

## NEW ORLEANS LIBRARY AND HOUSING TAXES, DECEMBER 11, 2021

### IN BRIEF

On December 11, New Orleans voters will decide whether to approve two property tax propositions. The first proposition would reauthorize the library system's dedicated tax that voters approved in 1986. The second would replace an existing tax for housing and economic development with a tax dedicated to housing only. Both taxes would take effect in 2022 and run for 20 years, expiring at the end of 2041.

#### Voters are asked to authorize:

- Up to 4 mills for libraries
- 0.91 mills for housing

The propositions will go before voters about a year after they rejected a larger proposal by the City of New Orleans (City) to replace and rededicate both existing taxes and two others for streets and capital improvements. Most notably, the package would have kept the same combined rate but redirected a significant portion of the library tax to fund an expanded range of purposes. All four taxes are set to expire at the end of 2021, and the City administration did not seek to put them back on the ballot. However, the City Council proceeded with ballot propositions for the two millages that separately support libraries and housing.

If voters approve both propositions, and the City levies 2.58 mills for the library tax as library officials recommend, homeowners will pay \$34.90 annually on each \$100,000 of property value above the \$75,000 homestead exemption – the same amount they currently pay for the taxes. However, if the City levies the library tax at the maximum 4 mills the proposition allows, homeowners will pay an additional \$14.20 on each \$100,000 of property value above the homestead exemption.

The report analyzes the two propositions separately, but applies the same four questions that address the efficient and effective use of public resources:

1. Have policymakers carefully planned how they will spend the tax revenue and provide financial stewardship and accountability for taxpayer dollars?
2. Is the tax appropriately sized to meet the needs specified in the plan?
3. Is the tax an acceptable way to fund the purposes in light of alternative funding options?
4. Is there evidence indicating the tax would result in effective outcomes for the public?

#### IN BRIEF CONTINUED ON NEXT PAGE

#### About BGR's *On the Ballot* Series

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.

### REPORT HIGHLIGHTS: LIBRARY TAX

The proposed tax would reauthorize the New Orleans Public Library system's (the Library) original dedicated millage that voters approved for library operations, but it would expand the permissible uses to capital needs, such as buildings. The proposition would allow a maximum rate of 4 mills, an increase from the 2.58 mills levied since 2020. Library officials have requested only 2.58 mills for operations in 2022, but the City Council will decide what portion of the maximum rate to levy each year. In 2020, the original millage provided about 52% of the Library's \$20.6 million in recurring revenue. Other revenue comes mostly from a 2.33-mill tax that voters approved in 2015.

Based on its analysis, BGR found the following:

- The Library has planned its use of the tax revenue to ensure that the system will continue providing the current service level while also offering new programs and resources that align with its new strategic plan. The 10-year plan, developed with extensive community input, envisions initiatives to develop children's creative and thinking skills, expand the library's role in workforce development and improve access to library resources for all residents. In addition, the Library's proposed expenditures will reduce its \$13.3 million reserve, or fund balance, to an acceptable level of \$8 million.
- Although the tax's 20-year duration would limit voters' ability to hold the Library accountable for its use of the revenue through the tax renewal process, the City Council can use its authority to annually review the Library's budget and set the millage rates as an accountability lever.
- The Library's requested 2.58-mill rate aligns with the needs of its spending plan. However, voters are asked to allow the City Council to levy up to 4 mills for the tax. At that rate, the tax would produce \$5.5 million more in 2022 than the Library needs for its spending plan.
- The tax is an acceptable way to fund the Library. A property tax is a common funding mechanism for public library systems and would provide a stable revenue stream.
- There is evidence indicating that the Library will use the tax to meet residents' library service expectations and implement new initiatives that address high community priorities for the system. But the Library's board of directors should adopt requirements for public reporting on progress toward annual strategic objectives and commit to conducting an annual performance review of the library director.

### BGR POSITION

**FOR.** BGR supports the tax based on the Library's request to continue its dedicated millage revenue at the existing level. At the current rate of 2.58 mills, the tax provides about half of the system's budget. The Library has used its existing tax revenue to increase its value to residents by expanding services. Continuing this revenue stream will allow the Library to sustain its current service level and implement its new strategic plan. The plan reflects community priorities and seeks to extend the Library's value to more residents. In addition, it has developed a spending plan based on current tax revenue that would reduce its substantial fund balance to an acceptable level. Without the tax, the Library would be unable to implement the strategic plan and, after initially reducing services, would have to make substantial cuts to operations once it exhausted its fund balance.

Voter approval of the proposition would allow the City Council to levy up to 4 mills, which would generate significantly more revenue than the Library's current spending plan requires. This authority could result in an excessive tax when New Orleans faces many demands on its public resources. To respond to this concern, the council should maintain the Library's existing level of tax revenue and consider a request for a rate increase only if the Library demonstrates it is necessary.

Strengthening accountability measures is also important, especially considering that voters will not get another say on the tax for 20 years. The City Council should closely monitor the Library's fund balance to ensure that the tax does not generate surpluses. The City should track the fund balance in its public budget documents. In addition, the Library's board of directors should require regular public reporting on progress toward achieving annual objectives that align with the strategic plan's three focus areas and conduct an annual performance evaluation of the library director.

### REPORT HIGHLIGHTS: HOUSING TAX

The proposed 0.91-mill, 20-year housing tax would continue the approach of the existing tax, which the City currently levies at the same rate, by directing revenue to the City's Neighborhood Housing Improvement Fund (Housing Fund). City Council ordinances, as amended since the tax took effect in 1991, govern the fund and allow its revenue to be used for expanding homeownership opportunities, remediating blight, and providing affordable rental housing for low- and moderate-income residents.

Voter approval of the proposed tax would allocate all revenue to the Housing Fund. This would be a key change from the existing tax, which lets the City allocate revenue between the Housing Fund and a separate special fund for economic development in any proportion it chooses.

Based on its analysis, BGR found the following:

- While there are many ways in which the tax can support affordable housing and neighborhoods, the City has not developed a spending plan that shows how it would use the tax to achieve specific housing development or neighborhood improvement objectives.
- In reviewing the City's accountability for the existing tax, BGR found unexplained decreases in the Housing Fund's tax revenue in 2020 and 2021. BGR also found that budget planning processes required by the Housing Fund ordinance were not followed in those years. These findings also raise questions about the effectiveness of the City Council's oversight of the Housing Fund.
- The housing affordability needs of New Orleans' large population of residents with high housing cost burdens far exceed the revenue the tax would generate. But without specific spending objectives from the City for the estimated \$3.5 million, BGR cannot determine whether the tax is appropriately sized.
- New Orleans and other cities employ multiple strategies and funding mechanisms to address housing issues. A dedicated property tax has the advantage of providing a stable, locally controlled revenue stream to complement other efforts, leverage state and federal funds and tax incentives, and offer flexibility in meeting priority needs. As alternatives, the City's General Fund and fees from short-term rentals that flow into the Housing Fund provide the same flexibility of the tax but not its stability.
- Initiatives funded by the tax should achieve defined affordable housing or neighborhood improvement objectives. They also should provide assistance efficiently to address as much of New Orleans' housing need as possible. Whether the tax delivers on these outcomes depends on how the City allocates the revenue to specific housing initiatives. BGR could not assess the tax's likelihood of producing effective public outcomes because the City has not developed a spending plan for the Housing Fund. Although there is evidence that some of the Housing Fund's recent initiatives have or will produce effective outcomes, it is unclear how much of the tax revenue the City would direct to these or similar programs.

### BGR POSITION

**AGAINST.** New Orleans' significant housing affordability problems have expanded since the onset of the pandemic and require carefully crafted policy solutions. However, critical gaps in the City's planning and accountability for the tax undermine its potential effectiveness. The City has not developed a plan that shows how it would use the revenue to achieve specific housing creation or preservation targets. The lack of a spending plan committing the tax revenue to specific initiatives diminishes accountability. It leaves the public without a means of assessing whether the tax accomplished defined objectives and holding the City responsible. In addition, unexplained drops in the Housing Fund's revenue from the existing tax and failure to follow required budget planning processes in 2020 and 2021 raise serious accountability concerns and questions about the effectiveness of the City Council's oversight.

Before asking voters to consider another dedicated tax for housing, the City should adopt oversight, planning and evaluation practices that will ensure accountability for – and effective results from – the revenue. In the interim, the Housing Fund will continue to receive revenue from short-term rental fees, and the City could use its General Fund revenue to support high priority housing initiatives and leverage other housing funding sources.

