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December 17, 2024

The Honorable LaToya Cantrell
Mayor
City of New Orleans
1300 Perdido Street, 2nd Floor East
New Orleans, LA 70112

The Honorable Helena N. Moreno
The Honorable Jean Paul “JP” Morrell
The Honorable Joseph I. Giarrusso, III
The Honorable Lesli Harris
The Honorable Freddie King, III
The Honorable Eugene J. Green
The Honorable Oliver Thomas
Members of the New Orleans City Council
City of New Orleans
1300 Perdido Street, 2nd Floor West
New Orleans, LA 70112

Re: Housing Trust Fund Implementation

Dear Mayor Cantrell and Councilmembers,

On November 5, voters approved an amendment to the City of New Orleans charter to appropriate the equivalent of at least 2% of the General Fund annually to the City’s Housing Trust Fund. The dedication becomes effective on January 1, 2025, with the first required appropriation – estimated to be more than \$17 million – occurring in the 2026 City budget. As the City administration and council prepare to invest the new funding in affordable housing projects and programs for low- to moderate-income residents, the Bureau of Governmental Research (BGR) is writing to recommend ways to enhance the administration and use of Housing Trust Fund dollars. Given the scale of the future appropriations and the importance of housing affordability, it is imperative that the City make effective and efficient investments and create systems that will help it to correct and improve these investments when necessary.

Prior to the election, the City Council passed an ordinance to set up a basic administrative framework for the Housing Trust Fund. BGR reviewed this framework in its [On the Ballot report](#) for voters analyzing the budget dedication. The [ordinance](#) sets forth broad eligible uses and priority areas for funding, creates a council advisory committee as an oversight body, and defines some performance metrics for the fund administrators. The ordinance also opens the way for the City to enter

into a cooperative endeavor agreement with two external agencies, Finance New Orleans (FNO) and the New Orleans Redevelopment Authority (NORA), to administer the fund.

However, the ordinance does not adequately address several areas important to transparent, accountable and responsive administration of the Housing Trust Fund and the effective use of future appropriations. Administration of the Housing Trust Fund could be improved with:

- **Clear eligibility criteria** for residents and developers seeking trust fund dollars.
- **More detailed metrics for Housing Trust Fund investments and reporting** on their impact.
- **Regular, comprehensive and independent evaluation** to help ensure that programs effectively address the city's housing problems.
- **Auditing requirements for fund administrators** to increase the transparency and accountability for their trust fund appropriations.
- **Support for strong cooperation** between the trust fund's administering agencies and other City housing agencies.
- **Greater input from the council advisory committee** on trust fund implementation throughout the budget year.

Some of these issues can be addressed in the context of the cooperative agreement with FNO and NORA, but others will need ordinance revisions, as described below.

1. **The City's cooperative endeavor agreement with FNO and NORA should require them to lay out clear eligibility criteria for Housing Trust Fund programs.** Currently, the Housing Trust Fund's governing ordinance provides minimal direction on what program or funding requirements residents and organizations should meet to receive trust fund financing. Placing an emphasis on clear criteria can support well-planned and strategic investments and objective decision-making on their merits. Strategic criteria should tie to the city's [housing strategic plan](#) and the priorities outlined in the trust fund ordinance.¹ Other criteria and benchmarks will vary by program. For example, rental unit development should consider each project's length and depth of affordability, cost effectiveness, project feasibility without funding, geographic distribution of investments, access to public transit, and community input, among others. BGR found similar criteria in our review of housing trust funds in 29 other cities.

When drafting the award criteria for their trust fund programs, FNO and NORA should consult with other city housing agencies, such as the Mayor's Office of Community Development. These agencies administer similar funding programs for residents and developers and, as such, have experience with requirements that can yield the most effective housing investments. The City could stipulate in the cooperative endeavor

¹ These priorities include the three priority areas of the Housing Trust Fund – (1) the creation of affordable rental housing units, (2) the preservation of affordable rental housing units and (3) the creation and preservation of affordable homeownership opportunities. The ordinance also outlines that all expenditures from the fund should prioritize projects with “climate resilient elements, creative and leveraged funding opportunities, and depth and longevity of affordability terms.

agreement that FNO and NORA develop these criteria for all programs funded by trust fund dollars. FNO and NORA should establish program award criteria before the City appropriates Housing Trust Fund dollars to those programs.

2. **The City should include an expanded list of required performance metrics in the annual and quarterly reports of trust fund investments in its cooperative agreement with FNO and NORA.** The Housing Trust Fund ordinance requires that annual and quarterly reports from the two external agencies, which are reviewed by the council advisory committee, include metrics relating to fund revenues and expenditures, the number of households served, the number of affordable rental and homeowner units created and preserved, and the status of affordable housing projects. While these metrics track progress in the trust fund's priority areas, they may not capture the trust fund's real, long-term impact on residents and the cost of housing. Examples of metrics that would help assess these areas include program spending per income tier, median and average rent levels and sales prices of units developed with fund dollars, and the amount of non-public dollars leveraged with trust fund investment. These metrics are used by peer cities with housing trust funds and can help communicate key impacts from housing trust fund investments in the long term.

In addition, reports should include in-depth information on deployment of trust fund dollars and the status of ongoing housing developments and programs. This would further improve the transparency of trust fund uses and allow future City officials to adjust housing investments accordingly.

