



City of Milwaukee

Meeting Minutes

200 E. Wells Street
Milwaukee, Wisconsin
53202

MILWAUKEE HOUSING TRUST FUND FINANCING MODELS SUBCOMMITTEE

LEO RIES, CHAIR

Lucia Murtaugh, Vice-Chair

Heather Dummer Combs, Sup. Marina Dimitrijevic, Rocky Marcoux, Robert Shelledy, Mike Soika

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Monday, April 24, 2006

1:30 PM

Room 301-B, City Hall

Meeting convened: 1:34 P.M.

Members present: Leo Ries - Chair, Heather Dummer Combs, Mike Soika, Lucia Murtaugh, Una Van Duvall - designee for Mr. Marcoux, Sup. Marina Dimitrijevic

Members excused: Robert Shelledy

Also present: Ald. Murphy, Tony Perez, Marianne Walsh, Jeff Osterman and Emma Stamps - Legislative Reference Bureau, Richard Li - Comptroller's Office, Marne Stuck - Greater Milwaukee Association of Realtors and Glenn Bolton - Milwaukee County staff

1. Review and approval of the minutes of the April 3rd meeting

Sup. Dimitrijevic moved, seconded by Mr. Perez, for approval of the minutes. There were no objections.

2. Reports and discussion related to potential funding sources

Mr. Soika handed out a spreadsheet (Exhibit 1) in which he noted that city parking rates appear to be below-market rate to him. This could be a revenue source for the Trust Fund.

There is limited money available from antenna leasing. Increased Potawatomi revenue might be another revenue source.

Ms. Van Duvall will try to find out how many square feet are developed within the city in a year (including residential, industrial and commercial). The average development costs in the city tend to be cheaper than in the suburbs.

Sup. Dimitrijevic said that the county is supportive of affordable housing, but she would need to have the Board focus on the city, rather than all 19 political entities. She said that using TIF dollars from closed districts might also be a possibility at the county level.

Mr. Li said that the city does not borrow money until after the expenditure is approved by the Common Council and that borrowing for one purpose must be used for that purpose, as mandated by the Common Council.

Mr. Soika handed out 3 pages (Exhibit 2) looking at the economic impact of affordable

housing using data provided by the National Association of Home Builders.

3. Listing and ranking of recommended funding sources to report to the Task Force

The Subcommittee supported having a renewable source of funding. The Subcommittee discussed various funding sources as outlined in a discussion paper provided by Mr. Soika (Exhibit 3)

a) Extending Tax Incremental Financing (TIF) Revenues -- Mr. Ries calculated that using closed TIF dollars would generate between \$100,000 and \$500,000 per year, and, if state legislation were passed to collect all TIF funds, rather than just City dollars, that amount would be 3-4 times that amount.

Mr. Soika calculated that if the funds were run out for 3 years, the amount would be from \$2.5 million to \$65,000 per year. Mr. Bolton stated that if the amount were budgeted at \$0 at the city and county level, then the funds would not be being taken from another program. Mr. Li noted that the Comptroller's Office estimates the closeout amount and after that the properties just become part of the city tax rolls. Because of the state-mandated revenue caps, the fund would need to fall within those constraints. Ald. Murphy noted that in order to go above the state revenue cap, it would have to go through a referendum.

Ms. Walsh appeared at the table and gave an example on how a tax levy freeze works. She noted that she had a conversation with Michael Daun, the Deputy Comptroller, who asked that the Comptroller's Office be involved in advising this task force on the general obligation (GO) debt borrowing process, because there are certain uses of GO debt borrowing that require a referendum.

Ald. Murphy questioned if the city could legally use TIF money for projects outside of the TIF area. Ms. Van Duvall stated that she believes that once a TIF is retired, those funds are no longer bound by the TIF restrictions and she believes that Assistant City Attorney Tom Gartner has stated that these funds would be considered general revenue and that the TIF rules wouldn't apply directly once it is retired.