## INTRODUCTION

On December 11, New Orleans voters will decide whether to approve two property tax propositions. The first proposition would reauthorize the library system's dedicated tax that voters approved in 1986. The second would replace an existing tax for housing and economic development with a tax dedicated to housing only. Both taxes would take effect in 2022 and run for 20 years, expiring at the end of 2041.

The propositions will go before voters about a year after they rejected a larger proposal by the City of New Orleans (City) to replace and rededicate both existing taxes and two others for streets and capital improvements. Most notably, the package would have kept the same combined rate but redirected a significant portion of the library tax to fund an expanded range of purposes.

All four taxes are set to expire at the end of 2021, and the City administration did not seek to put them back on the ballot. However, the City Council proceeded with ballot propositions for the two millages that separately support libraries and housing. As shown in Table 1, the combined rate of these propositions is lower than the combined rate of the failed 2020 tax package, but the current tax proposals would support far fewer purposes.

Prior to the mayor's reelection on November 13, the administration said that if voters gave the mayor a second term, it would assess the City's finances to determine whether to try to revive any of the expiring taxes the City Council did not put on the ballot. It would also consider whether to seek taxes dedicated to other purposes or continue without additional dedicated revenue streams.<sup>1</sup> The expiration of the taxes will reduce dedicated revenue for streets and capital projects by \$6.9 million and \$2.2 million, respectively, in 2022.<sup>2</sup>

[BGR's report on the 2020 tax rededication proposal](#) concluded that the proposal did not give voters adequate information on the planned uses of taxes that would run for 20 years. While opposing the taxes, BGR observed that the proposal did re-examine some of New Orleans' tax dedications for opportunities to redi-

rect revenue to help meet important community needs without raising taxes – something BGR had urged City leaders to do for several years.<sup>3</sup> This is not the case with the current propositions, which are unconnected proposals for a much more limited set of purposes. Voters are considering them in isolation from other priorities and underfunded needs. In addition, voters may soon consider another stand-alone proposal for one of the purposes included in the failed 2020 tax package. On November 16, the City Council announced its intent to seek voter approval this spring for a new 5-mill tax to support early childhood education.<sup>4</sup>

BGR prepared this report to provide voters with an independent, nonpartisan analysis to help them make informed decisions on the December 11 library and housing tax propositions. BGR's analysis is grounded in its mission of promoting the effective use of public resources. The report also provides background and current context for each proposed tax, as well as BGR's positions on them.

BGR is analyzing the two propositions separately because, as discussed above, the City Council did not design them to work together. However, BGR applies the same analytical framework to each proposed tax. A government asking voters to approve a tax should be able to demonstrate that:

- It has carefully planned how it will spend the tax revenue and provide financial stewardship and accountability for taxpayer dollars.
- The tax is appropriately sized to meet the needs specified in the plan.
- The tax is an acceptable way to fund the purposes in light of alternative funding options.
- There is evidence indicating the tax would result in effective outcomes for the public.

BGR developed this framework from its research on government finance and taxation, as well as consultation with government finance experts.

For details and estimates of the proposed library and housing taxes' impact on individual taxpayers, see the sidebar "The Taxpayer's Bottom Line."

**TABLE I. COMPARISON OF TAX PROPOSITIONS AND EXPIRING TAXES**

<b>Taxes Expiring 12/31/21</b> Current Levied Rates Purposes	<b>Failed 2020 Propositions</b> Proposed Rates Purposes	<b>December 11 Propositions</b> Proposed Rates Purposes
<b>2.58 mills</b> Libraries (operations)	<b>0.987 mills</b> Libraries (operations and capital) Early childhood education	<b>Up to 4 mills*</b> Libraries (operations and capital)  * <i>Library recommends a tax levy of 2.58 mills for 2022</i>
<b>0.91 mills</b> Housing and economic development	<b>1.05 mills</b> Housing	<b>0.91 mills</b> Housing
	<b>1.164 mills</b> Economic development	<b>Expires</b> Economic development
<b>1.77 mills</b> Streets and traffic signals	<b>2.619 mills</b> Single tax for streets, drainage, public facilities, vehicles and equipment	<b>Expires</b> Streets and traffic signals
<b>0.56 mills</b> Capital projects		<b>Expires</b> Capital projects
<b>5.82 mills total</b>	<b>5.82 mills total</b>	<b>Up to 4.91 mills total*</b>  * <i>3.49 mills with Library's recommended tax levy</i>

**THE TAXPAYER'S BOTTOM LINE**

If voters approve both propositions, and the City Council levies 2.58 mills for the library tax as Library officials recommend, homeowners will continue paying \$34.90 annually on each \$100,000 of property value above the \$75,000 homestead exemption. For example, the owner of a homestead-exempt property valued at \$420,000 would pay \$120 for the two taxes per year.\*

However, if the council levies the library tax at the maximum 4 mills, homeowners will pay an additional \$14.20 on each \$100,000 of property value above the homestead exemption beginning in 2022.

**2022 LIBRARY AND HOUSING TAX BILLS**

	Library Tax (2.58 mills)	Housing Tax (0.91 mills)	Combined
Per \$100,000 value above homestead exemption	\$25.80	\$9.10	\$34.90
Homestead valued at \$420,000*	\$89.01	\$31.40	\$120.41

\* The average sale price for a single-family home in Orleans Parish during the 12 months ending June 2021 was \$420,000, according to data from the University of New Orleans Institute for Economic Development and Real Estate Research.

## LIBRARY TAX PROPOSITION

### Background and Context

*The Existing and Proposed Taxes.* The proposed tax would reauthorize the New Orleans Public Library system’s (the Library) original dedicated millage that voters approved for library operations, but it would expand the permissible uses to capital needs, such as buildings. The tax would have a maximum rate of 4 mills, an increase from the 2.58 mills levied since 2020. Library officials have requested only 2.58 mills for operations, but the City Council will decide what portion of the maximum rate to levy each year. In 2020, the original millage provided about 52% of the Library’s \$20.6 million in recurring revenue.

*Governance and Financial Trends.* The Library has 15 locations throughout the city. It is governed by a nine-member board appointed by the mayor with City Council approval. The board administers the system and hires its director. But it is not financially separate from the City, which has oversight of the board’s budget and finances.<sup>5</sup>

The Library’s director resigned abruptly in November after almost two years in the position. The board appointed the system’s public services director to the position of interim director. BGR’s analysis of the tax proposal takes into account a discussion with Library

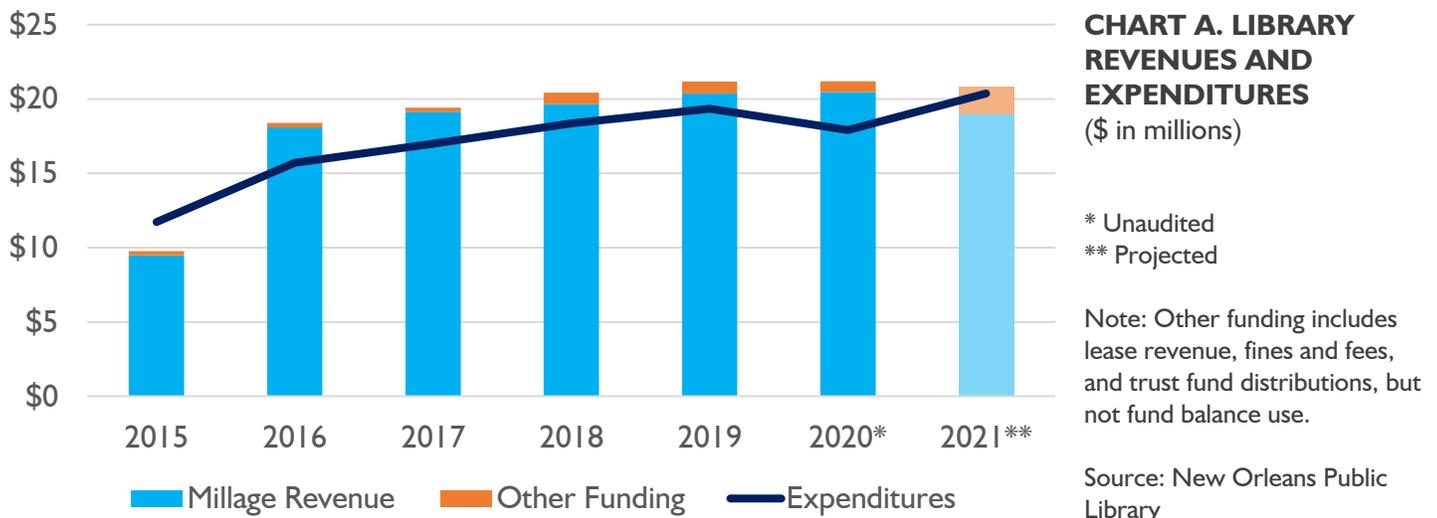
officials after the director’s departure to update BGR’s knowledge of relevant facts.

