary Zoning (MIZ) 08

Office Conversion Feasibility 29

Conclusion 41



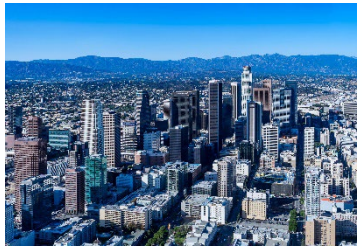
01

Introduction

INTRODUCTION | HR&A ADVISORS

HR&A is an industry-leading economic development, real estate, and public policy consulting firm. HR&A's housing practice has worked with cities to produce effective inclusionary zoning policies, including New Orleans' in 2018, and office-to-residential conversion studies.

INCLUSIONARY ZONING POLICIES



Downtown LA, CA



New Haven, CT



Prince George's County, MD



Alexandria, VA



Detroit, MI

OFFICE-TO-RESIDENTIAL CONVERSION STUDIES



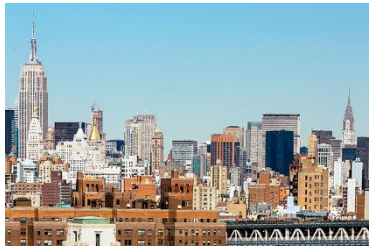
Tulsa, OK



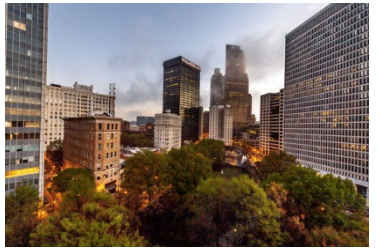
Boston, MA



San Francisco, CA



New York, NY



Atlanta, GA

INTRODUCTION | STUDY PURPOSE

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

Mandatory Inclusionary Zoning Policy

Study Focus

Is the City's existing MIZ policy feasible and effective in current market conditions? If not, what changes should be made to make it feasible?

Why Now?

The City Ordinance establishing the MIZ policy requires that the policy be reviewed every two years to ensure it is calibrated to local market conditions. The policy has not been reviewed since its establishment in 2021.

Office-to-Residential Conversion Program

Study Focus

What is the potential for converting vacant or underused office buildings in the Central Business District into residential uses?

Why Now?

The City is seeing significant levels of underutilized office space in the Central Business District, which accelerated during the COVID-19 pandemic.

MIZ ANALYSIS | METHODOLOGY

HR&A conducted a market scan and feasibility analysis to assess the performance of the MIZ policy and recommend adjustments.

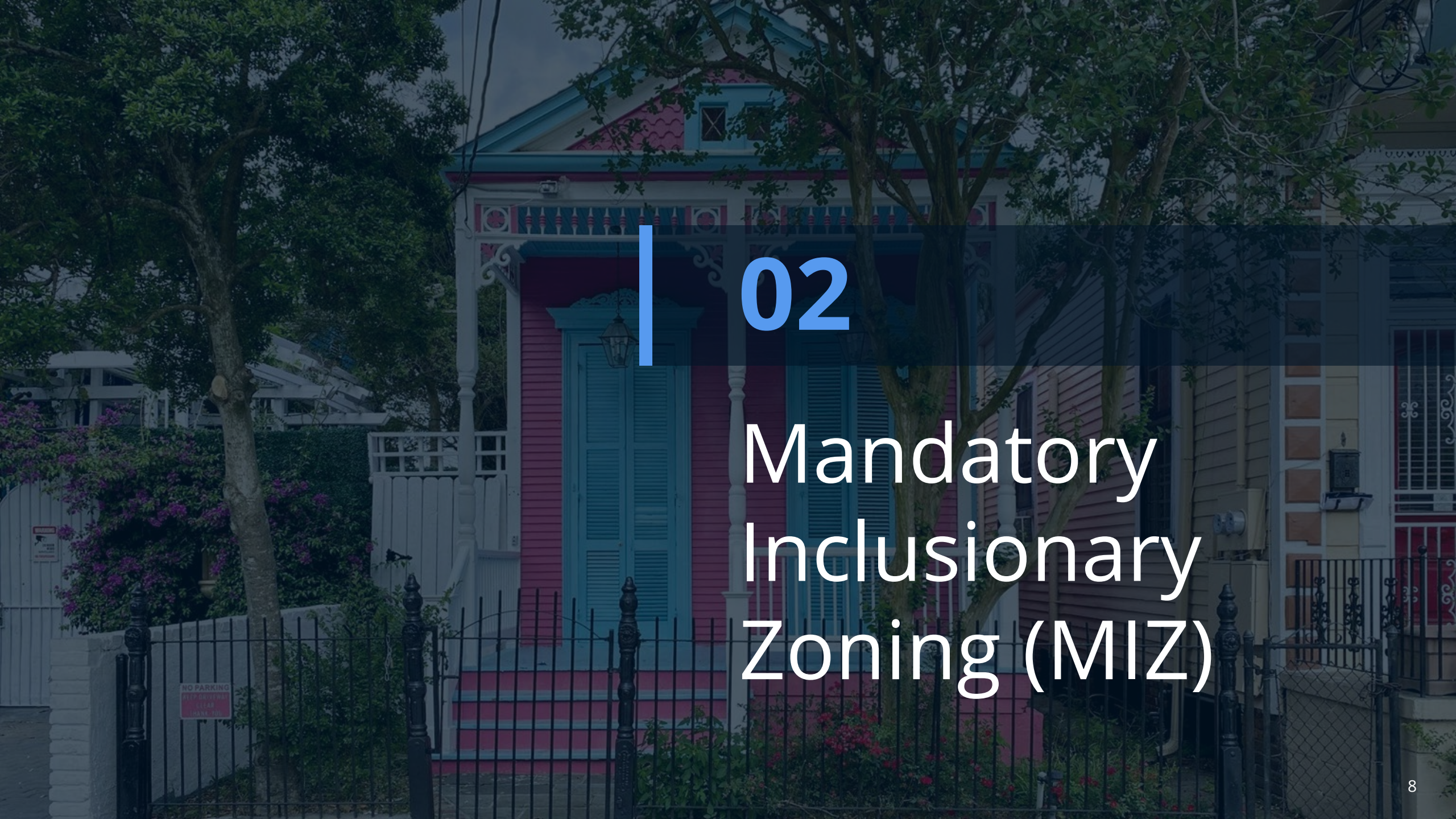
EXISTING POLICY + INCENTIVE REVIEW	Evaluated **impact of current MIZ** policy to-date.
MARKET SCAN	Analysis of **housing market conditions** including demand trends, recent market deliveries, affordability gaps, and current development costs.
STAKEHOLDER OUTREACH	Conducted **stakeholder interviews with the local housing community** to understand challenges and opportunities.*
FINANCIAL ANALYSIS + PRO FORMA DEVELOPMENT	Financial modeling of prototypical developments across different geographies and product types to test project viability at different **affordability requirement levels and incentives.**
POLICY RECOMMENDATIONS	Developed **a set of policy recommendations** for the refinement of the City's MIZ policy, including updates to policy requirements and incentives.

** Stakeholders included: Finance New Orleans, Downtown Development District, Historic Restorations, Inc., Lincoln Avenue Communities, Sherman Strategies, Webre Consulting, City Council Land Use Office, Williams Architect, Zach Smith Consulting, Gulf Coast Housing Partnership, Housing NOLA, Jericho Road, McCormack Baron, Brian Gibbs Development, LLC, Green Coast Enterprises, First Horizon, and Alembic Community Development.*

OFFICE-TO-RESIDENTIAL CONVERSION ANALYSIS | METHODOLOGY

To address the challenge of high office vacancy and underused office space in the Central Business District, this study assessed opportunities for residential conversion.

MARKET SCAN	Analyzed the health and strengths of the Central Business District's real estate market for office, hotel, and residential uses (e.g., vacancy, rents, leasing activity, deliveries).
CONVERSION FEASIBILITY ANALYSIS	Evaluation of physical, regulatory, and financial feasibility of conversion of different office building typologies.
CASE STUDIES	Prepared three case studies of other cities' approaches to office to residential conversions, highlighting best practices in policies and incentives, funding strategies, and design.
REGULATORY + INCENTIVES ANALYSIS	Identified policy tools and incentives that can facilitate the conversion of vacant office space.