Mr. Ries referred back to the previous discussion related to the spending cap and asked that when the new value is generated, if that factors into the equation until the TIF is closed? Mr. Li explained how TIFs work. Mr. Ries further elaborated on the capturing of extra TIF revenue and noted that before the TIF is closed, it doesn't factor into the City's budget. Mr. Li noted that it would depend on how the state legislation is written.

b) Creating a Citywide TIF -- Mr. Ries advised that they should request a City Attorney's opinion on a whether a city-wide TIF district could be created in the State of Wisconsin. All the members present agreed that feedback is needed from the City Attorney. Ms. Van Duvall noted that if a city-wide TIF were created, all the costs might not be recovered if more money were spent to build or rehab a property, but those funds may not be recovered if rents/housing costs were kept lower in order to provide affordable housing.

c) Establishing a Development Linkage Fee - Mr. Ries noted that the Dept. of City Development will submit an estimate on how much actual development occurs each year. Ms. Walsh suggested that they may want also get a City Attorney's opinion on this issue as well.

d) Proceeds from City Land Sales - Ms. Van Duvall gave a strong word of caution for this recommendation and advised that it will not gain wide support and would be very

difficult to achieve. Mr. Ries asked if city land sales factored into the revenue caps. Mr. Li noted that someone from the Budget Office might be able to answer that question. Mr. Ries calculated that city land sales, based upon past performance, would generate \$225,000-\$250,000 annually.

e) *Encumber Future Potawatomi Funds* - Mr. Soika noted that the \$1 million increase in per-year revenue as a result of the Potawatomi Bingo Casino expansion could be allocated to the Housing Trust Fund. Mr. Ries noted that it might also be negotiated with the tribe that the money go directly to the Housing Trust Fund, rather than passing through the City.

f) *General Obligation Borrowing* - Ms. Walsh reiterated the need to work with Mr. Daun of the Comptroller's Office, the concern related to a potential referendum to approve borrowing and the need for Council action to approve the borrowing on an annual basis as part of the City budget. Ald. Murphy noted that the easiest political sale would be to have a revenue stream set up to pay off the interest, such as linkage fees or parking fees. Mr. Li noted that there are 2 issues on borrowing money for this program and it is all dependent on how exactly the money will be used. It needs to be clearly defined how the money will be used and under what state authority the bonds are being issued. Under federal law, the money must be used for a federally tax-exempt purpose. Ald. Murphy noted that the City has borrowed a lot of money in the past few years.

Ms. Walsh commented on the Assessor's Office Payment in Lieu of Taxes (PILOT) program that works on getting tax-exempt properties to volunteer to pay some revenue toward taxes. Some institutions have paid into this program, but this is a slow-growing fund. Ms. Walsh feels there might be more support for the PILOT program if the money were specifically set aside for the Housing Trust Fund.

g) *State Legislation* - Mr. Soika mentioned two State Legislation proposals and noted that there isn't any disagreement from committee members on either of those proposals.

Ald. Murphy suggested that Ms. Walsh prepare a letter from this Subcommittee to Ms. Dorinda Floyd of DPW-Administration relating to the use of Parking Funds.

Mr. Ries suggested that the subcommittee recommend that the City issue a GO Bond for \$5 million to get this trust fund started and then pursue legislative changes that would sustain the fund over time.

Ms. Dummer Combs asked that, while the City is working on changes to state law for TIFs, could the Trust Fund obtain its funding by extending TIF revenues and creating a city-wide TIF district? Mr. Ries advised that whatever the Subcommittee wants to recommend is fine, but the problem he sees with that is it is all treated as general revenue and subject to the state-imposed general revenue cap. He noted that an increase in parking fees wouldn't affect the revenue cap. Ald. Murphy advised that right now there isn't a revenue cap; there is a tax freeze and currently the City is facing a proposed revenue cap from the state. Increasing parking rates should not impact the tax freeze. Ms. Van Duvall stated that the City could consider a city-wide TIF district once the Subcommittee gets the City Attorney's opinion.

Water sales was discussed as well, but any charges and changes to contracts are reviewed and approved by the Wisconsin Public Service Commission and the City is restricted to selling to entities within the watershed.

Ald. Murphy advised that Ms. Sanchez asked him to consider extending the deadline for the report due from the Task Force. Ms. Dummer Combs strongly objects to any extension as she sees this as merely putting off the inevitable.

The following revenue commendation will be considered at the next meeting:

\$1 million from Potawatomi
\$1/2 million in linkage fees
\$1/2 million in additional parking fee revenue
\$1-2 million in TIF revenue, subject to state legislation change

Sup. Dimitrijevic asked if above revenue would go towards paying off the bonding. Mr. Ries referred to his proposal and noted that it did suggest that they do a \$5 million bond issue, but they could do that or just agree that the above revenue would be the funding and there wouldn't be any bonding.