As the Library reopened branches and added new ones after Hurricane Katrina, its operating costs began to significantly exceed its revenues from the original millage voters had approved in 1986.<sup>6</sup> Voters approved a second dedicated tax (“supplemental millage”), with a rate of 2.5 mills, for Library operations in 2015.

As Chart A shows, the supplemental millage almost doubled the Library’s funding in 2016. Since then, annual revenue from the Library’s millages has grown slowly to about \$20.5 million in 2020, with a slight decrease expected in 2021. The City Council rolled back both millage rates in 2020 following a quadrennial property reassessment that significantly increased citywide taxable values. Since then, it has levied the original millage at 2.58 mills and the supplemental millage at 2.33 mills. The sidebar provides a history of the fluctuations in the Library’s millage rates.

Library expenditures grew along with revenue annually through 2019, before falling by more than \$3 million in 2020 as the pandemic forced the Library to reduce its site-based operations and associated costs. However, the Library has resumed most operations and expects 2021 spending to reach its pre-pandemic level.

The Library’s non-millage funding comes mainly from



a variety of small trust funds. The Library anticipates exhausting all remaining funding from these sources by the end of 2021, except for a recurring \$150,000 payment from a land lease agreement.

The Library's reserves grew quickly during the first few years of the supplemental millage and have continued to increase every year, reaching \$13.3 million by the end of 2020. The Library's fund balance now equals about 70% of pre-pandemic operating expenditures.

*Rationale for the Tax.* Library officials say the proposed tax is necessary to maintain the current level of library services, as well as to achieve goals outlined in its new 10-year strategic plan, [Creating a Library Lifestyle](#). If voters reject the tax, the Library plans to initially cut its annual expenditures by about \$5 million, or 24%, by:

- Reducing operating hours
- Reducing purchases of new books and other materials for its collection
- Canceling initiatives related to the focus areas identified in its strategic plan

For three years, it would use its fund balance to avoid additional cuts. However, without \$10 million of recurring revenue from the expired tax, officials say the Library would exhaust the fund balance by 2025 and have to close branches.

### Analysis

#### **Has the Library carefully planned how it will spend the tax revenue and provide financial stewardship and accountability for taxpayer dollars?**

The Library has planned its use of the tax revenue to ensure that the system will continue providing the current service level while also offering new programs and resources that align with its strategic plan. Although the tax's 20-year duration would limit voters' ability to hold the Library accountable for its use of the revenue through the renewal process, the City Council can use its authority to annually review the Library's budget and set the millage rates as an accountability lever.

---

### LIBRARY MILLAGE RATES

In 1986, New Orleans voters authorized the Library's original millage, a 4-mill tax. But the tax's levied rate has varied during its 35-year term. Louisiana's laws for setting property tax rates have played a role in the variation.

The Louisiana Constitution requires assessors to re-value all property in a parish at least once every four years. After this quadrennial reassessment, local taxing authorities such as the City Council must adjust their millage rates so that tax collections remain revenue neutral. If reassessments increase the parish's assessed value, maximum property tax rates are reduced, or "rolled back." Conversely, if reassessments reduce the assessed property value, the maximum rate increases.

Taxing authorities can roll their millage rates forward to the previous level, but only after a public hearing and with a two-thirds vote of the taxing authority.\* If a millage is not rolled forward before the next mandatory reassessment, the rolled-back rate becomes the new maximum.

A decrease in assessed property values pushed the maximum rate of the original library millage above 4 mills in the year after it took effect. The maximum rate stayed above 4 mills until 2008, when the City Council adjusted it to 3.14 mills in response to a citywide reassessment that increased property values. Because the City Council did not roll forward the rate before the 2012 reassessment, it lost the option to levy more than 3.14 mills for the tax. The council continued levying the new maximum of 3.14 mills until the 2020 reassessment. Although the property value increase from the reassessment resulted in lowering the maximum rate to 2.92 mills, the City Council has levied only 2.58 mills.

The City Council levied the voter-authorized 2.5-mill maximum for the Library's supplemental millage from its implementation in 2016 until the 2020 reassessment. Since then, the council has rolled back the millage's maximum rate to 2.33 mills and has levied this same rate.

\*The rolled-back rates are calculated excluding new construction added to the tax base during the year.

*Spending Plan.* If voters approve the tax, the Library plans to use the revenue for personnel and other operating expenses, such as collection materials, technology, maintenance, furniture and equipment, and security. It does not plan to use the tax to fund capital investments, even though the proposition would allow them. The tax revenue would maintain the Library's existing service level and support new initiatives related to the 2022-2031 strategic plan's three focus areas:

- Developing creative and critical thinking skills in children from birth to young adulthood
- Expanding its role in local workforce development initiatives by strengthening adult literacy, digital literacy and small business development programming
- Creating equitable access to library resources for all New Orleans residents, by redesigning physical spaces within branches for more flexible, diverse uses and enhancing digital and mobile services.

During the next five years, the Library would supplement its dedicated tax revenue with funding from its reserves to make one-time investments in strategic plan initiatives and reposition staff to meet the plan's needs. The Library's 2022 strategic plan investments include a bookmobile, book vending machine, technology upgrades, program and collection materials, marketing and communications campaigns, and staff development.

Library officials acknowledge that the system's fund balance is larger than necessary. The City also flagged this in last year's proposal to rededicate a portion of the Library tax to other uses. By implementing the spending plan, the Library would decrease its \$13.3 million fund balance to its target level of \$8 million, enough to cover six months of operating expenditures during an emergency. After the first five years, the Library would rely almost entirely on its tax revenue to sustain its annual operating budget. It would tap its reserves only to address needs resulting from an emergency, such as natural disaster.<sup>7</sup> Recommended fund balance practices

allow for reserves larger than the minimum two months of operating expenditures when necessary to manage specific local risks.<sup>8</sup> In the Library's case, hurricane damage poses a considerable risk to its service delivery.

Library officials told BGR that the recent departure of the system's director will not affect the spending plan.

*Assessing Financial Stewardship and Accountability.* As BGR's report on the 2020 tax rededication package discussed, the Library's lack of careful financial planning during much of the last decade resulted in years of recurring deficits followed by substantial surpluses.<sup>9</sup> However, during the past few years, except for 2020 when the pandemic limited in-person operations, the Library has increased its spending to utilize recurring revenue more fully.

Relative to accountability, the Library presents monthly financial reports and approves its annual budget during public meetings of its board of directors. It has improved public access to this information by posting meeting recordings and documents on its website.

The City Council provides an additional layer of accountability. It must approve the Library's budget as part of the City's annual operating budget. However, the City could improve its financial reporting for the Library. Council members and citizens cannot review the Library's reserve balances in either the City's budget or annual financial report. Including the Library's fund balance in these documents would provide the council and public with a clearer picture of the Library's financial position. A growing fund balance could indicate ineffective allocation of public resources.

BGR's report on last year's tax package highlighted accountability concerns presented by the taxes' proposed 20-year duration. This is one aspect the current tax propositions share with those voters rejected in 2020. Although 20 years is less than the original library millage's 35-year duration, a shorter duration would provide the public and policymakers more frequent opportunities to reevaluate the tax's merit through the renewal process. In 2020, BGR found that 81% of the roughly 2,000 voter-approved property taxes in Loui-



“ With a 20-year tax, the council’s oversight of the Library’s financial position and planning becomes especially critical to ensuring accountability through rate adjustments. The council should carefully assess the appropriateness of the tax’s rate every year, not just following quadrennial property reassessments. ”

siana have durations of 10 years or less, making a 20-year tax above statewide norms.<sup>10</sup>

Determining the appropriate length of time for levying a dedicated tax is a balancing act between financial stability for the tax recipient and accountability to the public. While a duration of only a few years could limit the Library’s ability to develop plans and make the best use of the funds, the tax’s proposed two-decade length far exceeds the 10-year period of the Library’s strategic plan. And because the Library does not intend to use the tax to support bonds, which typically have repayment periods of up to 30 years, there is no compelling reason for a 20-year duration.

