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BGR Analyzes Constitutional Amendment to Allow Housing Tax Exemptions in New Orleans

Today, the Bureau of Governmental Research (BGR) releases [*On the Ballot: Housing Tax Exemptions in New Orleans, October 12, 2019.*](#) The report analyzes Constitutional Amendment No. 4, which voters will consider on October 12. It would allow the City of New Orleans to exempt from taxation properties with up to 15 residential units located within Orleans Parish for the purpose of promoting and encouraging affordable housing. If voters approve the amendment, the City must follow certain procedures set by the Legislature in creating any exemption program, including a minimum 30-day public review period and City Council approval.

BGR's *On the Ballot* report finds that Constitutional Amendment No. 4 comes to voters at a time when New Orleans has a higher incidence of cost-burdened renters and homeowners than the nation as a whole. While a broad array of housing assistance programs exists, City officials and other proponents of the amendment have identified gaps in assistance for low-income homebuyers, support of small rental properties and the maintenance of affordable units in fast-growing neighborhoods. The amendment would give the City flexibility to tailor new assistance to address those gaps and spur housing production.

However, the City has not proposed specific exemption programs. Voters must act with open questions about the programs' scope, eligibility requirements, compliance and accountability, and cost from foregone taxes. The absence of an exemption plan makes it difficult for voters to judge the necessity of an amendment establishing property tax exemptions as a tool to provide housing assistance. It is also difficult to determine the extent to which new tax exemption programs would benefit citizens. In addition, there is no estimate of, or limit on, the potential fiscal impact of the amendment on local governments, which must absorb any revenue lost as a result of the tax exemptions.

More broadly, BGR's report finds that expanding tax exemptions would present concerns for transparency and accountability for citizens and governments. Exemptions create indirect subsidies for public purposes and circumvent the annual budget planning and prioritization process.

This can obscure their costs for voters who must weigh the expansion of property tax exemptions for affordable housing amid multiple competing revenue needs for public services and infrastructure.

Therefore, BGR takes the following position on Constitutional Amendment No. 4:

AGAINST. BGR acknowledges that housing affordability is a genuine and significant concern in New Orleans right now. However, there is not enough detail on how the City would use the new tax exemption authority for citizens to make an informed judgment of its potential benefits and impacts. Further, BGR has broader concerns about expanding property tax exemptions in New Orleans, when they already have a major impact on the local tax base and property tax rates. Neither the amendment nor the companion law limits the possible impact of the new exemptions on future revenue capacity to meet other public service and infrastructure needs. And the exemptions present transparency and accountability concerns as these tax expenditures would occur outside of local government budgeting processes. Citizens and policymakers could find it difficult to compare those subsidies to other competing revenue demands.

Read the full report and two-page summary on BGR's website, www.bgr.org.

This report is the latest in BGR's *On the Ballot* series, which provides voters with objective, nonpartisan analysis of significant ballot propositions in the New Orleans metropolitan area. In producing *On the Ballot* reports, BGR recommends positions consistent with its mission of promoting informed public policy and the effective use of public resources for the improvement of local government. *On the Ballot* reports bring to light the strengths and weaknesses of ballot propositions and assess the potential for government expenditures or actions to efficiently achieve beneficial outcomes for citizens.

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BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policy-making and the effective use of public resources in the Greater New Orleans area. For more information, call 525-4152 or visit BGR's website, www.bgr.org.