Ms. Walsh suggested that besides a City Attorney's opinion, they should also get a memo from the Administrator of the Parking Funds on a potential increase in parking fees that would explain the feasibility of such increases and what the department thinks is likely and sustainable. Ms. Walsh will request this information from Ms. Floyd to be distributed to members for the next meeting. Mr. Soika would like to obtain a survey on what the market rates are.

Mr. Ries noted the follow-up items he has that will be considered at the next meeting are as follows:

- 1) Information from the Parking Administrator on survey of the parking market and the feasibility of increasing fees.
- 2) From the Dept. of City Development, an assessment of annual development activity for the creation of possible linkage fees.
- 3) From City Attorney's Office opinions on a citywide TIF district and the legality of linkage fees, as well as the feasibility of both.

Mr. Perez asked Mr. Soika whether the Wisconsin Housing and Economic Development Authority (WHEDA) has been contacted. Mr. Soika advised that he has had contact with a person named Antonio with WHEDA who is very interested in a Housing Trust Fund, and is pursuing it at the state level. Ald. Murphy noted that he is having a meeting with Antonio in a couple of weeks and he could personally invite him to appear before the task force meeting.

4. Set next meeting date and agenda, if needed

Next meeting is scheduled for May 8, 2006 at 2:00 P.M.

Meeting Adjourned: 2:58 P.M.

Parking Garage	Unreserved Parking Spaces				
	Spaces	Per Mo	Mo Total	Yr Total	
751 N. James Lovell	1304	90	117,360	1,408,320	
1000 N. Water	841	85	71,485	857,820	
324 W. Highland	541	65	35,165	421,980	
724 N. 2nd St	298	90	26,820	321,840	
Total	2,984	N/A	250,830	3,009,960	
Average	2,984	84			
				Additional	
	Fee Inc	# Month	Spaces	Income	
With a \$5 Increase	5	12	2,984	179,040	
With a \$10 Increase	10	12	2,984	358,080	
With a \$15 Increase	15	12	2,984	537,120	
With a \$20 Increase	20	12	2,984	716,160	
	Fee	Month	Spaces	Total	Net
Raising all to \$100/Mo	100	12	2,984	3,580,800	570,840



Ten Year Economic Impact of an Annual \$5 Million Housing Trust Fund Investment

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Housing Trust Fund \$	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	50,000,000
Leveraged Funds	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000	250,000,000
Construction Jobs	224	224	224	224	224	224	224	224	224	224	2,240
Construction Taxes & Fees	1,260,000	1,260,000	1,260,000	1,260,000	1,260,000	1,260,000	1,260,000	1,260,000	1,260,000	1,260,000	12,600,000
Construction Local Revenue	10,600,000	10,600,000	10,600,000	10,600,000	10,600,000	10,600,000	10,600,000	10,600,000	10,600,000	10,600,000	106,000,000
Ongoing Jobs		94	94	94	94	94	94	94	94	94	846
Ongoing Taxes & Fees		768,000	768,000	768,000	768,000	768,000	768,000	768,000	768,000	768,000	7,680,000
Ongoing Local Revenue		4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000	39,600,000

Total Ten Year Economic Impact
 Jobs 3,086
 Local Income \$ 145,600,000
 Local Taxes & Revenue \$ 19,512,000
 Leveraged Funds \$ 250,000,000

Estimated local one-year impacts of building 100 multifamily units in Average City, USA include
 \$5.2 Million in local income
 \$630,000 in taxes & other local government revenue
 112 local jobs

The Additional, recurring impacts of building 100 multifamily units in Average City, USA include
 \$2.2 million in local income
 \$384,000 in taxes & other local government revenue
 47 local jobs

Source: National Association of Home Builders - Local Impact of Home Building in Average City, USA - Sept 2004