While the 20-year term gives voters less frequent opportunity to directly hold the Library accountable for its use of the tax, the City Council would have the authority to set the rate each year during a public meeting. The council could even choose not to levy the tax at all. Likewise, it would be responsible for vetting and approving any future request by the Library to increase the tax above the requested 2.58 mills. With a 20-year tax, the council’s oversight of the Library’s financial position and planning becomes especially critical to ensuring accountability through rate adjustments. The

council should carefully assess the appropriateness of the tax’s rate every year, not just following quadrennial property reassessments.

### **Is the tax appropriately sized to meet the needs specified in the plan?**

The Library’s requested 2.58-mill rate aligns with the needs of its spending plan. However, voter approval of the proposition would allow the City Council to increase the tax rate to a maximum of 4 mills. This would generate significantly more revenue than the Library’s current spending plan requires.

The Library developed its spending plan based on the revenue it expects the original and supplemental millages to provide at the existing rates: 2.58 and 2.33 mills, respectively. Library officials say that they would request increasing the reauthorized original millage from its current 2.58 mills only if citywide assessed property value decreased. In this event, they would support increasing the rate just enough to prevent any decline in revenue.

The assessor’s recent reductions in residential property values for Hurricane Ida damage make a decrease in New Orleans’ total property value a real possibility in

2022. The City's most recent financial projections for 2022 include a 4% decrease in property tax revenue due to the assessor's cuts.<sup>11</sup>

New Orleans' total assessed property value fell by 3% in 2021 after the assessor reduced commercial property assessments for the pandemic's economic impacts.<sup>12</sup> The Library has so far projected \$18.8 million in tax revenue for 2022, slightly below the \$18.9 million its millages have generated in 2021.

To implement initiatives and staffing changes aligned with its strategic plan, the Library intends to supplement the tax revenue with \$2.1 million from its reserves in 2022 and another \$3.2 million during the next four years.<sup>13</sup> The Library projects that total expenditures from 2022 through 2026 will reduce its fund balance to the \$8 million target. Beginning in 2027, the revenue from the Library's dedicated taxes – levied at the existing rates – would fully sustain operations.

Library officials told BGR that keeping expenditures from exceeding revenue, while also maintaining the staff necessary to execute the strategic plan, requires implementing efficiencies in existing operations. For example, the Library has considered expanding its electronic checkout system as one way to accomplish this.

However, if New Orleans' total assessed property value returns to its pre-pandemic growth trend, the Library's existing tax rates could generate more revenue than required to offset typical annual cost increases. This would cause the Library's reserves to rise above the target level. The City Council should closely monitor the Library's reserves and consider rolling back library millage rates if the fund balance begins growing again.

A 4-mill tax would provide about 55% more revenue annually than the 2.58-mill tax the Library's plan includes. It would raise the Library's total millage revenue to about \$24.3 million in 2022 – \$5.5 million more than required by the Library's spending plan. As a re-

sult, the Library would not need to use any of its reserves. Instead, its fund balance would increase by \$3.2 million to reach \$16.5 million by the end of 2022. Even if the Library accelerated the pace of one-time strategic plan spending, the additional revenue from a 4-mill tax would cover the total \$5.3 million cost in its first year. In subsequent years, the additional revenue provided by the higher rate would continue to grow the Library's reserves. This would prevent the Library from holding the fund balance to its \$8 million target.

**A 4-mill tax would provide about 55% more revenue annually (\$5.5 million in 2022) than the 2.58-mill tax the Library's plan includes.**

While the Library could apply some or all of a millage increase to its current capital priorities of \$33.9 million for the City archives and improvements to the Main Library and certain branches, it has not proposed such uses. It has planned instead to continue relying on City funds for its capital needs.<sup>14</sup>

### **Is the tax an acceptable way to fund the purposes in light of alternative funding options?**

The tax is an acceptable way to fund the Library. A property tax is a common funding mechanism for public library systems and would provide a stable revenue stream.

In 2019, 60 of Louisiana's 67 public library systems had dedicated property taxes, while only three had dedicated sales taxes.<sup>15</sup> The Library began relying on a dedicated property tax for its operating revenue 35 years ago, winning voter approval of the original millage after contributions from the City's General Fund declined. Given the City's revenue decline since the onset of the pandemic and other competing needs, it is unlikely that the Library could rely on the General Fund to offset \$10 million from the expiring tax.

### **Is there evidence indicating the tax would result in effective outcomes for the public?**

There is evidence indicating that the Library will use the tax to meet residents' library service expectations and implement new initiatives that address high com-

munity priorities for the system. But the Library's board of directors should adopt requirements for public reporting on progress toward annual objectives and commit to conducting an annual performance review of the library director.

The community has responded positively to the improvements the Library instituted with its current revenue stream. Annual library visits have increased by 37% to 1.6 million and collection usage has tripled since the Library instituted improvements it had promised when voters approved the supplemental millage.<sup>16</sup> In addition, the Library's program attendance reached almost 95,000 in 2019, a 66% increase since 2015.<sup>17</sup>

The proposed tax would allow the Library to maintain the revenue level that has supported several of its well-received improvements. The existing revenue stream allowed the Library to open one new branch, expand two others, update its collection and extend service hours from the 2015 level.

The Library developed its new strategic plan with considerable input from a diverse group of residents, public officials, civic leaders and community organizations. Library officials say they intentionally sought feedback from many residents who have never used the library system. This should help ensure that the tax supports operations and initiatives designed to address the community's priorities and increases the Library's value to residents with a wide variety of needs. The strategic plan also incorporates guidance from New Orleans' Youth Master Plan, giving it the potential to align the Library's youth programming with a comprehensive plan for improving outcomes for this age group.

The Library director's abrupt resignation after a reporter questioned his compliance with the City's residency requirement for employees raises questions about the sufficiency of the director's hiring and onboarding processes.<sup>18</sup> It also introduces a concern about the Library's ability to successfully launch the strategic plan in 2022 as scheduled. The Library officials BGR spoke with after the director's departure said they were not aware of any deficiencies in the hiring process and referred BGR



to the City for additional information. Full investigation of this matter is beyond the scope of this report, especially given the deadline of publication sufficiently in advance of the start of early voting. However, BGR has updated its analysis of the ballot proposition to take into account the director's departure. Regarding potential setbacks to the implementation of the strategic plan, Library officials told BGR that they do not anticipate any delay or interruption due to the director's departure. In support of this, they said that they already have assigned the five core members of the team responsible for leading the strategic plan's program development.<sup>19</sup>

With the strategic plan adopted and its leadership team assembled, the Library should have sufficient direction to begin implementation. But while the plan identifies broad goals and focus areas for the next 10 years, it does not include specific initiatives with measurable objectives. The Library's board of directors should ensure that staff develop annual objectives and metrics and provide regular public updates on progress toward achieving the objectives.

It will also be essential for the board to quickly begin the search for the Library's new director. The director plays a critical role in advancing strategic goals and ensuring the overall quality of library service. The search process should be transparent and include a clear timeline and reasonable opportunities for community input and engagement. In addition, the board should adopt an

annual performance review process for the director. National experts underscore the importance of evaluating a library director's performance and recommend completing a meaningful evaluation at least annually.<sup>20</sup> While Library officials told BGR that the board has a process in place for evaluating the director, it had not done so during the last director's almost two-year tenure.

### **BGR POSITION**

**FOR.** BGR supports the tax based on the Library's request to continue its dedicated millage revenue at the existing level. At the current rate of 2.58 mills, the tax provides about half of the system's budget. The Library has used its existing tax revenue to increase its value to residents by expanding services. Continuing this revenue stream will allow the Library to sustain its current service level and implement its new strategic plan. The plan reflects community priorities and seeks to extend the Library's value to more residents. In addition, it has developed a spending plan based on current tax revenue that would reduce its substantial fund balance to an acceptable level. Without the tax, the Library would be unable to implement the strategic plan and, after initial-

ly reducing services, would have to make substantial cuts to operations once it exhausted its fund balance.

