

PARTICIPATORY
BUDGETING PROJECT

PARTICIPATORY BUDGETING for
Affordable Housing



*How Participatory Budgeting can support
affordable housing and how to fund PB*



How participatory budgeting works

PB involves an annual cycle of meeting and voting, integrated into the broader budget decision-making process. Each city adapts PB to its specific needs, but it generally follows these steps:

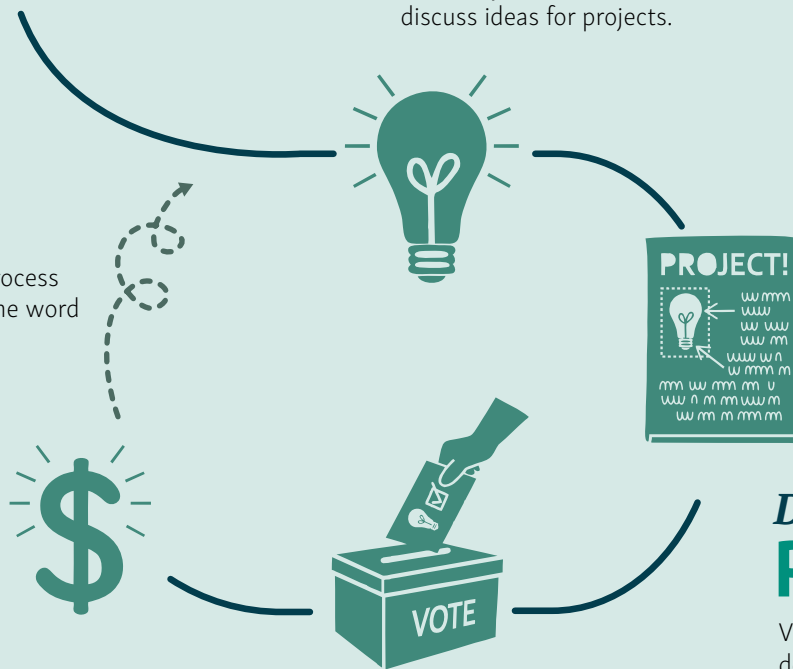
Design the Process

A steering committee, representative of the community, creates the rules in partnership with city officials to ensure the process is inclusive and meets local needs.

Brainstorm Ideas

Through meetings and online tools, city residents share and discuss ideas for projects.

Iterate the process and spread the word for next year!



Fund Winning Projects

The city implements the winning projects, such as laptops in schools, Wi-Fi in public parks, or traffic safety improvements. The city and residents track and monitor implementation.

Cast a Vote

Residents vote to divide the available budget between the proposals. It's a direct, democratic voice in their city's future.

Develop Proposals

Volunteers, usually called budget delegates, develop the ideas into feasible proposals, which are then vetted by city experts.

Affordable Housing & PB: Strategies and Funding

Across the US and Canada, affordable housing is a persistent challenge for communities of all sizes.

In New Jersey, for example, as housing prices rise and wages remain low, many New Jerseyans are struggling to find and keep affordable housing. Fifty-two percent of New Jersey renters are “housing burdened,” meaning they spend more than 30% of their income on rent—and 33% of owners face the same [problem](#)¹.

Participatory Budgeting (PB) is a democratic process in which community members decide together how to spend part of a public budget. PB has been adopted by over 3,000 cities around the world where processes have resulted in more inclusive political participation, especially by historically marginalized communities and more equitable and effective public spending.

Participatory budgeting (PB) is a tool for letting community members propose and prioritize the projects that can help keep or make their neighborhoods affordable.

We initially developed this content through a grant with a specific focus on New Jersey, however this content is highly applicable/transferrable to other states.

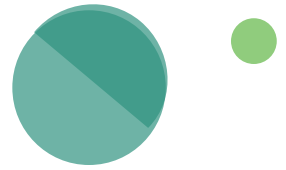
Funding for PB focused on Affordable Housing

A frequent question from government and community leaders is, “Where do we find the money to allocate via participatory budgeting?”

It is important to emphasize that communities do not need “extra” or discretionary funds to implement PB. Rather, even in communities under the tightest of fiscal situations, many existing funding streams are subject to some degree of decision-making discretion (typically exercised by elected officials, agency heads, and or appointed commissions). Municipal charters and grant streams also often typically have requirements for public engagement before major funding decisions are final.