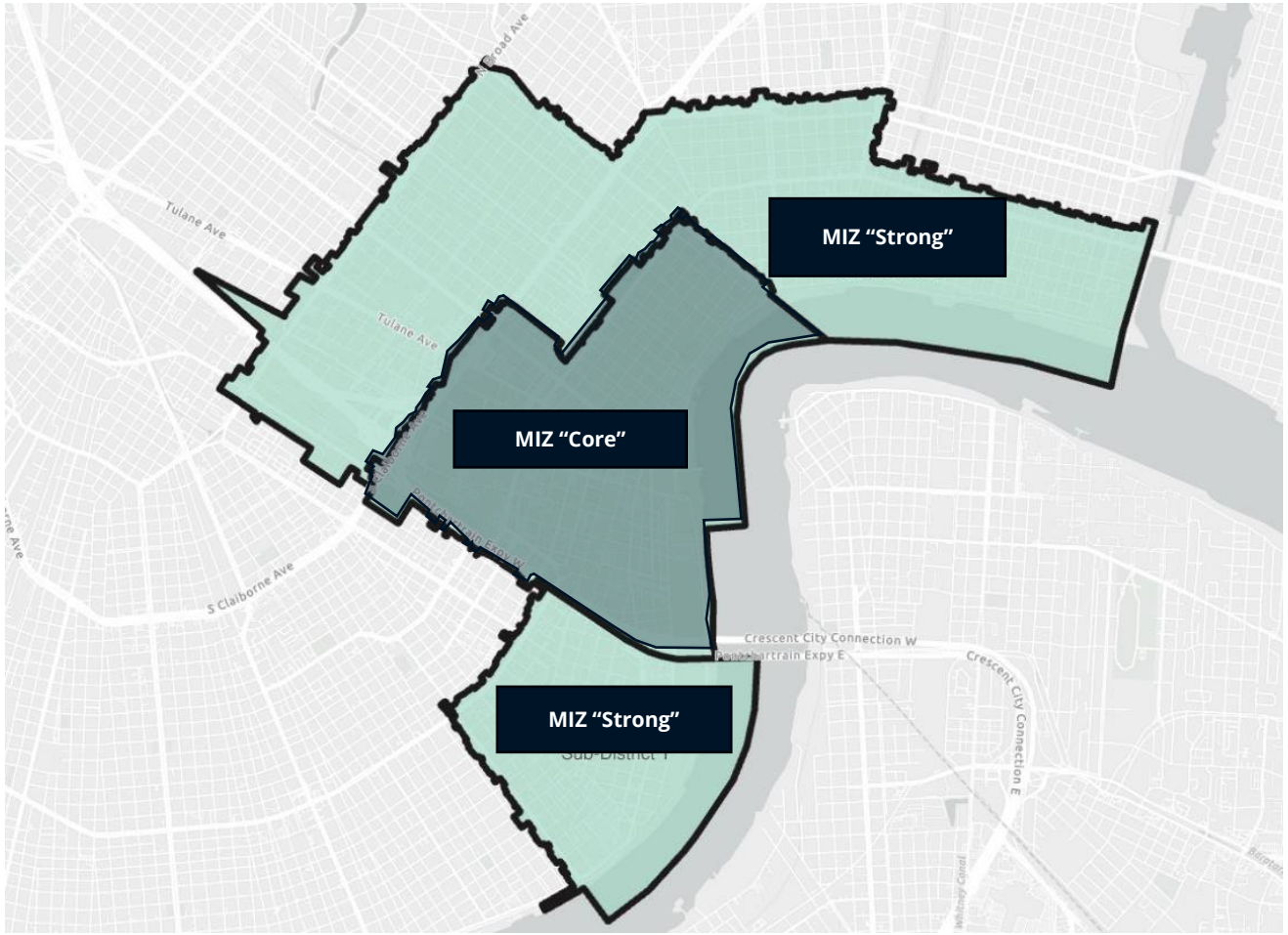


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Mandatory Inclusionary Zoning (MIZ)

MIZ ANALYSIS | GEOGRAPHIC BOUNDARIES AND SUBDISTRICTS

New Orleans' Comprehensive Zoning Code (CZO) currently regulates affordable housing in four ways.* The study evaluated the effectiveness of the Mandatory Inclusionary Zoning (MIZ) policy.



The MIZ policy 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.

** In addition to MIZ, the CZO regulates affordable housing development via the Voluntary Inclusionary Zoning (VIZ), Affordable Housing Planned Development (AHPD), and Small Multi-Family Affordable (SMFA) designations.*
Source: https://nola.gov/nola/media/City-Planning/Major%20Projects/Inclusionary%20Housing%20Study/MIZ_Presentation.pdf

MIZ ANALYSIS | CURRENT POLICY

Implemented in July 2021, the City's current MIZ policy for rental housing balances affordability requirements with public incentives and administrative support, based on 2021 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% by-right, and up to 30% when located within a 600-foot radius of a transit stop

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

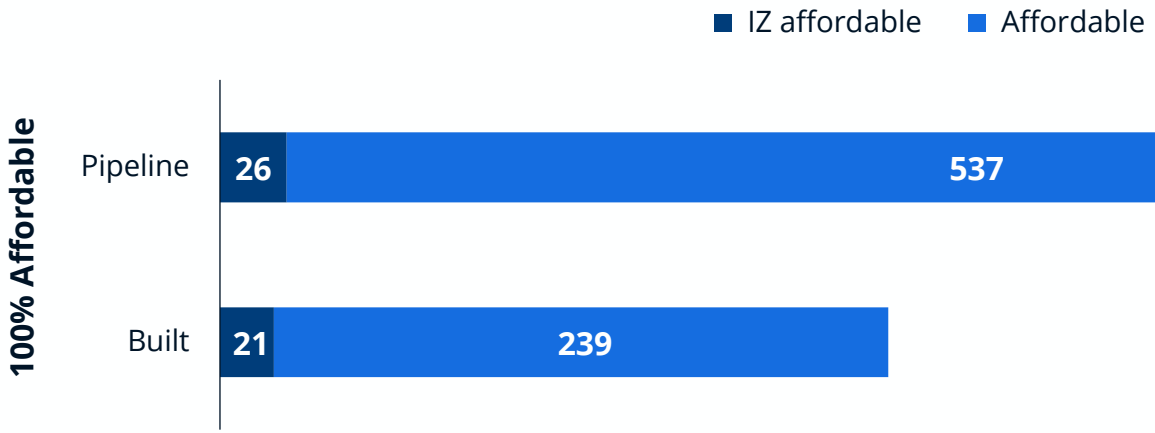
Property Management
Units administered at property-level by owner

Source: New Orleans Comprehensive Zoning Ordinance, Article 28: https://czo.nola.gov/article-28/

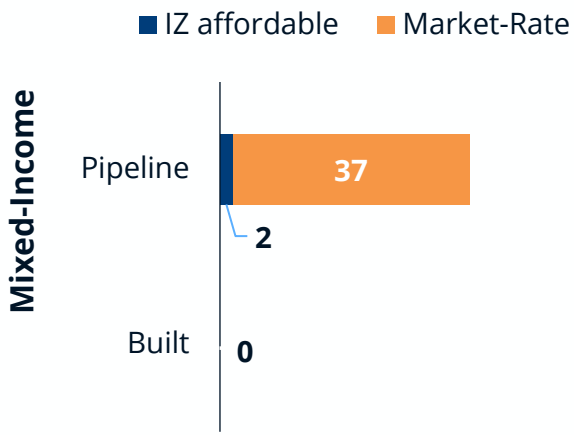
MIZ ANALYSIS | IMPACT OF EXISTING MIZ POLICY

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)



The three built projects used a mix of tax abatements, density bonuses, and parking relief – in addition to utilizing Low-Income Housing Tax Credit (LIHTC) and HOME funds.