Voter approval of the proposition would allow the City Council to levy up to 4 mills, which would generate significantly more revenue than the Library's current spending plan requires. This authority could result in an excessive tax when New Orleans faces many demands on its public resources. To respond to this concern, the council should maintain the Library's existing level of tax revenue and consider a request for a rate increase only if the Library demonstrates it is necessary.

Strengthening accountability measures is also important, especially considering that voters will not get another say on the tax for 20 years. The City Council should closely monitor the Library's fund balance to ensure that the tax does not generate surpluses. The City should track the fund balance in its public budget documents. In addition, the Library's board of directors should require regular public reporting on progress toward achieving annual objectives that align with the strategic plan's three focus areas and conduct an annual performance evaluation of the library director.

## HOUSING TAX PROPOSITION

### Background and Context

*The Existing and Proposed Taxes.* The proposed 0.91-mill, 20-year housing tax would continue the approach of the existing tax, which the City currently levies at the same rate, by directing revenue to the City's Neighborhood Housing Improvement Fund (Housing Fund). City Council ordinances, as amended since the tax took effect in 1991, govern the fund.<sup>21</sup> The ordinances specify the fund's appropriation process and how the City can use appropriations for the tax's voter-approved purposes. Currently, the City may use Housing Fund appropriations to:

- Provide financing and other assistance for homeownership opportunities
- Promote neighborhood stability by eliminating blight via remediation and rehabilitation
- Provide financing and other assistance for affordable rental housing for low- and moderate-income residents<sup>22</sup>

Voter approval of the proposed tax would allocate all future tax revenue to the Housing Fund, an estimated \$3.5 million in its initial year.<sup>23</sup> This would be a key change from the existing tax, which allows the City to allocate revenue between the Housing Fund and a separate special fund for economic development in any proportion it chooses. The existing tax expires at the end of 2021.<sup>24</sup>

*Recent Uses of the Housing Fund.* During the current administration, which took office in 2018, the Housing Fund has supported:

- Development or preservation of affordable rental housing
- Down payment assistance for lower-income homebuyers
- Homeless shelter operations
- Owner-occupied housing rehabilitation

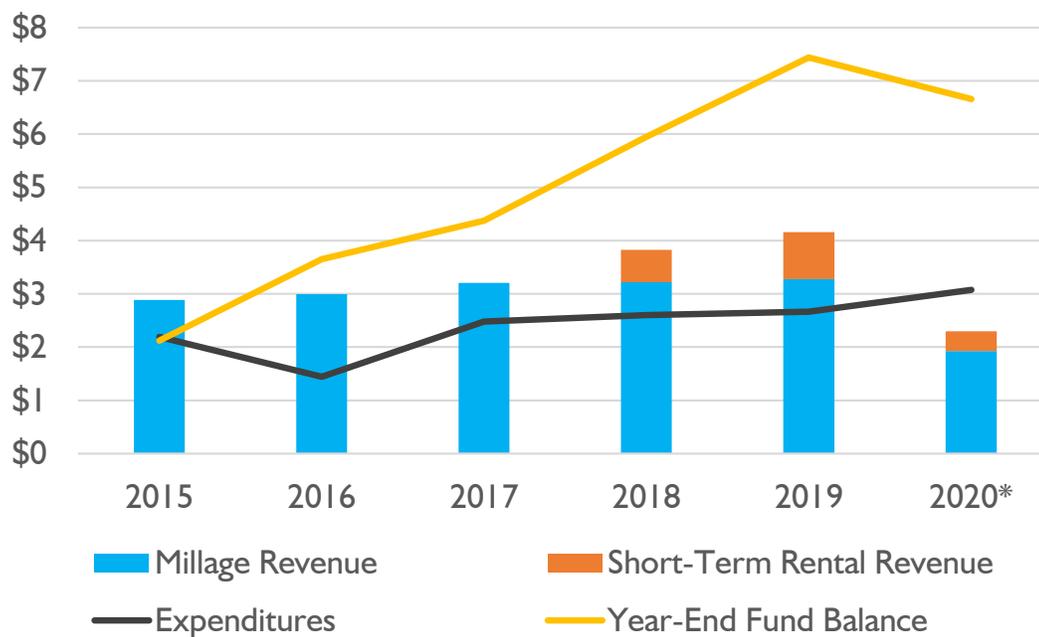
“Voter approval of the proposed tax would allocate all future tax revenue to the Housing Fund, an estimated \$3.5 million in its initial year. This would be a key change from the existing tax, which allows the City to allocate revenue between the Housing Fund and a separate special fund for economic development in any proportion it chooses.”

- Demolition of blighted buildings
- City Office of Community Development personnel costs
- Emergency rental and landlord assistance programs

In September 2021, the City announced a new Housing Fund program that will assist low- to moderate-income homeowners with insurance deductibles for Hurricane Ida damage.<sup>25</sup> Previous administrations used the Housing Fund to support the City's code enforcement department, among other uses. But 2015 amendments to the Housing Fund ordinance have restricted blight-related expenditures to projects that rehabilitate or remediate properties.

Although the City Council, rather than the City administration, proposed the tax for the ballot, the administration is responsible for developing and implementing the Housing Fund initiatives the tax would support.

*Financial Trends.* Historically, the City split the revenue from the existing tax evenly between the Housing Fund and the economic development fund. When the City halved the rate it levies for the existing tax from 1.82 mills to 0.91 mills in 2020, the administration and the City Council committed to apply the full 0.91 mills to the Housing Fund and use other resources to meet economic development needs. As Chart B shows, the Housing Fund's share of revenue from the property tax



**CHART B: HOUSING FUND REVENUE, EXPENDITURES AND FUND BALANCE**  
(\$ in millions)

\*Unaudited

Source: City of New Orleans' audited annual financial reports for the years ended December 31, 2015 to 2019, and unaudited fund financial statement of revenue and expenditures for the Neighborhood Housing Improvement Fund for 2020, as of September 21, 2021.

generated about \$3 million annually before falling by 41% to \$1.9 million in 2020.<sup>26</sup> Considering the increase in property assessments in 2020, the fund should have received about \$3.8 million. The City administration did not respond to BGR's questions regarding the total 2020 collections for the 0.91-mill tax and a breakdown of the funds in which the collections were deposited. This information would confirm whether the City fulfilled the commitment to direct all revenue from the tax to the Housing Fund. BGR also submitted a public records request to the City for this information on November 4 but had not received a response by this report's publication.<sup>27</sup>

The existing tax was the Housing Fund's only revenue source until 2018, when the City began directing a \$1-per-night occupancy fee from short-term rentals to the fund. Stricter short-term rental rules implemented in 2020, as well as the pandemic-driven tourism decline, have reduced the short-term rental fee's contribution to the fund. The City Council adopted an ordinance in October 2021 that increases the portion of short-term rental fees allocated to the Housing Fund. Under the ordinance, the fund will receive \$5 per night from residentially zoned short-term rentals and \$12 per night from rentals in commercial zones. In addition, the

Housing Fund will receive a one-time influx of about \$950,000 from short-term rental fees the City collected in 2020 and 2021 and held in an interim fund.<sup>28</sup>

Chart B shows how revenue has exceeded expenditures for several years, causing the Housing Fund's reserves to reach \$7.4 million at the end of 2019 – more than two-and-a-half times annual expenditures. If the Housing Fund had received all revenue the millage generated in 2020, the fund balance would have continued to grow. City officials say that much of the fund balance is committed to specific affordable rental development projects, but they did not respond to BGR's questions for further detail.

*Rationale for the Tax.* City officials and housing advocates say the proposed tax is critical to addressing New Orleans' vast affordable housing needs. They highlight the tax's ability to fund priorities not covered by federal and state housing dollars or tax credits, as well as leverage these other funding streams. For example, in the early days of the pandemic, before the federal government began providing funding for emergency rental assistance, the City relied on revenue from the tax to implement its own renter and small landlord assistance program. Although the City had federal housing funds

through existing grant programs, grant rules prevented it from using the funds for this purpose. This was also the case with the insurance deductible assistance program that the City recently launched to help homeowners who suffered hurricane damage.

The City routinely uses revenue from the tax to help finance developments that include affordable rental units. In many cases, funding from the tax allows developers to secure financing from other sources, such as low-income housing tax credits. City officials say that without the tax, developers would not be able to access as much funding from other sources, reducing their ability to create new affordable units.

