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## **OIG FOUND LACK OF FORMAL AND TRANSPARENT POLICIES AND PROCEDURES IN AWARDING TAX BREAKS TO DEVELOPERS**

As detailed in the public letter released today, the Office of Inspector General (OIG) conducted a review of the IDB's process and procedures for selecting PILOT projects during the period of January 1, 2020 through December 31, 2023.

The Industrial Development Board for the City of New Orleans is responsible for administering PILOTs for the City. PILOTs are a type of economic tax incentive used to encourage private development projects that stimulate economic growth. During the course of a PILOT agreement developers pay only a percentage of the taxes that would ordinarily be due on the subject property. Over the past few years, there have been concerns about whether PILOT agreements benefit the City and if the IDB strategically selected projects that aligned with the City's economic goals.

Upon review, the OIG concluded that the IDB did not have well-defined written policies and procedures for approving PILOT projects. Further, the program did not standardized criteria to objectively assess projects and reduce the potential for fraud, waste, and abuse in the selection process. The lack of objective selection criteria provided opportunities for outside influences on the approval of large economic development projects. Finally, as noted in an evaluation conducted in 2018 by an outside consultant, the IDB did not regularly evaluate the PILOT program to assess its overall effectiveness. The OIG found that the program failed to address many of the City's priorities for economic growth. Specifically, the program did not select projects that would result in the creation of high-paying, long-term jobs.

To address these findings, OIG made recommendations for the IDB that were consistent with the 2018 consultant report. These included setting clear programmatic goals and objectives for the PILOT program that align with City's priorities for economic development. Additionally, the IDB should develop formal and transparent policies, procedures, and selection criteria for awarding PILOT grants. Finally, the IDB should routinely evaluate the PILOT program to assess its effectiveness in helping the City meet economic development priorities and goals.

Inspector General Ed Michel stated:

*"Transparent policies and procedures will reduce opportunities for fraud, waste, and abuse while ensuring efficient administration of the PILOT program and good stewardship of the City's tax dollars."*

In addition to today's report, the OIG released a brief with highlights. Go to [www.nolaog.gov](http://www.nolaog.gov) to view all OIG reports.

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