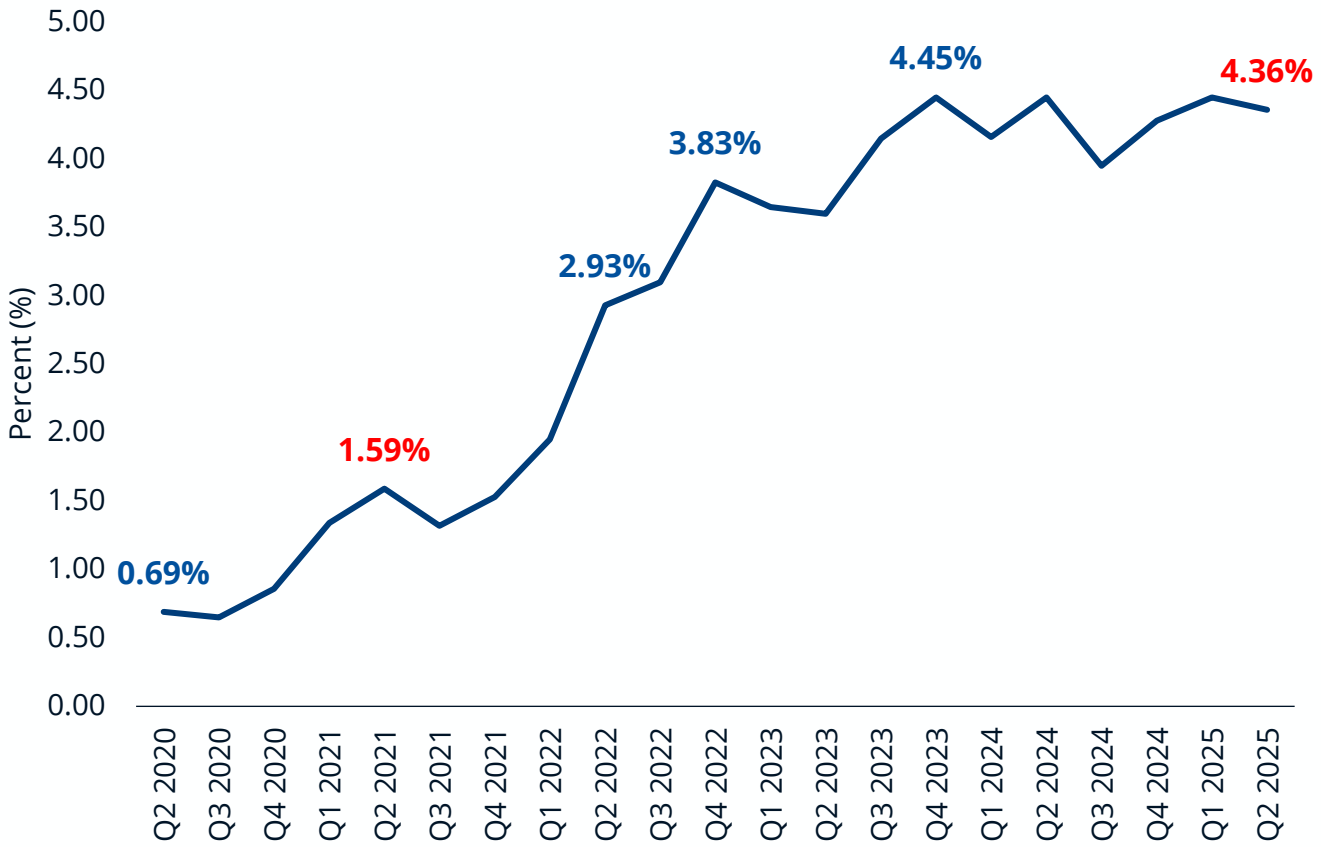
Worsening macroeconomic factors (higher development costs, interest rates, and insurance costs) have constrained the development of mixed-income projects.

Source: Department of Safety and Permits, City of New Orleans
Note: The two IZ units in the mixed-income projects pipeline are in two projects, with a total of 21 and 18 units respectively. The number of IZ units is subject to change based on ongoing negotiation between the City and project developers.

MIZ ANALYSIS | MACROECONOMIC HEADWINDS TO DEVELOPMENT

Rising construction costs, interest rates, and insurance costs, have all made building apartments more difficult across the country and in New Orleans.

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



High Construction Costs

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

Elevated Interest Rates

The sharp rises **(+2.77%)** in interest rates since 2021 have increased borrowing costs.

Rising Insurance Costs

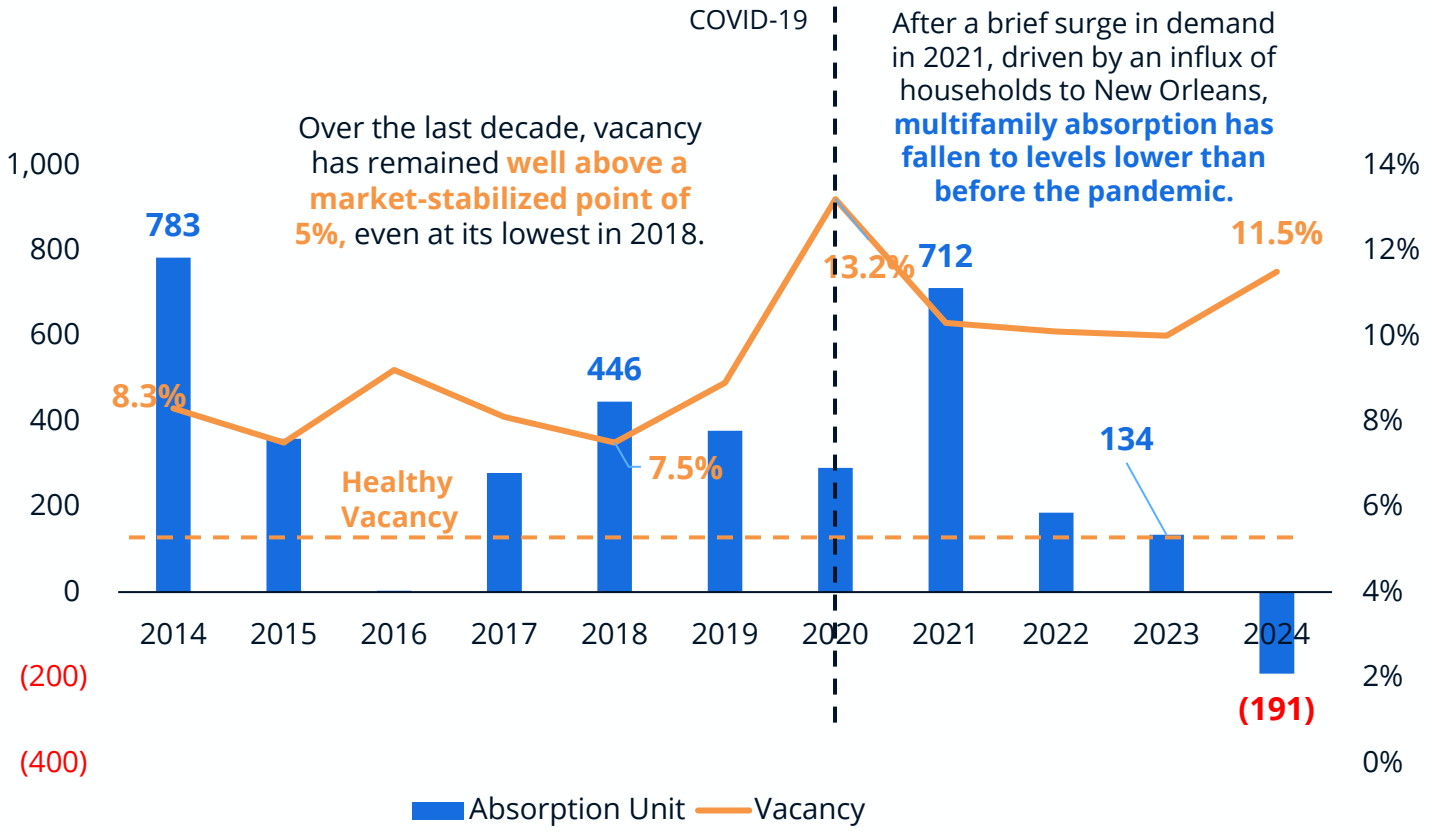
As of 2024, the average cost for annual property insurance **exceeded $1,600** per unit for market-rate and affordable multifamily properties in New Orleans. This represents a **YoY increase of 30%** for market-rate properties and **40%** for affordable housing properties.

Sources:

- *Interest Rates: 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*
- *Construction costs: 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.*
- *Insurance Costs: Source: Fannie Mae, "Multifamily Economic and Market Commentary," May 2024. https://www.fanniemae.com/media/51396/display*

A continuing decline in the city's population has contributed to weaker demand for residential and office space alike.

MULTIFAMILY ABSORPTION AND VACANCY (2014 – 2024)



Stagnant Multifamily Rents

Stagnant rents at the top of the market since 2021, with a **YoY increase of 1.1%,** indicating weakening demand.

Declining Population

From 2020 to 2023, New Orleans saw a **decrease of 15,000 in its population** and 1,500 households, leading to reduced demand for housing.