The tax revenue has also helped finance smaller affordable housing projects, such as fourplexes, that are not eligible for tax credit financing. Officials say that without the tax, support for these projects would decrease, further limiting production of new affordable units. They also note that newer developers generally start with smaller projects, and assisting these projects helps build developers' capacity – strengthening future production of affordable housing.

Officials say the tax is important for funding research and planning for new housing and neighborhood improvement initiatives. They say many of these efforts would go unfunded if voters do not approve the tax.

### Analysis

#### **Has the City carefully planned how it will spend the tax revenue and provide financial stewardship and accountability for taxpayer dollars?**

While there are many ways in which the tax can support affordable housing and neighborhoods, the City has not developed a spending plan that shows how it would use the tax to achieve specific housing development or neighborhood improvement objectives. And while it may be prudent to reserve a portion of the revenue to address unanticipated needs, recent accountability concerns heighten the need for the spending transparency a plan would provide. The accountability concerns, in-

“While City officials and housing advocates praise the many ways in which the tax can support affordable housing and neighborhoods, the City has not developed a spending plan that shows how it would use the tax to achieve specific housing development or neighborhood improvement objectives.”

cluding unexplained drops in the Housing Fund's tax revenue and failure to follow required budget planning processes in 2020 and 2021, also raise questions about the effectiveness of the City Council's oversight of the Housing Fund.

*Spending Plan.* City officials told BGR they did not develop a spending plan for the Housing Fund because the existing tax expires at the end of 2021 and there is no guarantee voters will approve the proposed tax. The administration has submitted a 2022 Housing Fund budget of \$3.1 million to the City Council, but it includes only general categories of proposed expenditures.<sup>29</sup> It does not detail the housing initiatives or other programs the tax would support. Officials say that if voters pass the tax, the City will use the revenue for the same types of initiatives the Housing Fund has recently supported.

Broadly, the City intends to use the revenue to preserve and expand affordable housing opportunities and help residents remain safely in their homes. The revenue would fill financing gaps in affordable rental development plans, leverage federal funds for affordable housing development and support priorities the City's less flexible housing funding streams cannot address.

City officials say the need for more affordable rental units is so great that subsidizing their development will remain a Housing Fund priority for the foreseeable future. Table 2 shows that New Orleans has a higher incidence of cost-burdened renters and homeowners than the nation as a whole and indicates the extent of the city's affordable housing needs even prior to the pan-

**TABLE 2. PERCENTAGE OF COST-BURDENED HOUSEHOLDS IN NEW ORLEANS AND NATIONWIDE, PRIOR TO THE PANDEMIC**

	Households Paying 30% or More of Income in Housing Costs		Households Paying 50% or More of Income in Housing Costs	
	New Orleans	U.S. Average	New Orleans	U.S. Average
Renters	61%	50%	34%	24%
Owners	31%	23%	14%	8%

Under the federal government’s definitions, a cost burden occurs when a household’s housing costs (including utilities) exceed a threshold of 30% of gross household income. A severe cost burden occurs when housing costs consume half or more of household income. Figures for households paying 30% or more of income in housing costs are BGR calculations based on the most recent available figures from the U.S. Census Bureau, the 2015-2019 American Community Survey 5-Year Estimates. Figures for households paying 50% or more of income in housing costs in 2019 are from The Data Center, [Who Lives in New Orleans and Metro Parishes Now?](#), July 28, 2021.

demic. The Housing Fund further prioritizes affordable rental development projects that align with specified objectives such as serving target populations (e.g., veterans and people with disabilities) and providing permanent affordability. However, the City has not determined specific targets for Housing Fund spending on affordable rental development or the number of units the fund should catalyze.

City officials note that existing plans and processes guide Housing Fund use. The City establishes its overall affordable housing priorities through a federally required annual planning process.<sup>30</sup> Officials say they then determine Housing Fund expenditures in consultation with the Housing Authority of New Orleans, Finance New Orleans and the New Orleans Redevelopment Authority. They say this ensures the Housing Fund expenditures support priorities that are not already addressed by New Orleans’ main affordable housing-focused agencies, or that complement the agencies’ initiatives. While this process is a critical element of effective planning, it still does not give voters a clear picture of what the City aims to accomplish with the tax revenue.

*Assessing Financial Stewardship and Accountability.* The proposed housing tax’s 20-year term would limit voters’ ability to directly hold the City accountable for its use of the revenue. The City has not proposed using the housing tax to fund bonds or any other purposes that might require a 20-year term. And while the City

Council can use its authority to annually set property tax rates as an accountability lever for the housing tax, recent lapses call into question the effectiveness of the council’s Housing Fund oversight.

Expenditure of the housing tax revenue follows the general City budget process, which requires City Council approval. However, the Housing Fund budget the council adopts includes few details on projected revenue and planned expenditures. It does not break down revenue by source or indicate expenditures for individual initiatives. The administration’s presentations to the council during hearings on the proposed 2022 City budget did not include information on Housing Fund revenue or expenditures, and council members did not ask questions about the fund’s finances or planned uses.

As discussed earlier, BGR cannot resolve whether the City directed all revenue from the existing tax to the Housing Fund in 2020, despite a commitment to do so. This concern similarly applies in 2021 because the unaudited financial statements for the Housing Fund as of September show only \$300,000 of tax revenue recorded so far this year. The City receives the vast majority of property tax revenue during the first six months of the year. Based on the Library’s property tax receipts per mill, the Housing Fund’s 0.91-mill tax would yield approximately \$3.5 million. The administration did not respond to BGR’s questions regarding the total 2021 collections for the tax and a breakdown of the funds in

which the collections were deposited. BGR also submitted a public records request to the City for this information on November 4 but had not received a response by this report's publication.<sup>31</sup>

The ordinances governing the Housing Fund specify several measures to provide for community guidance and City Council oversight of Housing Fund use. They require a citizen advisory committee to submit recommendations for fund expenditures for the following year to the mayor and City Council. The mayor must then submit final recommendations to the council. The council adopts or amends the recommendations submitted by the mayor and advisory committee.<sup>32</sup> However, during the two years since the pandemic began, the advisory committee and the mayor have not submitted Housing Fund expenditure recommendations, nor has the City Council adopted recommendations.<sup>33</sup>

Recent Housing Fund initiatives have included strategies to hold participants accountable for their use of housing tax revenue. For example, awards for affordable housing developments specify the number of units the developer must create and the number of people the project must serve.<sup>34</sup> Developments receiving awards also must submit annual audits. The City's Compliance Department monitors regulatory agreements for properties that receive Housing Fund support. The Housing Fund's homebuyer assistance program requires participants to repay a portion of the grant if they do not reside in the home for at least 10 years.

### **Is the tax appropriately sized to meet the needs specified in the plan?**

Because the City has not developed a spending plan for the Housing Fund, BGR could not analyze how well the projected tax revenue aligns with the fund's needs. BGR's 2020 report on the failed housing tax proposition noted that the tax would not generate enough revenue to fully assist New Orleans' large population of residents with high housing cost burdens. The same applies with this year's proposed housing tax, which would generate less revenue due to its slightly lower rate. This assures voters that the tax would not generate

more revenue than necessary to fill New Orleans' affordable housing gap. But without objectives specified for even this limited amount of money, BGR cannot determine whether the tax is appropriately sized.

### **Is the tax an acceptable way to fund the purposes in light of alternative funding options?**

While cities may employ multiple strategies and funding mechanisms to address housing issues, a dedicated property tax has the advantage of providing a stable, locally controlled revenue stream to complement other efforts, leverage state and federal funds, and offer flexibility in meeting priority needs. As alternatives, the City's General Fund and fees from short-term rentals offer the same flexibility of the tax but not its stability.

New Orleans has numerous funding streams, shown in Table 3, which reduce housing cost burdens for its residents, but these streams cannot substitute for the housing tax. First, they depend on appropriations by other governments or voters and would not increase to fill the gap left by elimination of the tax. And in some cases, revenue from the tax has helped to secure funding from these other sources. Second, each funding stream has its own rules and restrictions, which make them less flexible than the tax. The City cannot use those funds as easily to respond to local housing emergencies.

Housing advocates support using short-term rental fees to fund affordable housing initiatives because of the impact they contend short-term rentals have had on neighborhood housing affordability.<sup>35</sup> The fees are also an attractive funding option because visitors, not residents, foot the bill. However, advocates contend that increased funding from short-term rentals should supplement, not replace, the housing tax. They say that, because the tax's rate is relatively low, the millage does not significantly increase residents' housing costs and adversely impact the problem it seeks to address.

