



THE BALLOT

A Report from the Bureau
of Governmental Research

New Orleans Housing Trust Fund

November 5, 2024 Election

Orleans Parish



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INBRIEF:

New Orleans Housing Trust Fund November 5, 2024

On November 5, New Orleans voters will decide whether to amend the City charter to require an annual budget appropriation for the City's Housing Trust Fund equal to at least 2% of the City's General Fund budget. The trust fund would be used to preserve and expand affordable housing for low- to moderate-income New Orleans residents. If approved, the charter amendment would take effect January 1, 2025. The first required appropriation – an estimated \$17 million – would occur in the City's 2026 budget.

The charter amendment would prohibit the City from counting its \$15 million in annual federal housing grants toward the 2% dedication. Despite its recent infusion of \$49 million in one-time money, the City provides little recurring revenue for housing. Counting the federal funding, the proposition would basically double the City's current annual spending on affordable housing initiatives. And because the charter functions as a constitution for City government, this new dedication would be legally binding on the City Council. The council would need another public vote to change the charter provision.

If voters reject the proposition, the council would put into effect a less binding dedication to a different housing fund by ordinance. This City law does not require voter approval. The dedication for the Affordable and Workforce Housing Fund (the Backup Fund) would start at

\$20 million and rise with inflation. However, the City's federal housing grants could count toward that amount. And the council could change or eliminate the dedication at any time by passing another ordinance. All of this could mean less new local investment than the proposed charter amendment, but greater budget flexibility for the City Council. The Backup Fund would take effect January 1, 2025, with the first appropriation occurring in the City's 2026 budget. The council would repeal the Backup Fund's dedication if the charter amendment passes.

Thus, the decision voters face boils down to this: A "yes" vote would mandate significant new City funding for housing. A "no" vote would trigger the Backup Fund's potentially smaller but more flexible dedication of new dollars to housing that the City Council would set in the context of other budget needs.

BGR conducted an [independent, nonpartisan analysis of the proposition](#) to help voters make an informed decision. BGR examined whether (1) the City government faces a clear problem or public need, (2) it is necessary to change the charter to effectively address the problem, and (3) the proposed charter amendment would achieve the desired outcomes for the public.

KEY FINDINGS

New Orleans faces acute and complex housing affordability problems that require thoughtful and well-managed new public investment.

- U.S. Census Bureau data show that more than half of renters and 30% of homeowners in New Orleans struggle to cover their housing costs. New Orleans' housing affordability problems have worsened for almost all income tiers in the city. This is due to rising insurance premiums, high interest rates,

lagging incomes, and larger financing gaps for developers, among other factors. Some of these impacts discourage housing developers and landlords of existing rental properties from improving and increasing the supply.

- The City can alleviate these problems with additional funding and prudent use of policy levers, such as zoning and permitting. Creating a special housing fund can be part of a multi-faceted strategic approach.

Placing the 2% budget dedication in the charter would provide stable and substantial new housing investment. But the mandate is inflexible and unusual compared to other cities, and it is not necessary to address the problems.

- Budget dedications need to be carefully justified. If they are poorly structured or excessive, dedications can distort a government's budget picture and constrain future budget allocations, with little or no re-evaluation of their effectiveness.
- The charter amendment would provide funding stability to support new housing developments, rental property rehabilitation, and other initiatives that can take years to execute and achieve strategic goals. Under the Backup Fund, the council could repeal, reduce, or override its dedication, or rely entirely on existing housing funds to meet the required allocation.
- While the 2% budget dedication would produce consistent new funding, the charter mandate's high bar for adjusting the dedication would limit future City leaders' ability to respond to emerging fiscal challenges. The charter amendment would force future mayors and councils to meet the 2% dedication each year, regardless of changing conditions and priorities. The City Council could reduce the appropriation only during a declared state of emergency by a unanimous vote of a quorum of at least five council members. It would also be difficult to change course if the Housing Trust Fund fails to meet its goals.
- On the other hand, the Backup Fund would let the City Council determine the level of new housing investment amid a multitude of competing budget needs. While council members could more easily limit or avoid new investment, the public could hold them accountable for failing to invest in housing needs.
- BGR found no clear recommended practices on whether the revenue source for a housing trust fund should be established in a city charter or in ordinance. Its analysis of 29 cities with housing trust funds found that New Orleans would have the most restrictive dedication of recurring revenue. Only one other city includes its housing trust fund dedication in its charter. That dedication

preserves some budget flexibility for the city's chief financial officer and council. The others typically provide financial support to their housing funds by ordinance. This suggests the mayor and City Council can set appropriate funding levels for housing without a charter mandate. The Backup Fund would have council discretion similar to other cities' dedications.