Increasing Residential Vacancy

Multifamily absorption rates have fallen over the last few years, surpassing pre-pandemic vacancy rates – **11.5% in 2024 vs. 7.5% in 2018.**

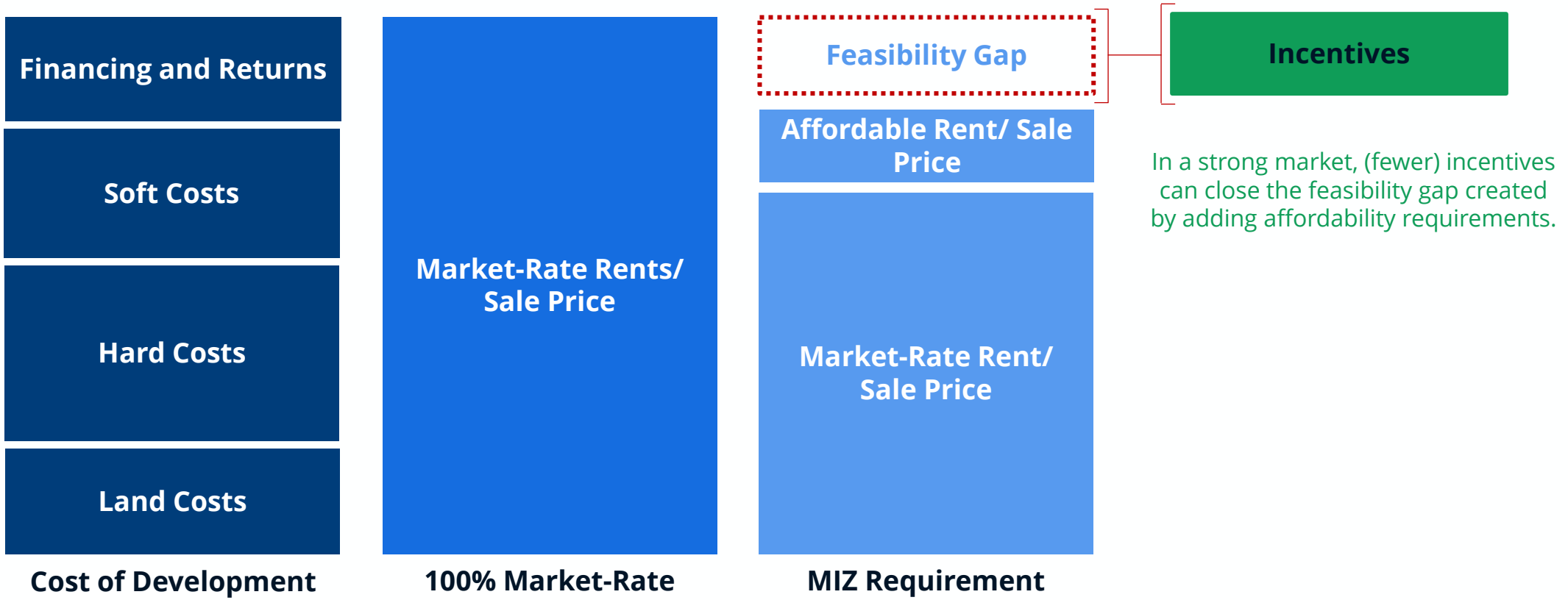
Sources:
- *Population: ACS 5-Year Estimates*
- *Multifamily Data (Rents, absorption, vacancy): CoStar*

MIZ Feasibility Analysis

MIZ ANALYSIS | FEASIBILITY MODELING

In a strong market, a market-rate multifamily development yields enough rent/sale revenue to cover development and operating costs and costs of repaying lenders and investors.

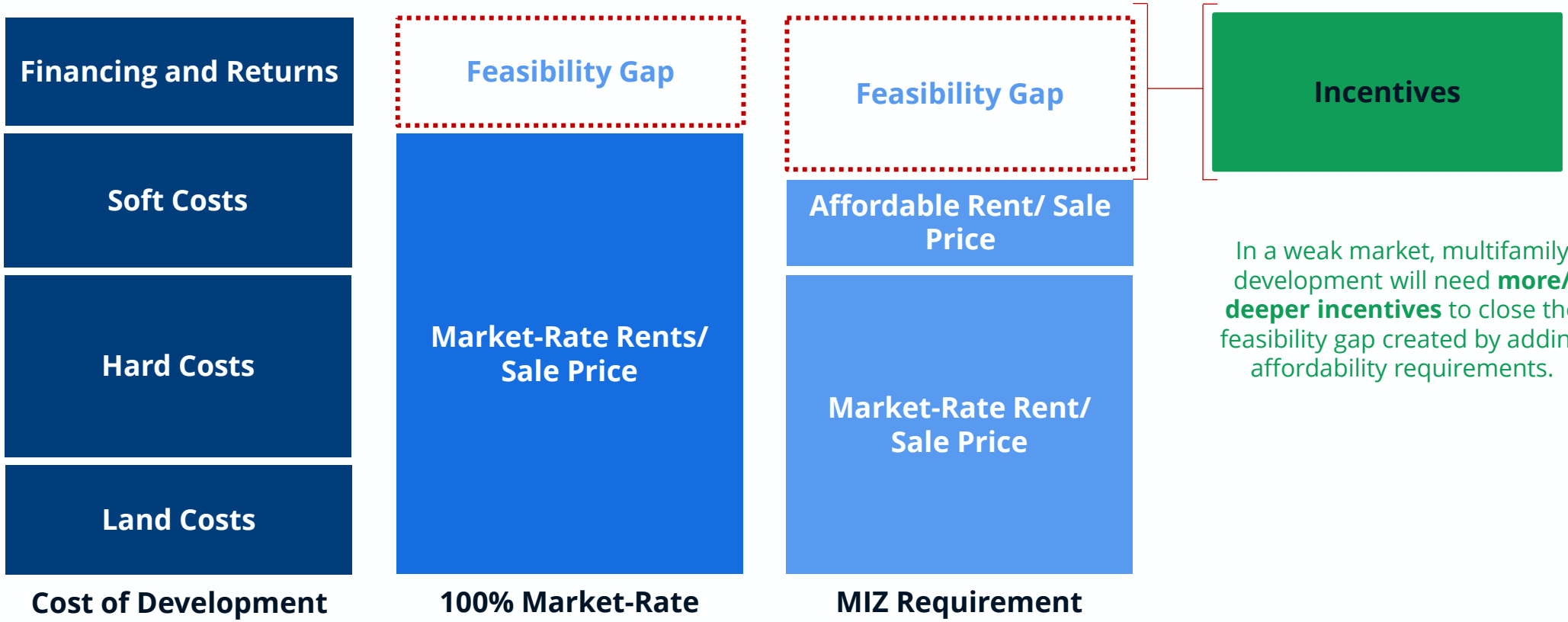
Hypothetical Multifamily Development in a Strong Market



MIZ ANALYSIS | FEASIBILITY MODELING

In a weak market, even a 100% market-rate multifamily development is not feasible.

Hypothetical Multifamily Development in a Weak Market



MIZ ANALYSIS | FEASIBILITY MODELING 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.