When the City first implemented higher short-term rental fees, it forecasted millions of dollars annually in new revenue. But since then, tighter restrictions on short-term rentals, combined with pandemic-induced

tourism contraction, have made it difficult to project the extent to which fee revenue could substitute for the proposed tax. This illustrates the instability of short-term rental fees as an alternative to a dedicated property tax.

The City’s General Fund is another option. Like short-term rental fees, it does not offer the funding stability of a dedicated property tax. The City has many underfunded needs that compete for its General Fund dollars, and funding priorities often change from one administration to the next. In addition, sales tax revenue accounts for a large portion of the General Fund, and as the pandemic has recently demonstrated, it is generally more sensitive to economic downturns than property tax revenue. However, considering the General Fund’s size – an estimated \$640 million in recurring revenue in 2022 – it could provide a substantial portion of the tax’s \$3.5 million to fund the City’s highest priority housing initiatives.

**Is there evidence indicating the tax would result in effective outcomes for the public?**

Initiatives funded by the tax should achieve defined affordable housing or neighborhood improvement objectives. They also should provide assistance efficiently to address as much of New Orleans’ housing need as possible. Whether the tax delivers on these outcomes depends on how the City allocates the revenue to specific housing initiatives. BGR could not assess the tax’s likelihood of effective public outcomes because the City has not developed a spending plan for the Housing Fund. Although there is evidence that some of the Housing Fund’s recent initiatives have or will produce effective outcomes, it is unclear how much of the tax revenue the City would direct to these or similar programs.

**TABLE 3. SIGNIFICANT FORMS OF HOUSING ASSISTANCE IN NEW ORLEANS, BY FUNDING SOURCE**

Source	Renter Assistance	Homeowner Assistance
Federal Government	<ul style="list-style-type: none"> <li>• Housing Choice Vouchers (via Housing Authority of New Orleans)</li> <li>• Public Housing Units (via Housing Authority of New Orleans)</li> <li>• Low Income Housing Tax Credits (via Louisiana Housing Corporation)</li> <li>• Community Development Block Grant (via City of New Orleans and the State of Louisiana)</li> <li>• HOME Investment Partnership Program (via City of New Orleans)</li> <li>• American Rescue Plan Act Emergency Rental Assistance Program (via City of New Orleans and the State of Louisiana)</li> </ul>	<ul style="list-style-type: none"> <li>• Income tax deductions for mortgage interest and property taxes</li> <li>• Community Development Block Grant (via City of New Orleans)</li> <li>• HOME Investment Partnership Program (via City of New Orleans)</li> </ul>
Local Government	<ul style="list-style-type: none"> <li>• Property tax exemption on nonprofit-owned rental housing</li> <li>• Property tax exemption on property leased to a nonprofit organization and used to provide housing for the homeless</li> <li>• Restoration Tax Abatement (multifamily properties)</li> <li>• Payment in Lieu of Taxes subsidies</li> <li>• <b>City of New Orleans Neighborhood Housing Improvement Fund (Housing Fund)</b></li> <li>• City of New Orleans general obligation bond-funded affordable housing developments</li> </ul>	<ul style="list-style-type: none"> <li>• Homestead exemption</li> <li>• Assessment freeze for elderly and disabled homeowners</li> <li>• Restoration Tax Abatement (owner-occupied residences)</li> <li>• Property tax phase-in</li> <li>• <b>City of New Orleans Neighborhood Housing Improvement Fund (Housing Fund)</b></li> </ul>
Private Funding	<ul style="list-style-type: none"> <li>• Inclusionary zoning / density bonus</li> <li>• Mortgage revenue bonds</li> </ul>	<ul style="list-style-type: none"> <li>• Mortgage assistance (via Finance New Orleans)</li> </ul>

One example of a recent initiative with successful outcomes is the affordable rental housing development program. Since 2018, the expiring housing tax has helped finance the development of 548 rental units that are affordable to low- to moderate-income households. The City maximized the revenue's reach by using a detailed scoring system to evaluate proposed affordable rental developments seeking financing from the Housing Fund. The system rewards projects that leverage other funding sources and limits the amount of tax funding any one project can receive to \$1.5 million.<sup>36</sup>

In addition, during the current administration, the City began awarding Housing Fund support to rental development as a no-interest loan, rather than a grant that did not require repayment. City officials told BGR that the loan repayments will support future affordable housing development. This is an effective way to stretch the value of the tax revenue and should allow the City to create more affordable housing.

Another example of a successful use of the tax revenue is the Housing Fund's renter assistance program. The City quickly developed a renter and landlord assistance program that used Housing Fund dollars to mitigate a housing emergency driven by the pandemic's economic impact. The \$2 million program assisted families affected by pandemic-related layoffs or furloughs to remain safely housed as the health crisis took root. It also helped landlords of small rental properties who had fallen behind on mortgage payments keep their tenants housed. While federal pandemic relief now provides the City's emergency renter assistance, the Housing Fund-supported program demonstrates the tax revenue's ability to address rapidly emerging priorities.

Similarly, the recently launched \$2 million Housing Fund program to assist low and moderate-income homeowners with insurance deductibles for hurricane damage illustrates the tax revenue's utility for responding to emergencies. Reserving a limited portion of the Housing Fund for emergency programs could be an effective strategy to address unanticipated needs.

However, successfully addressing the city's longstand-

ing affordable housing needs requires committing revenue to planned initiatives that efficiently allocate funding to individual projects and include annual unit creation or preservation targets. An annual evaluation of the Housing Fund's performance, including progress toward established affordable housing creation targets, could help identify initiatives that achieve their objectives, as well as opportunities for improving less successful programs. It would also provide a crucial resource for strengthening the Housing Fund's overall accountability.

### **BGR POSITION**

**AGAINST.** New Orleans' significant housing affordability problems have expanded since the onset of the pandemic and require carefully crafted policy solutions. However, critical gaps in the City's planning and accountability for the tax undermine its potential effectiveness. The City has not developed a plan that shows how it would use the revenue to achieve specific housing creation or preservation targets. The lack of a spending plan committing the tax revenue to specific initiatives diminishes accountability. It leaves the public without a means of assessing whether the tax accomplished defined objectives and holding the City responsible. In addition, unexplained drops in the Housing Fund's revenue from the existing tax and failure to follow required budget planning processes in 2020 and 2021 raise serious accountability concerns and questions about the effectiveness of the City Council's oversight.

Before asking voters to consider another dedicated tax for housing, the City should adopt oversight, planning and evaluation practices that will ensure accountability for – and effective results from – the revenue. In the interim, the Housing Fund will continue to receive revenue from short-term rental fees, and the City could use its General Fund revenue to support high priority housing initiatives and leverage other housing funding sources.