Participatory budgeting is a tool to make this required public engagement more equitable, make tough decisions together with communities, and build early (rather than reactive) buy-in for public projects. In addition to the municipally-derived general funds that have characterized participatory budgeting in New Jersey (and most U.S. PB processes) so far, the following funding streams demonstrate precedent or potential for PB.

¹ [ALICE: A Study of Financial Hardship in New Jersey](#), United Way, 2018.



Funding streams with participatory budgeting precedent in the U.S.

Governments and institutions can emulate the experience of communities across the U.S. that have implemented participatory budgeting with non-municipal funds. Some are specific grant types derived from federal sources and locally administered, while others are general funding stream types that are available in New Jersey and other states.

Community and Environmental Planning Grants

Government Jurisdiction/Type: Municipal, Regional

Eligible Applicants and Purpose: Municipalities in New Jersey are granted power by the state to enact local land use and infrastructure plans, whether routine (e.g., 10 year municipal general master plans) or specialized plans (e.g., resilience or disaster recovery plans). This includes community or neighborhood master plans and affordable housing planning funds. Community plans are keystones for guiding public officials in how to spend general revenue funds, and what special project funds to apply for from state and federal sources.

Relevance to participatory budgeting: Governments typically budget cyclically for planning process funds and/or are eligible for regional, state and federal planning grants to facilitate these processes. One time and recurring community planning processes can use participatory budgeting as one method for governments to make community planning less of an abstract wish list (i.e., How would you improve this community?), and more focused on prioritizing concrete investments and understanding trade offs in long-range development (i.e., How would you spend up to \$20 million to advance resilience in the next 10 years?). While this can mean a longer timeline from public engagement in PB to implementation (PB processes in the U.S. typically run on annual cycles within a specific fiscal year), it also means that community members help set overall priorities early on rather than reacting (often too late to have meaningful decision-power) to specific projects or priorities codified within community plans.

Participatory budgeting precedents: California Department of Transportation's Sustainable Transportation Grants to metropolitan planning organizations (many at municipal or county level)

Community Development Block Grants (CDBG)

Administrator: [US Department of Housing and Urban Development](#) (HUD) for [NJ entitlement communities](#); New Jersey Department of Community Affairs (DCA) for [non-entitlement communities](#)

Government Jurisdiction/Type: Municipal, County

Eligible Applicants and Purpose: Grants are split among States and “entitled” cities and counties. Entitled cities and counties include principal cities of [Metropolitan Statistical Areas](#) (MSAs), other metropolitan cities with populations of at least 50,000, and qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities). Over the period of the grant, no less than 70% of the funds must be used to benefit low- and moderate-income people. In addition, all activities must meet one of the national goals of the program: benefit low- and moderate-income persons, prevention or elimination of slums or blight, addressing community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available.

Amount Available: \$86 million to entitlement communities, \$6.8 million for state allocation to non-entitlement communities in New Jersey state fiscal year 2020 (\$3.3 billion nationally in 2019)

Application Timeline: States allocate their grants to entities according to schedules they set. Entitlement grants can be over a 1, 2, or 3-year period per application as decided by the applicant.

Relevance to participatory budgeting: HUD requires all CDBG grantees to conduct public participation activities to inform the allocation of grant funds. [DCA stipulates](#) that “These procedures should facilitate the participation of low and moderate income persons where CDBG assistance is proposed or CDBG funds are being expended.” Participatory budgeting is a [HUD-recommended](#) method to fulfill these requirements.

Participatory budgeting precedents: [Oakland, CA](#); Niagara Falls, NY

Community Services Block Grants (CSBG)

Administrator: New Jersey [Department of Community Affairs](#) (DCA)

Government Jurisdiction/Type: Municipal, County, Regional

Eligible Applicants and Purpose: States receive block grants according to a [statutory formula via the US Department of Health And Human Services](#). Awards fund agencies for provision of health, education, employment and housing and other services to the low-income population of New Jersey. Ninety percent of the annual allocation must go to designated community action agencies (CAAs), who must develop a community needs assessment.