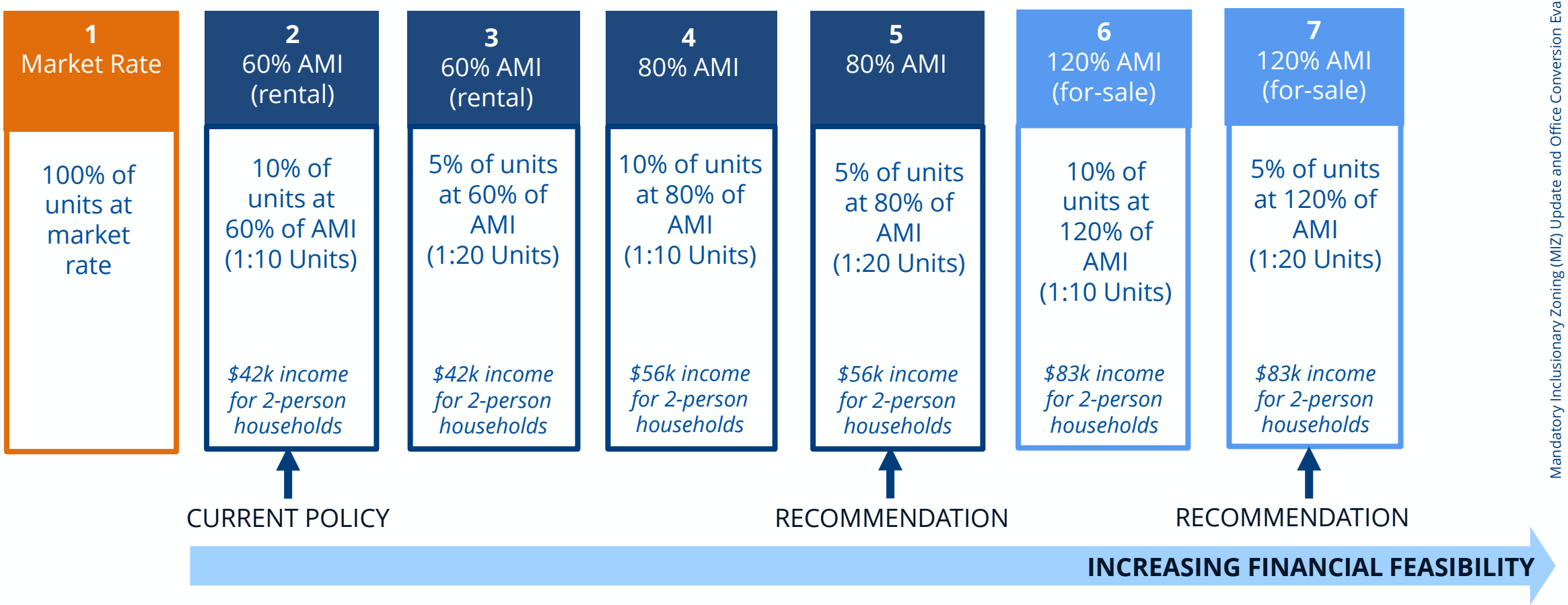


PUBLIC INCENTIVES

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

MIZ ANALYSIS | FEASIBILITY MODELING CONSIDERATIONS: AFFORDABILITY REQUIREMENTS

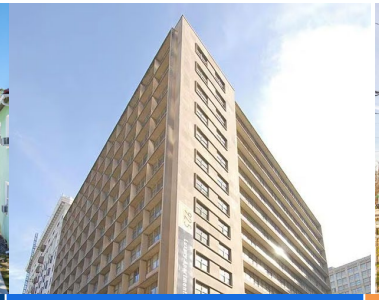
Based on recent trends in housing cost burden, the study analyzed affordability at levels between 60-120% AMI for rental and for-sale projects.



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 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		●	●	●	

MIZ ANALYSIS | FEASIBILITY MODELING CONSIDERATIONS: PUBLIC INCENTIVES

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

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.

Sales tax exemption is the only incentive applicable to the for-sale typologies. Since they are in the core submarket, neither the parking reduction nor the density bonus are applicable. For-sale projects are currently not eligible for tax abatements.

** 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.*

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	Recommended Policy
1. ADJUST AFFORDABILITY REQUIREMENTS		**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 (Rental)
	Strong: 5% of units at 60% AMI	
	Transitional: Voluntary participation	Core, Strong, and Transitional: Voluntary participation; 5% of units at 120% AMI (For-Sale)
2. BOOST INCENTIVES		**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 70-100%
	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	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

** 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 in all submarkets, with the provision of incentives.

Current Policy

Core: 10% of units at 60% AMI
Strong: 5% of units at 60% AMI
Transitional: Voluntary participation

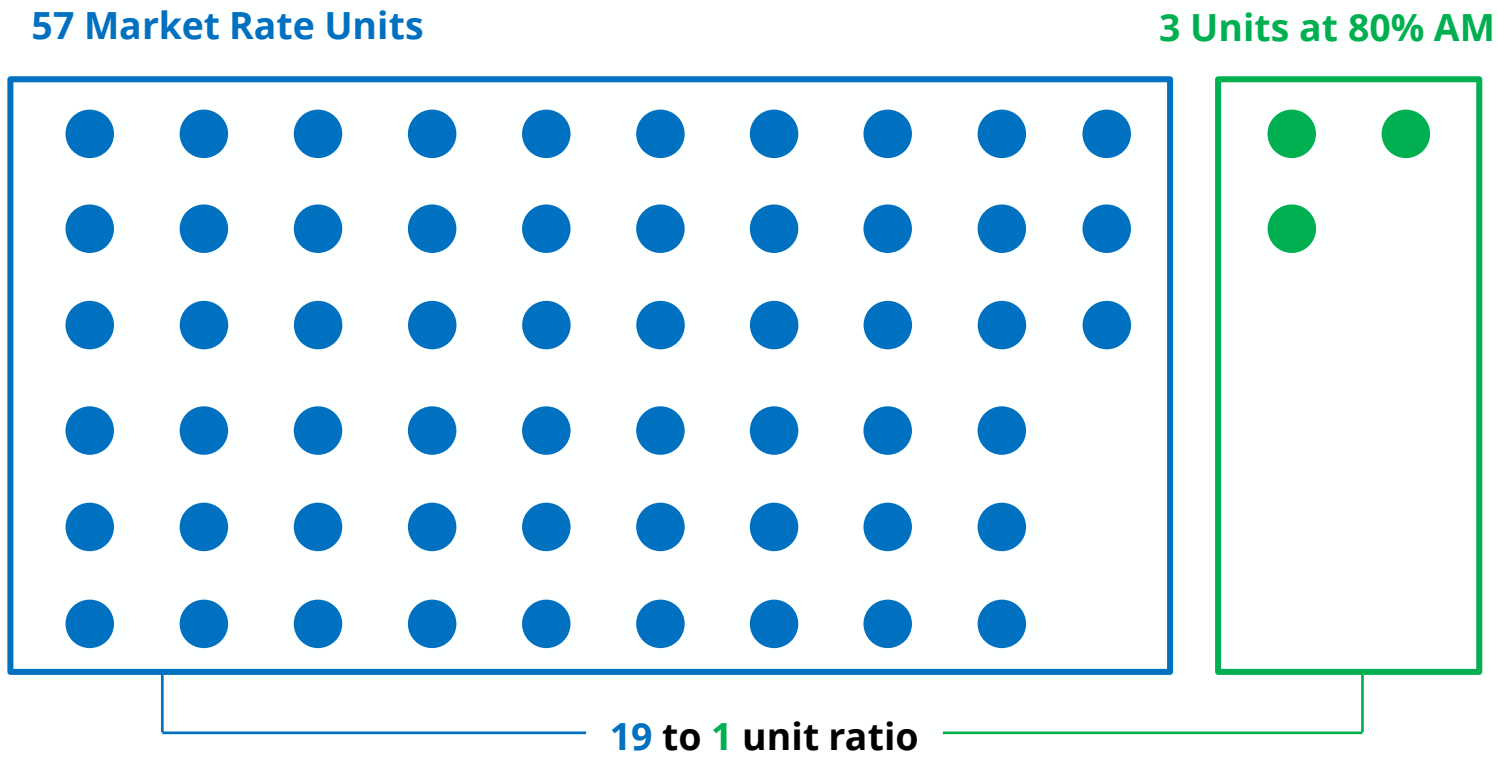
Recommended Policy

Reduce the proportion of units and target higher income band; move to voluntary participation across all submarkets

Core, Strong, and Transitional: Voluntary participation; 5% of units at 80% AMI (Rental)

Core, Strong, and Transitional: Voluntary participation; 5% of units at 120% AMI (For-Sale)

EXAMPLE 60-UNIT MIZ PROJECT



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.