**ENDNOTES**

- 1 Stein, Michael Isaac, "[Council puts library and housing property tax renewals on the November ballot](#)," *The Lens*, July 15, 2021.
- 2 BGR calculations based on estimated taxable assessed value of \$4.27 billion, a 95% collection rate, and deductions for the assessor and City fees.
- 3 BGR, *The \$1 Billion Question*, 2015.
- 4 New Orleans City Council, "Council President Moreno Announces Spring Ballot Measure to Permanently Fund Early Childhood Education," [news release](#), November 16, 2021. See also: Williams, Jessica, "[New Orleans property tax for early childhood education planned for April 30 ballot](#)," *The Times-Picayune | The New Orleans Advocate*, November 17, 2021.
- 5 Home Rule Charter of the City of New Orleans, Secs. 5-501 to 503.
- 6 New Orleans Public Library, 2012-2014 Financials and 2015 Budget.
- 7 Library officials say emergency expenditures may include acquiring trailers for immediate services to residents in need of resources, staff salaries, replacing damaged furnishings and technology, temporary housing for essential staff, and mold remediation and monitoring.
- 8 Government Finance Officers Association, [Fund Balance Guidelines for the General Fund](#), accessed October 29, 2021.
- 9 Voters may recall that the New Orleans Public Library Foundation, a private non-profit organization formed to raise private funds to support Library operations, became the center of a high-profile financial mismanagement investigation in 2015. Two former Library Foundation leaders pleaded guilty to a federal charge related to misuse of the foundation's funds in November 2020. However, the Library itself was never part of the investigation. The Library and the Library Foundation are separate entities, and the Library Foundation has no control over Library operations or any public funding. According to Library officials, the Library Foundation's board of directors recently re-formed under new bylaws, but the foundation has not yet begun raising funds for the Library. For background on the federal investigation, see Sledge, Matt, "Trumpeter Irvin Mayfield, partner plead guilty in scheme to fleece library foundation," *The Times-Picayune | The New Orleans Advocate*, November 10, 2020; U.S. Attorney's Office, Eastern District of Louisiana, "Second Superseding Indictment Returned Against Irvin Mayfield and Ronald Markham for Defrauding New Orleans Public Library Foundation," news release, December 6, 2018.
- 10 BGR found that 78% are for 10 years, 3% are less than 10 years and 19% are for more than 10 years.
- 11 City of New Orleans, Revenue Estimating Conference, October 25, 2021.
- 12 New Orleans Assessor, 2020 and 2021 Fact Sheets.
- 13 The Library will also receive \$150,000 annually through 2024 from a land lease agreement. It can extend the agreement past 2024.
- 14 The City Council adopted an ordinance on November 4, 2021 to allocate \$6.1 million of City bond proceeds to Library capital projects. New Orleans City Council Ord. Cal. No. 33,508.
- 15 State Library of Louisiana, Statistical Report, 2019.
- 16 State Library of Louisiana, Statistical Reports for 2015 through 2019. The increase in visits occurred mostly in 2016, but the Library has generally sustained it since then.
- 17 Ibid.
- 18 Hammer, David, "[N.O. Public Library director resigns after WWL-TV questions his residency](#)," *WWL-TV*, November 12, 2021.
- 19 The five positions are: Early Literacy Librarian, Youth Services Programming Librarian, Adult Education Programming Librarian, African American Resource Collection and Equity and Inclusion Librarian, and Health and Humanities Programming Librarian. The Library is still in the process of hiring a Digital Literacy Librarian and Workforce Development Librarian, both of whom will report to the Adult Education Programming Librarian. Information provided by the Library.
- 20 United for Libraries: The Association of Library Trustees, Advocates, Friends and Foundations, *A Library Board's Practical Guide to Evaluating the Library Director*, March 2016.
- 21 City of New Orleans Code of Ordinances Sec. 70-415.1 et seq.
- 22 Ibid.
- 23 BGR calculation based on estimated taxable assessed value of \$4.27 billion, a 95% collection rate, and deductions for the assessor and City fees.
- 24 The existing tax originated from a proposition voters approved in 1991 that created two taxes: one for "establishing and funding a comprehensive neighborhood housing improvement program and alleviating urban blight" (2.5 mills) and another for economic development (2.5 mills). City of New Orleans, Propositions D and E, July 1991. A 1995 rededication combined the two taxes into one with a maximum rate of 2.5 mills.

---

## ON THE BALLOT: NEW ORLEANS LIBRARY AND HOUSING TAXES, DECEMBER 11, 2021

---

- 25 City of New Orleans Office of Community Development, [Hurricane Ida Insurance Deductible Assistance Program](#).
- 26 Unaudited fund financial statement of revenue and expenditures for the Neighborhood Housing Improvement Fund for 2020, as of September 21, 2021.
- 27 The City initially set November 10, 2021 as the due date for responding to BGR’s public records request but revised the date to November 17, 2021 and then to November 30, 2021.
- 28 The City raised nightly short-term rental occupancy fees in 2019 without dedicating revenue from the increase to any purpose. Instead, it established an interim short-term revenue fund to hold the revenue for future budget appropriation. City Council Ord. Cal. No. 33,355, adopted October 7, 2021, dedicates all revenue from the nightly fees to the Housing Fund.
- 29 City of New Orleans, 2022 Proposed Annual Operating Budget, pp. 461-466.
- 30 Local governments must complete a five-year plan and an annual action plan for each interim year to receive funding through the following federal formula grants: Community Development Block Grant, HOME Investment Partnerships Program, Emergency Shelter Grant, and Housing Opportunities for Persons with AIDS/HIV.
- 31 The City initially set November 10, 2021 as the due date for responding to BGR’s public records request but revised the date to November 17, 2021 and then to November 30, 2021.
- 32 City of New Orleans Code of Ordinances Sec. 70-415.1 et seq.
- 33 On September 28, 2021, BGR made a public records request to the City for the Housing Fund recommendations the advisory committee and mayor submitted in 2020 and 2021. The Housing Fund ordinances specify July 1 as the due date for the advisory committee’s recommendations and August 1 as the due date for the mayor’s recommendations. BGR’s request did not yield either committee or mayor recommendations for these years. BGR searched 2020 and 2021 City Council motions but did not find any that adopted recommendations for the Housing Fund. BGR also asked a councilmember to provide the motions but did not receive a response. The Housing Fund ordinances specify that the City Council must adopt the Housing Fund recommendations no later than its first regularly scheduled October meeting.
- 34 City of New Orleans, Notices of Funding Availability for the Development of Affordable Rental Housing, September 1, 2020, and October 11, 2021.
- 35 See Jane Place Neighborhood Sustainability Initiative’s 2018 report *Short-Term Rentals, Long-Term Impacts: The Corrosion of Housing Access and Affordability in New Orleans*.
- 36 For example, for projects receiving Housing Fund awards in 2018 and 2019, the fund covered between 2% and 11% of total development costs. The evaluation considers the project’s readiness to proceed and its alignment with priorities such as creating affordable housing in new areas and committing to longer affordability periods.

### BGR Review Committee

Steven W. Usdin, *Chair*  
Tara Adams  
Charmaine Caccioppi  
Vanessa Claiborne  
Ludovico Feoli  
Norma Grace  
Gary L. Lorio  
Melissa Sawyer  
Lamar Villere

Christine Albert  
Andrea Chen  
Maureen Clary  
Louis M. Freeman, Jr.  
Andrew R. Lee  
Graham Ralston  
Jennifer Schnidman

### BGR Board of Directors

#### Officers

Norma Grace, *Chair*  
Merritt Lane, *Vice Chair*  
Maureen Clary, *Secretary*  
Steven W. Usdin, *Treasurer*  
Blake J. Stanfill, *Assistant Secretary*  
Anne P. Baños, *Assistant Treasurer*

#### Past Chairman

Ludovico Feoli

### BGR Project Staff

Amy L. Glovinsky, *President & CEO*  
Stephen Stuart, *Vice President & Research Director*  
Susie Dudis, *Research Analyst*

This report is available on BGR's web site, [www.bgr.org](http://www.bgr.org).

### Become a Member

To preserve its independence, BGR relies on financial support from a diverse membership of individuals, corporations and foundations. To find out how you can become a part of BGR, go to [www.bgr.org/membership](http://www.bgr.org/membership) or call us at 504-525-4152 x108.

### Board Members

Tara Adams  
Christine Albert  
Susan G. Brennan  
Charmaine Caccioppi  
Andrea Chen  
Vanessa Claiborne  
Leah N. Engelhardt  
Louis M. Freeman, Jr.  
Alex Gershanik  
Jessie Haynes  
Hunter G. Hill  
Thomas A. LaVeist  
Juley T. Le  
Andrew R. Lee  
Gary L. Lorio  
Jennifer M. Neil  
Graham Ralston  
Patty Riddlebarger  
Jennifer Roberts  
Melissa Sawyer  
Jennifer Schnidman  
Syrita Steib  
Lamar Villere  
Charles West

### Honorary Board

Harry J. Blumenthal, Jr.  
Edgar L. Chase III  
J. Kelly Duncan  
Hardy B. Fowler  
Louis M. Freeman  
Richard W. Freeman, Jr.  
Ronald J. French  
David Guidry  
Hans B. Jonassen  
Diana M. Lewis  
Mark A. Mayer  
Anne M. Milling  
R. King Milling  
Lynes R. Sloss  
Sterling Scott Willis



The Bureau of Governmental Research is a private, nonprofit, independent research organization dedicated to informed public policy making and the effective use of public resources for the improvement of government in the New Orleans metropolitan area.

---

#### BUREAU OF GOVERNMENTAL RESEARCH

1055 St. Charles Ave., Suite 200  
New Orleans, LA 70130  
Phone 504-525-4152  
[www.bgr.org](http://www.bgr.org)  
[@bgrnola](https://twitter.com/bgrnola)