The council and the fund's administrators should consult with other housing agencies and policy experts to determine what metrics, beyond those in the ordinance, are essential to assessing the Housing Trust Fund's impacts on New Orleans' housing problems. The funding requirements in the cooperative agreement should be approved prior to any appropriations from the Housing Trust Fund. This would allow the administering housing agencies to gather the relevant data as they begin making trust fund investments.

3. **Beyond the annual and quarterly reports, the City's cooperative agreement with FNO and NORA should require an independent evaluation of Housing Trust Fund investments and their impact on the city's housing problems.** The current ordinance does not subject the fund administrators to evaluation of program and investment performance aside from annual and quarterly reports on revenue expenditures and fund balance, project status and performance metrics. Strong program evaluations go further to assess long-term public outcomes and allow administrators to adjust spending, program design and implementation to continuously improve programs. If done by a third party, these evaluations can also improve the transparency of a program's implementation and impacts on the community. The City Council recently took such a step with the early childhood education tax that New Orleans voters approved in 2022. The programs funded by the tax are subject to an annual evaluation by an independent party, as stipulated in their cooperative agreement with the City. Similarly, FNO and NORA's Housing Trust Fund programs could undergo periodic evaluations of their overall effectiveness and

contribution to housing affordability in New Orleans. This would help future councils and administrators reevaluate and adjust trust fund spending as needed.

4. In its cooperative agreement with FNO and NORA, the City should lay out clear accountability measures for these agencies, including auditing of trust fund dollars.

Aside from oversight by the council advisory committee, the existing ordinance does not have requirements for auditing trust fund spending by the two external housing agencies. If this accountability gap is not addressed, it may lead to ineffective use of trust fund dollars. The City should require independent annual audits of trust fund transfers, revenues, and expenditures. The audit could provide a check on any inefficient or wasteful spending, which would improve the Housing Trust Fund's effectiveness in the long run and protect the value of taxpayers' investment. The City should include these accountability stipulations in its cooperative agreement with FNO and NORA prior to any appropriation from the trust fund to them.

5. The City Council should revise the Housing Trust Fund ordinance to more explicitly support coordination among FNO, NORA, City and other housing agencies.

Coordination between the city's housing agencies is key in effectively administering programs and funding for projects that require funding from multiple sources. The Housing Trust Fund ordinance does not acknowledge or explicitly support regular coordination between FNO, NORA and other housing agencies, such as the Mayor's Office of Community Development. However, these agencies confirmed to BGR that they have both formal and informal agreements to implement current housing programs. The substantial increase in annual appropriations through the Housing Trust Fund underscores the need for effective coordination and avoiding unnecessary or inefficient overlap in housing investment. In addition, some Housing Trust Fund dollars would assist people who would typically not qualify for federally funded programs administered by the Office of Community Development. FNO and NORA could also work with other agencies on programs and developments that require public properties or land or other support from City agencies. Managing these multiple layers of public support effectively is complex and requires good communication and cooperation. The City should formally acknowledge the need for this coordination, whenever appropriate, by revising the housing trust fund ordinance to establish an intent to foster cooperation.

6. The City Council should revise the trust fund ordinance to clarify appropriate channels for administering agencies to consult with the advisory committee on program implementation.

Outside of annual and quarterly reports, the Housing Trust Fund ordinance does not direct FNO and NORA to consult the advisory committee on deployment of fund money beyond appropriations. While the housing agencies have expertise in housing investment, the limited input from the advisory committee may lead to investments that may not fully respond to community needs. Pittsburgh, a city with a similar housing trust fund administration structure, includes a provision that its advisory board can make recommendations on fund usage throughout the year to the external fund administrator, which retains final approval authority. This helps ensure that the direct use

of these public dollars is continuously subject to public scrutiny and input and aligns with the city's housing goals.

If the City Council envisions greater advisory committee input, it should shape the channels for that input and include appropriate guardrails against potential conflicts of interest. Currently, the trust fund ordinance requires committee members to adhere to the city and state codes of ethics. The council could, for example, provide for additional public meetings at which the advisory committee could provide input and non-binding recommendations on program implementation. At these meetings, the advisory committee chair should ask committee members to recuse themselves from discussions in which a real or perceived conflict might exist. Such safeguards can ensure valuable input for trust fund programs and the fair and objective use of public dollars.

Aside from these administrative recommendations, the mayor and council should pursue other mechanisms to complement trust fund investments. The City should regularly evaluate its mix of housing policy tools, such as zoning enhancements and tax incentives, to determine their effectiveness. By engaging in this multi-faceted approach, the City could have a greater impact on housing affordability issues.

From a budgetary perspective, the new dedication will limit the City's financial ability to address other pressing needs. This was a key concern for BGR in its [analysis](#) of the Housing Trust Fund charter amendment. The new budget dedication increases the importance of the City developing a long-term financial plan that sets priorities and outlines how discretionary dollars will be deployed to address future budget and capital needs. The financial plan would also help citizens understand the City's efforts to mitigate the problems they face every day.

Taking the steps outlined above can help ensure careful planning and administration of the new Housing Trust Fund investments and long-term public benefits. Housing challenges are important issues facing our community and voters have chosen to dedicate new resources to address them; it is vital that the City build this program in the most effective and transparent way possible. Thank you for your consideration and please let us know if you have any questions you may have.

Sincerely,



Rebecca Mowbray
President and CEO
Samuel Zemurray Chair in Research Leadership
Bureau of Governmental Research