** For for-sale projects, the number of IZ units would be the same, but at 120% AMI.*

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

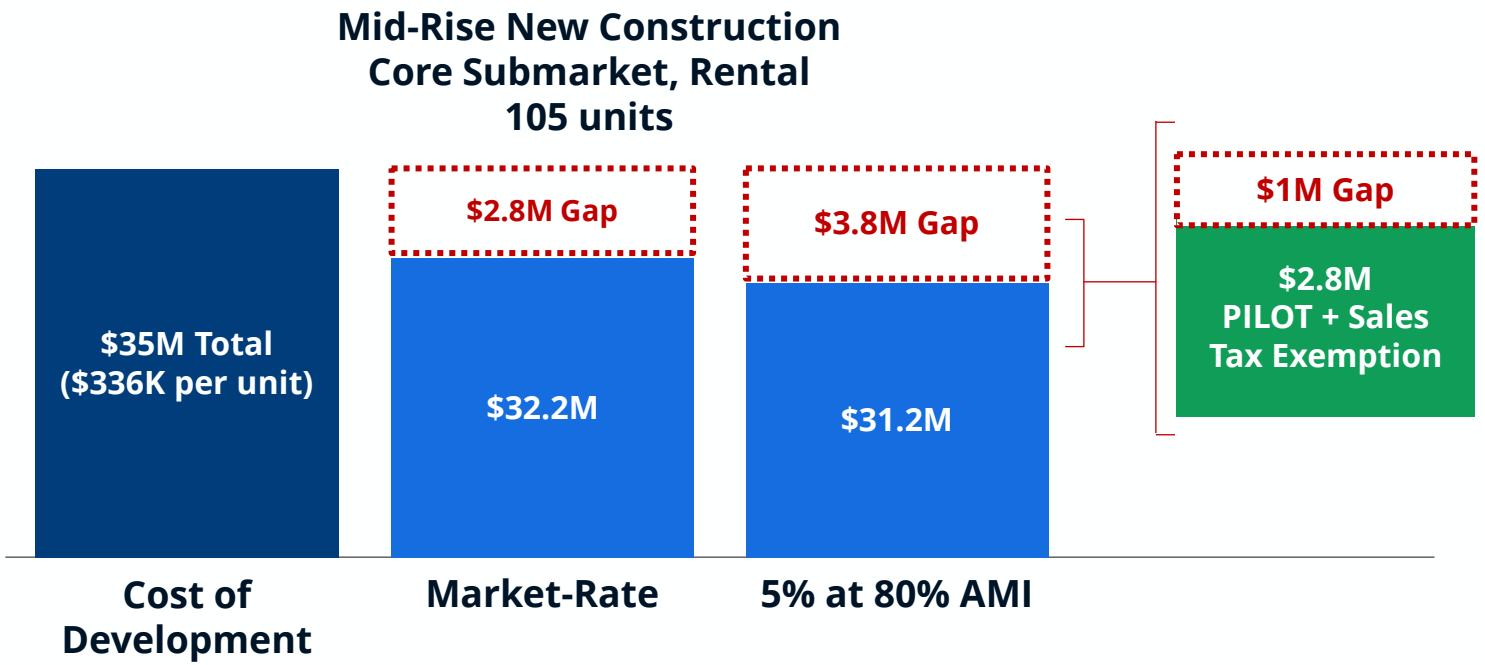
Current Policy

Density Bonus: 30%, up to 50%
PILOT: 10-year term, generally 50-70%
RTA: Reduction of renewal requirement
Parking Reduction: 10%, up to 30%

Recommended Policy

Provide additional incentives*

Density Bonus: 30-50%; height requirement up to 75 ft
PILOT: 10-year term, generally 70-100%
RTA: Reduction of renewal requirement
Parking Reduction: 30-100%
Sales Tax Exemption: 100%



Although the incentives help reduce the gap resulting from high development costs and MIZ requirements, this still does not render the hypothetical project feasible.

Notes:
** increasing incentives helps reduce the feasibility gap but does not close it entirely.*
- *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.*

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.

Current Policy

Designed to encourage on-site production of affordable units
$291,000 – 305,000 per rental unit

Recommended Policy

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

$10,000 – 25,000 per unit capped at $500,000 per project

$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.

MIZ ANALYSIS | FINDINGS

Setting aside 5% of units at 80% AMI,* none of the nine evaluated development scenarios are feasible, even with the inclusion of incentives, and four are borderline feasible.






Submarket	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**

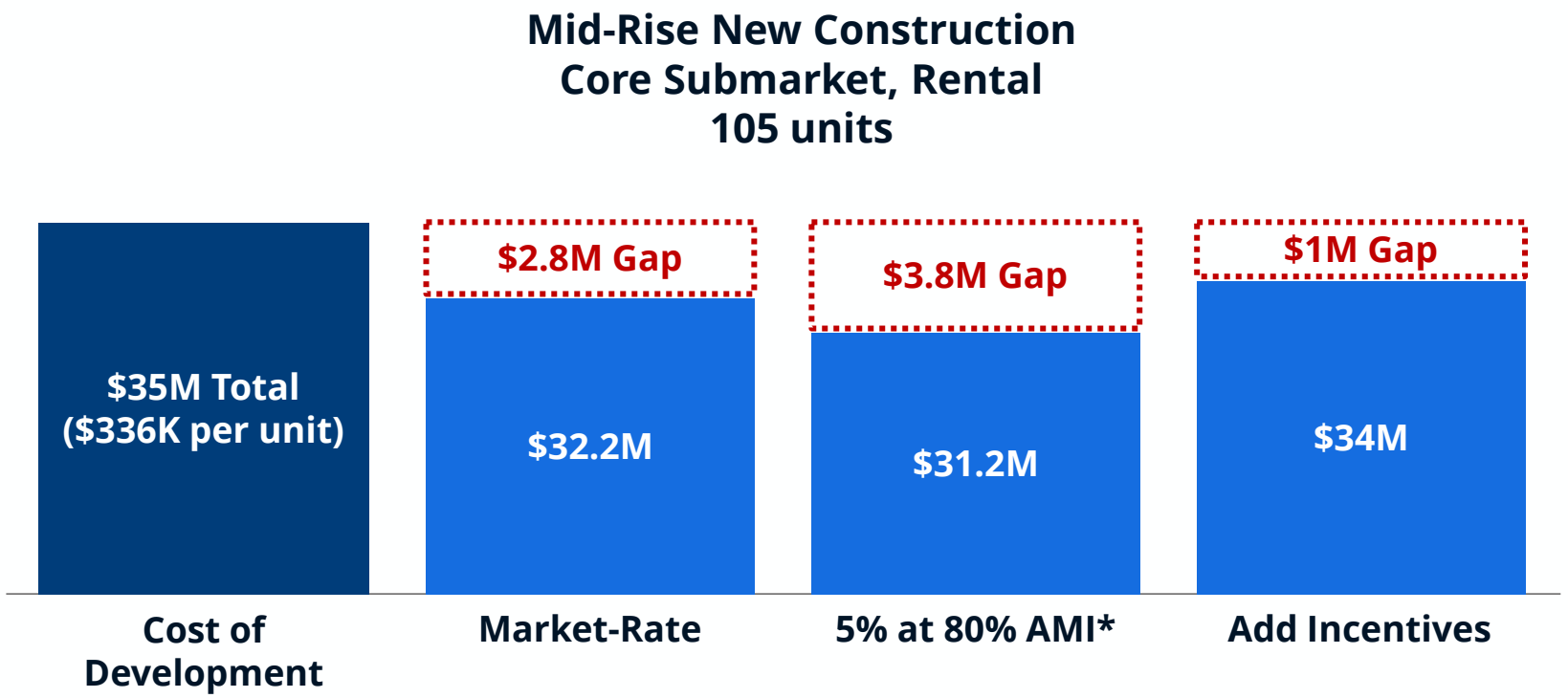
LEGEND

- 🟢 Feasible
- 🟡 Borderline Feasible
- 🔴 Infeasible

Notes:
* 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.
*** Typology was not modeled for given submarket.*
- *Feasibility thresholds:*
  - *Feasible: Rental: >7.5% return; For-Sale: >2.0 equity multiplier*
  - *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*

MIZ ANALYSIS | FINDINGS

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



** 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 rental projects.

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	Recommended Policy
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	PILOT: 10-year term, generally 50-70%	PILOT: 10-year term, generally 70-100%
	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	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