Amount Available: \$35 million in New Jersey for fiscal years 2019-2020 (\$725 million nationally in 2019)

Application Timeline: State applications for funding are due September 1st of the year prior to the fiscal year in which the grant will begin. States can apply for one- or two-year grants. Once grants are disbursed, the application process and timeline for entities receiving those funds varies by state.

Relevance to participatory budgeting: Many CAAs in New Jersey are municipal entities and/or serve specific municipalities with diverse populations. PB is one method by which CAAs could conduct equity-centered community outreach for this needs assessment. NJ DCA encourages “innovative programming” through CSBG grants, including community gardens, child and senior care, community organizing, and local community planning. NJ DCA also offers technical assistance to CAAs; capacity building for PB could be an eligible technical assistance activity.

Participatory budgeting precedent: [Rochester-Monroe Anti-Poverty Initiative](#) (NY) where residents funded emergency housing and tiny homes for those in need of affordable housing options.

Taxes and Bonds for Dedicated-Use

Administrator, Jurisdiction, Eligible Purposes, Amount, and Timeline vary by taxing or bonding mechanism. Examples include Affordable Housing Trust Funds (via local development fees)

Relevance to participatory budgeting: Elected officials and constituents alike are often reluctant to raise taxes or issue large bonds, even when required for fiscal solvency or to address major infrastructure and social issues. Participatory budgeting can help build public trust and buy-in for tax and bond increases by giving residents a say in how new revenues are spent. This can be particularly effective for very large revenues set aside by law for a specific purpose such as infrastructure trusts and bonds.

Participatory budgeting precedents: Vallejo, CA - sales tax; [Atlanta, GA](#) - Transportation Special Purpose Local Option Sales Tax (TSPLOST)

Tax Increment Financing

Administrator: New Jersey Economic Development Authority

Government Jurisdiction/Type: Municipal (within a Revenue Allocation District)

Eligible Applicants and Purpose: In Tax Increment Financing (TIF), local government incentivizes developers to make desired improvements within a designated Revenue Allocation District. The government then uses the “increment” of subsequent increases in local property taxes to pay for incentives and ongoing development. Usually, TIF is used to fund infrastructure

improvements, but in certain states it can be used for other development-related expenses, such as land acquisition or planning expenses. In New Jersey, TIF is called the [Economic Redevelopment and Growth Program](#).

Amount Available: Tax credits can be for up to \$718 million for a given project depending on its type. Future revenue increments will vary based upon local tax receipts.

Relevance to participatory budgeting: TIF mechanisms are often criticized as redirecting and depleting municipal general funds, particularly when TIF district boundaries encompass rapidly developing areas that are already affluent or are gentrifying. While participatory budgeting does not fully remedy or absolve this valid critique of TIF, it can be a tool for historically marginalized residents to bring a measure of transparency and accountability to a portion of TIF allocations. PB for TIF can be a method for residents to prioritize investing in affordable housing to help stabilize communities.

Participatory budgeting precedent: [Chicago, IL](#)

Funding streams with participatory budgeting potential

Participatory budgeting can be applied to any funding stream where public officials or institutional leaders have some degree of discretion over how funds are spent. This discretion may occur after funds are disbursed to a local jurisdiction for allocation (e.g., block grants, community funds), or before communities apply for specific project funds (e.g., infrastructure project grants and loans). The following funding streams are available in New Jersey and many other states across the United States.

Anchor Institution Community Benefit Funds & Partnership Grants

Administrators & Jurisdictions: Municipalities with hospitals, colleges and universities, major cultural institutions

Eligible Applicants and Purpose: Many hospitals, colleges and universities, and other anchor institutions are required to engage in activities that benefit the communities in which they are located in order to qualify for tax exemptions or receive certain development grants.

Relevance to participatory budgeting: At their best, anchor institution funds can be win-win deployments of resources for flexible uses, ranging from healthy built environment investments including housing support to grassroots social supports (e.g., youth anti-violence organizing,

arts programs, community-led research, etc). However, often the outreach and education efforts that guide community benefits and partnership deployment can lead to well-meaning but underutilized programs that do not effectively reach the more disadvantaged members of a community. Participatory budgeting can allow communities to decide how to best deploy benefits funds most effectively in the community. Currently, New Jersey is leading the way on providing incentives to hospitals to invest in affordable housing across the state.