New City investment can help New Orleans make progress on its housing problems. However, the City needs to balance this new investment with available capacity to address other funding needs and priorities.

- Strategic housing investments can help a city retain population, improve residents' quality of life, attract private and other public investment, and maintain stable neighborhoods and the tax base. This new investment can come from either the Housing Trust Fund or the Backup Fund. The trust fund's mandatory budget dedication could result in more consistent new investment and accumulate greater community benefits over time. However, voters lack detail on future spending priorities for either fund to further assess potential public outcomes.
- The proposed charter amendment comes to voters as the City faces budget demands on many fronts. These include, among other things, rising costs for employee salaries and pension benefits, maintenance of drainage, streets and other infrastructure, and mandated costs for the jail. Meanwhile, the City's General Fund, despite its \$814 million size, faces stagnant revenue projections. Adding the mandatory 2% budget dedication to the Housing Trust Fund would reduce the City's annual resources to meet those needs.
- If voters reject the proposition, the Backup Fund would preserve the City Council's flexibility to balance new investments in affordable housing with other needs as revenues allow. Creating a long-term financial plan for the General Fund and a clear policy and plan for managing its financial reserves can help the City direct available revenue effectively among high-priority needs.

While the 2% budget dedication would produce consistent new funding for housing initiatives, the charter mandate's high bar for adjusting the dedication would limit future City leaders' ability to respond to emerging fiscal challenges.

The Housing Trust Fund has a more developed structure for effective stewardship of new public dollars. The Backup Fund in its current form has weaknesses in planning, administration and accountability.

- Carefully developed spending plans and administrative structures are essential for achieving housing goals with new investment. The Housing Trust Fund would be administered by two local housing agencies outside City government, Finance New Orleans and the New Orleans Redevelopment Authority. They would use their staff expertise and legal authority to facilitate housing development and programs to deploy most of the \$17 million, in accordance with City ordinance. They would also continue to collaborate with City housing offices. However, specific uses would not be determined until the council

develops the City's annual budget each year. The two housing agencies would also be subject to oversight by a new advisory committee and extensive public reporting requirements.

- The Backup Fund is a placeholder that lacks necessary detail on future spending, administration and accountability. It does not define a spending plan for 2026. It keeps fund administration with the Mayor's Office of Community Development but does not fully define its scope of responsibility. It does not consider other housing agencies. Its advisory committee may lack sufficient representation of stakeholders in local housing issues, and it has minimal public reporting requirements. These shortcomings can be fixed with a revised ordinance, carrying over the strong points of the Housing Trust Fund's structure.

BGR POSITION

AGAINST. Housing affordability is a major concern for New Orleans' residents and the city's future success. The City can and should make new housing investments as part of its strategy to alleviate the problems. While the proposed charter amendment would guarantee consistent new funding for housing, it would also be difficult to alter or undo. It would unnecessarily limit the City's budget flexibility as it confronts substantial new costs for personnel, infrastructure and other needs. Other cities with housing trust funds allow their councils far more leeway to adjust the revenue dedications to those funds.

The City Council's Affordable and Workforce Housing Fund (the Backup Fund), which would take effect if voters reject the charter amendment, offers more flexibility to balance new housing investment with other public needs. But the Backup Fund's current ordinance should be revamped for greater impact on local housing problems and stronger financial stewardship. The City administration and the City Council should:

- Increase the portion of the \$20 million appropriation that must be new local money. BGR acknowledges this change would not be binding on the council. However, it would set a clear expectation for the public to hold the City accountable for significantly increasing local investment in affordable

housing. The council should balance those new investments in affordable housing against other funding needs as revenues allow.

- Prioritize future funding for housing and other needs by adopting a long-term financial plan for the General Fund and a clear policy and plan for managing City financial reserves.
- Consider applying the proposed administrative structure for the Housing Trust Fund by delegating some or all of the Backup Fund's administration to Finance New Orleans and the New Orleans Redevelopment Authority. This would take advantage of their expertise and capacity to pursue a wide range of housing initiatives, while maintaining and strengthening their current collaboration with the City's housing offices.
- Strengthen oversight of the Backup Fund by (1) clearly defining the advisory committee's roles and responsibilities to avoid conflicts of interest, (2) ensuring its membership represents the broad range of housing interests, and (3) providing more detailed public reporting. It can incorporate provisions from the stronger administrative framework for the Housing Trust Fund.

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