** Increasing incentives helps reduce the feasibility gap but does not close it entirely.*

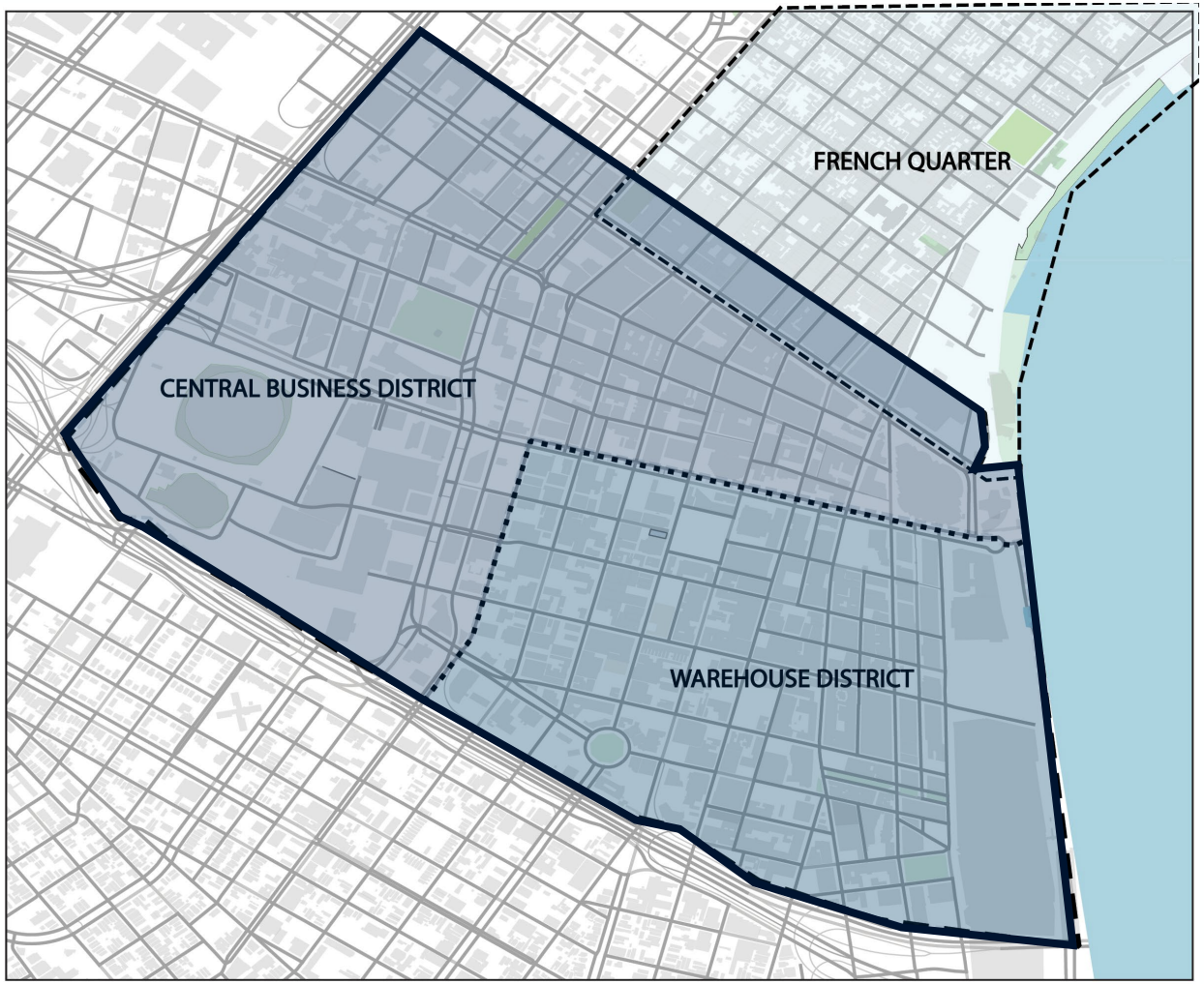


03

Office Conversion Analysis

OFFICE-TO-RESIDENTIAL CONVERSION ANALYSIS | CONTEXT

To address the challenge of high office vacancy and underused office space in the CBD, this study assessed opportunities for residential conversion to revitalize downtown and add additional housing.



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

208

Total private office buildings in the CBD*

5

Office building typologies

- Single-story
- Narrow building
- Wide wall-to-wall
- Mid-rise
- High-rise

***Physical characteristics include building heights, building width, floorplate size; and window walls.*
Source: Costar and Studio Kiro analysis

OFFICE-TO-RESIDENTIAL CONVERSION ANALYSIS | FACTORS IMPACTING CONVERSION FEASIBILITY

The decision to convert an office building to another use is highly dependent on – (i) physical building attributes, and (ii) market and financial factors.

Factors Impacting Physical Feasibility of Conversion



Physical Attributes and Location
Building heights, building width, floorplate size; window walls

Factors Impacting Financial Feasibility of Conversion



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



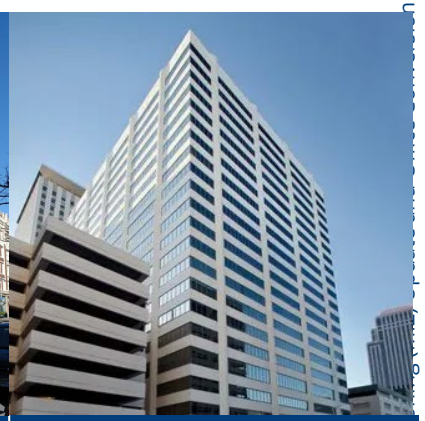
Regulatory Requirements
Affordability requirements under Mandatory Inclusionary Zoning

OFFICE-TO-RESIDENTIAL CONVERSION ANALYSIS | BUILDING TYPOLOGIES

Applying the **physical feasibility filter**, four of the five building typologies 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

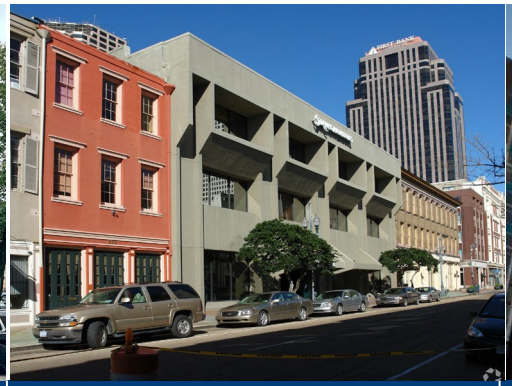
Based on physical attributes, **all typologies are potentially viable for conversion though single-story is unlikely** because these buildings consistently appear to be slab on grade structures that would require a variance if there is a substantial renovation. This situation will apply to the other typologies as well, but owners may justify going through the waiver process since they will have more units in the building.

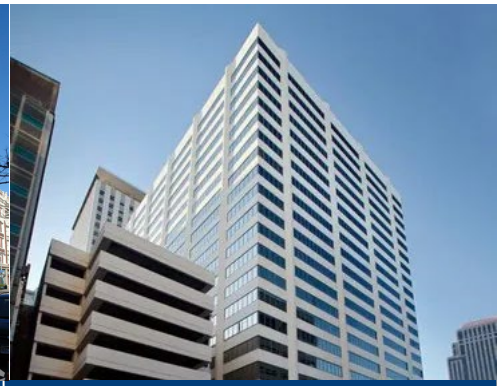
OFFICE-TO-RESIDENTIAL CONVERSION ANALYSIS | BUILDING TYPOLOGIES

The study analyzed the **financial feasibility** for four office building typologies that represent 188 of a total of 208 private office buildings in the CBD.







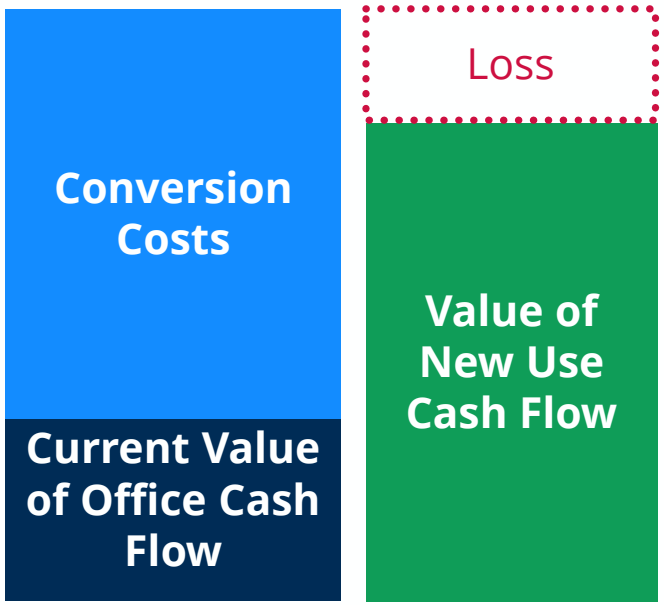


	Narrow Building	Wide Wall-to-Wall	Mid-Rise	High-Rise
Floorplate Width	20-45 ft	45-80 ft	80+ ft	80+ ft
Avg. Floorplate Area	2,744 sf	3,240 sf	9,686 sf	16,600 sf
Gross Area (Range)	5,500 – 11,000 sf	6,500 - 16,200 sf	38,700 – 116,200 sf	166,000 – 846,600 sf
No. of Floors (Range)	2-4	2-5	4-12	10-51
Building 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		

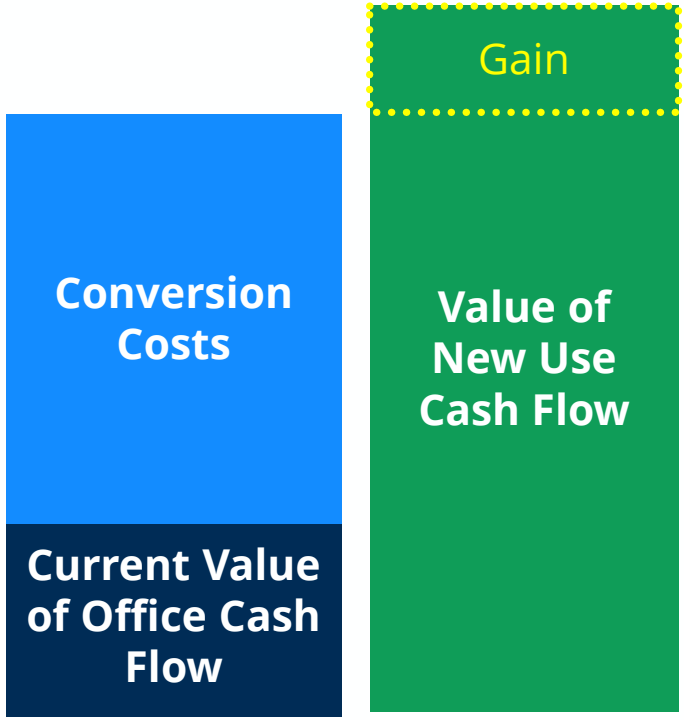
OFFICE-TO-RESIDENTIAL CONVERSION ANALYSIS | FEASIBILITY ANALYSIS METHODOLOGY

Conversions only happen when the cost of conversion plus the existing office value is less than the future value of a residential building.*

Remain as Office if a Financial Loss is Projected



Convert if a Financial Gain is Projected



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

OFFICE-TO-RESIDENTIAL CONVERSION ANALYSIS | FEASIBILITY ANALYSIS METHODOLOGY

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

OFFICE-TO-RESIDENTIAL CONVERSION ANALYSIS | FEASIBILITY ANALYSIS METHODOLOGY

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



1. OFFICE BUILDING PERFORMANCE

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



2. REGULATORY REQUIREMENTS

Assesses the impact of the existing and proposed Mandatory Inclusionary Zoning Policy on feasibility.