Community Benefits Agreements (CBA)

Government Jurisdiction/Type: Municipality, Economic development agency, Nonprofit

Eligible Applicants and Purpose: A Community Benefits Agreement is a project-specific contract signed by community groups and developer(s) that require the developer(s) to provide amenities and/or mitigations to the community as a part of a given development project. In return, the community groups typically agree to support, or at least not oppose, the project. The developer may directly spend funds or provide in-kind services to implement agreed upon amenities/mitigations, and/or they may set aside a specific dollar amount to be re-granted by a local government agency or nonprofit organization. Local organizations can apply to receive CBA dollars to implement relevant projects and services.

Relevance to participatory budgeting: CBAs are typically associated with more controversial projects, and are often criticized for a lack of transparency in negotiation (i.e., who determines what the benefits are) and in administration (i.e., who holds the funds and/or holds the developer(s) accountable). In particular, residents may contest who is qualified to negotiate or administer a CBA on behalf of “the community” in a representative, equitable manner.

Participatory budgeting can be a tool to offer transparency in what is often an opaque process. This could occur during the negotiation of a CBA; PB can help set relative priorities to be included in a CBA, and/or a provision can be included to require a future PB process for a portion of CBA funds.

PB can also help resolve tensions and disagreements for existing CBAs that have unspent. Often CBA spending does not have a specific spend down timeline, and can be impaired by lack of re-granting infrastructure by the administering entity and/or competing interests of community groups who may or may not have been involved in the original CBA negotiation. CBAs have been used in gentrifying communities to ensure long-time residents can capture some of the new investments coming into their communities and divert a portion of these funds towards development projects identified by community organizations and residents.

Payment in Lieu of Taxes (PILOT)

Government Jurisdiction/Type: Municipality

Eligible Purposes: Payment in Lieu of Taxes agreements are agreements in which an entity pays a certain amount directly to a government rather than paying taxes. In the United States, there are several types of PILOT agreements possible, such as:

- Agreements in which the federal government or a nonprofit entity (e.g., college or university) pays local governments to offset tax revenue lost from tax-exempt lands.
- Agreements in which a developer pays less than they would have in taxes in exchange for the construction of a facility that provides some public benefit.

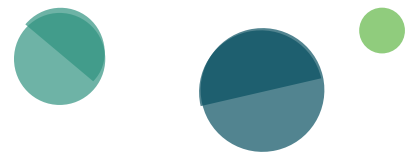
PILOT funds may be directed to the general fund of a municipality, or may have specific restrictions for their use (i.e., within geographic boundaries that include the PILOT-paying entity).

Relevance to participatory budgeting: Similar to TIF funds, PILOT funds paid by tax-exempt entities could be used by governments to fund participatory budgeting processes if dollars must be used within specific geographic boundaries.

PILOT agreements funded by developers are often subject to similar transparency critiques as CBAs, with the additional issue that these PILOT agreements (like TIF districts) reduce general local tax revenues. PB can be used as a tool for community members to assess and prioritize the relative fiscal merits and trade offs of PILOT agreement-funded “public benefits” (e.g., relative importance of the public benefit vs other community needs, market value if a service were provided or purchased by the local government, vs. at cost/in-kind provision by a developer). An affordable housing set-aside could be a well-aligned and appealing priority for a PILOT-funded project.

PB Resources and Case Studies

Find more PB resources, learn more about current and possible uses of funding for PB that addresses affordable housing, and read more case studies from real PB processes, visit www.pbcan.org.





We're Here to Help!

Participatory Budgeting Project is the foremost expert on participatory budgeting in North America. We are a nonprofit organization that works across the US and Canada to empower people to decide together how to spend public money.

We provide technical assistance and training to implement successful PB processes and campaigns, develop new tools to make PB better, and host conferences and information exchanges to share best practices. We have supported over 30 cities and institutions to launch PB, and our work has enabled 534,000 people to decide how to invest \$300,000,000 in public funds.

To learn more about PB or request support with starting a PB process in your community, visit:

PBCan.org

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