**Different regulatory requirements impact different model inputs. For instance, affordability requirements result in lower revenue. HR&A modeled MIZ requirements 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.*

Feasibility improves as office vacancy increases. However, high conversion costs and low residential rents drive infeasibility across all typologies and office building performance scenarios.

Feasibility by Office Building Performance

	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.*

OFFICE-TO-RESIDENTIAL CONVERSION ANALYSIS | FEASIBILITY ANALYSIS FINDINGS

Affordability requirements make financial feasibility marginally worse relative to conversion to 100% market-rate housing. Among the four typologies, Wide Wall-to-Wall and Mid-rise have the smallest projected financial loss.

Feasibility by Regulatory Requirements

	Baseline Conversion 100% Market Rate*	**Current MIZ requirements** 10% Affordable at 60% AMI	**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.

The City of New Orleans can leverage a variety of tools to increase the feasibility of office-to-residential conversions.

Tax Tools

- **Eliminating/reducing property taxes** for a period following the conversion **can allow more buildings to feasibly convert.**
- The City should **utilize tax abatements** to enable conversion feasibility, which reduce the tax bill of the converted building.

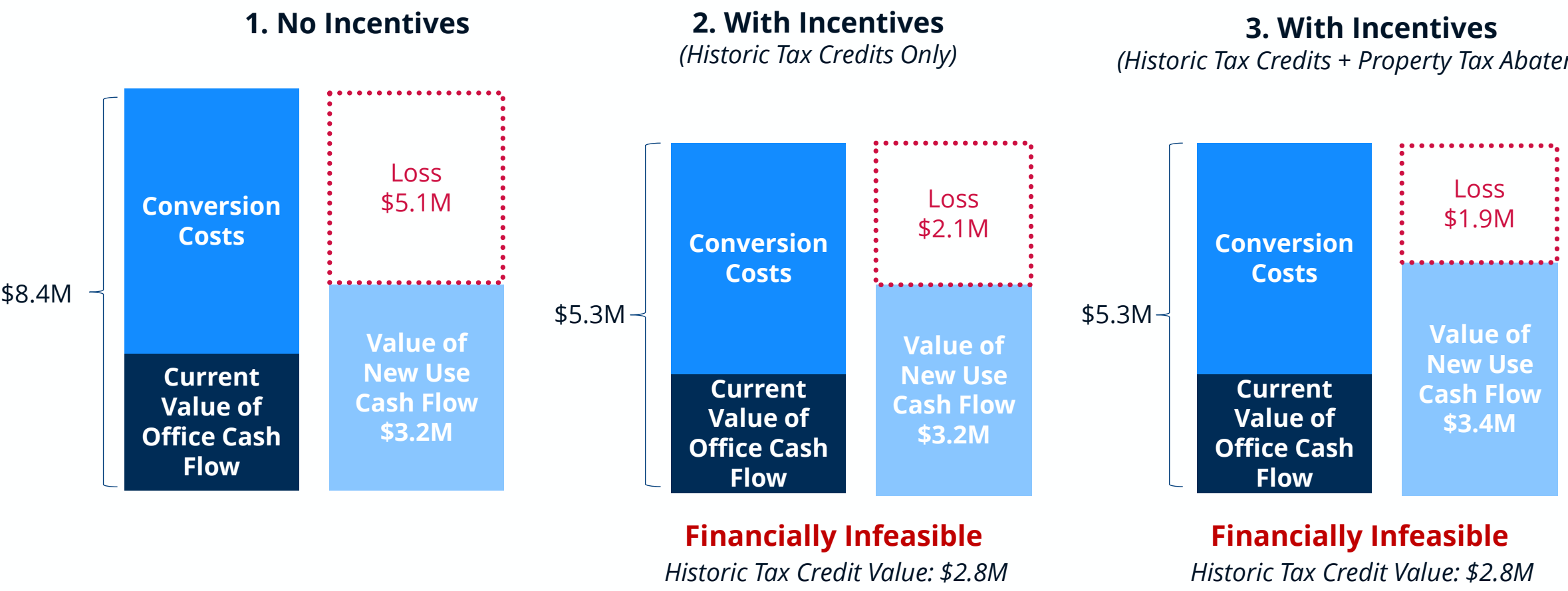
Financing Tools

- **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.
- The City should **prioritize historic buildings** eligible for historic tax credits for conversion.

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.

For instance, layering in historic tax credits and property tax abatements helps reduce but not fully eliminate the financial feasibility gap for a typical wide wall-to-wall building.



OFFICE-TO-RESIDENTIAL CONVERSION ANALYSIS | RECOMMENDATIONS

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

Recommendations



1. Identify viable office building candidates for conversion, focusing on wide wall-to-wall and mid-rise buildings**.**



2. Utilize financing tools, particularly historic tax credits and property tax abatements, to reduce/eliminate the financial feasibility gap for priority projects.

Potential Outcomes

- Roster of potential conversion projects, likely historic buildings under long-term ownership.
- Improved financial feasibility for borderline projects, possibly profitable, enabling conversion.



04

Conclusion

CONCLUSION

Development feasibility remains a challenge in New Orleans, like many places across the country. The recommendations proposed in this study are based on current market conditions and must be revisited and updated periodically as the market evolves.

To re-activate the development pipeline amid challenging market conditions, the City will need to pair its existing tools with additional, time-limited support such as:



Gap-financing support, flexible public capital in the form of soft loans or targeted grants



Rental assistance/operating support, or ongoing project-based subsidy to close the gap between what households can afford and rent needed to operate the property



Expedited processes, including by-right approval pathways, consolidated and parallel reviews, and dedicated case management



CITY OF NEW ORLEANS

MIZ Update and Office Conversion Evaluation

Presentation to the City Planning Commission (CPC)

November 11, 2025

HR&A

ALEXANDRA MILLER CONSULTING

studio kiro

NEW ORLEANS FY 2024 INCOME LIMITS

Category	1 person	2 person	3 person	4 person	5 person	6 person
30% AMI	$18,250	$20,850	$23,450	$26,050	$28,150	$30,250
50% AMI	$30,400	$34,750	$39,100	$43,400	$46,900	$50,350
60% AMI	$36,480	$41,700	$46,920	$52,080	$56,280	$60,420
80% AMI	$48,650	$55,600	$62,550	$69,450	$75,050	$80,600
100% AMI	$60,800	$69,500	$78,200	$86,800	$93,800	$100,700
120% AMI	$72,960	$83,400	$93,840	$104,160	$112,560	$120,840

Source: https://nola.gov/nola/media/Community-Development/Direct%20Homebuyers%20Assistance/2024-New-Orleans-HUD-Income-Limits.pdf

NEW ORLEANS FY 2024 RENT LIMITS

Category	Studio	1-BR	2-BR	3-BR	4-BR	5-BR
30% AMI	$456	$521	$587	$651	$769	$808
50% AMI	$760	$869	$978	$1,085	$1,281	$1,346
60% AMI	$912	$1,043	$1,173	$1,302	$1,537	$1,616
80% AMI	$1,216	$1,390	$1,564	$1,736	$2,050	$2,154
100% AMI	$1,520	$1,738	$1,955	$2,170	$2,562	$2,693
120% AMI	$1,824	$2,085	$2,346	$2,604	$3,074	$3,231

Source: https://nola.gov/nola/media/Community-Development/Direct%20Homebuyers%20Assistance/2024-New-Orleans-HUD-Income-Limits.pdf ; HR&A Analysis