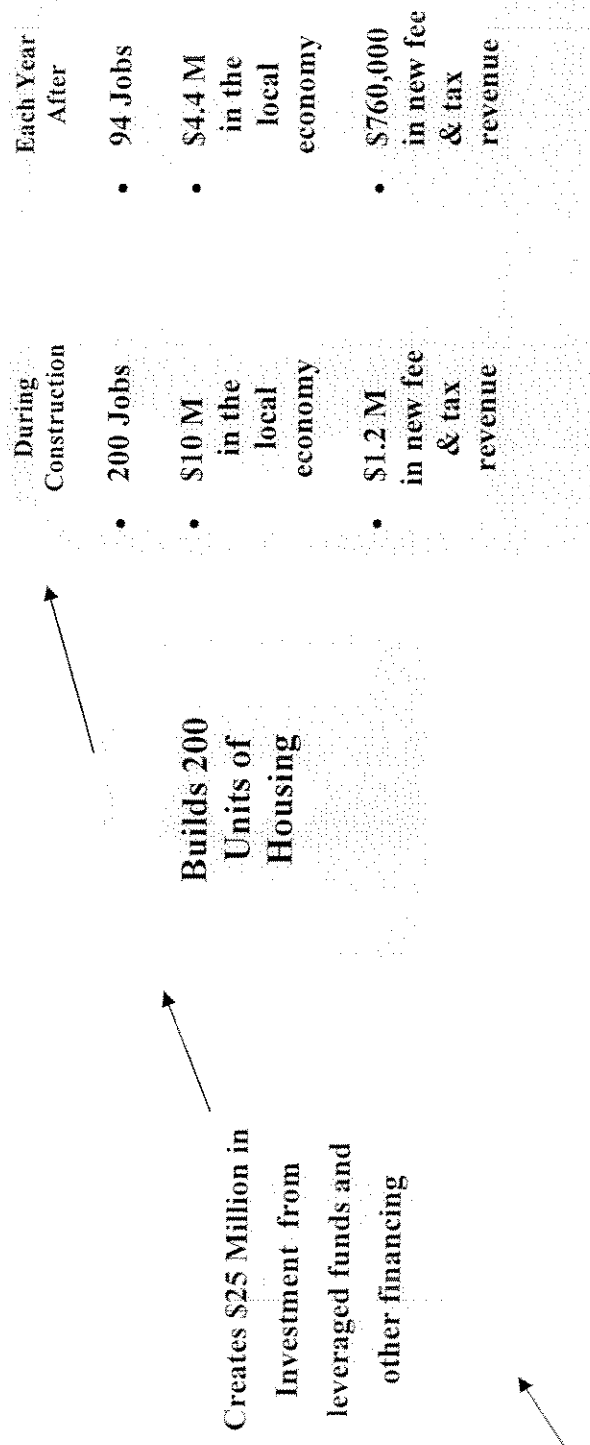
Total Ten Year Economic Impact
Of an Annual \$5 Million
Housing Trust Fund Investment

• Jobs	3,086
• Local Income	\$145,600,000
• Local Taxes & Revenue	\$ 19,512,000
• Leveraged Funds	\$250,000,000

Source: National Association of Home Builders—Local Impact of Home Building
In Average City, USA—September 2004

Economic Impact of a \$5 Million Milwaukee Housing Trust Fund

Economic Impact



\$ 5 Million
Housing Trust
Fund

Marianne Walsh - Fwd: Info for Distribution

From: Linda Elmer
To: Housing
Date: 4/20/2006 12:03:19 PM
Subject: Fwd: Info for Distribution

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>>> "Soika, Michael" <msoika@ymcamke.org> 4/20/2006 11:58:48 AM >>>

Linda: Will you please distribute the attached. It would be helpful for committee members to have it prior to the finance sub-committee meeting on Monday.

Thanks.

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"Not what we say about our blessings, but how we use them, is the true measure of our thanksgiving." W.T. Purkiser



Discussion Paper

Funding Strategy for a Milwaukee Housing Trust Fund

Goal: Create an annual \$5 Million Housing Trust Fund allocation funded with dedicated revenue that is renewed every year.

The only way to ensure ongoing development of new affordable housing in order to meet the severe need in Milwaukee is to create a Housing Trust Fund from dedicated sources that are renewed each and every year. Following is a package of recommendations that are meant to be taken together to reach the HTF annual revenue goal.

Extending TIF Revenues - Extend Milwaukee's portion of TIF revenues for a four year period after the TIF expires. This will commence with the 2007 City budget. Because these revenues fluctuate dramatically from year to year, it is important to identify additional sources of revenue in order to meet the \$5 Million annual HTF goal.

Creating a City-Wide TIF - Following the Flint Michigan model, Milwaukee could create a city-wide TIF that only encompasses vacant property in the city. The TIF would be city wide, but would only include those individual pieces of property that are vacant (land and buildings). Once the properties are improved, the revenue from the improvements will be used to offset the bonding for the TIF. The funds garnered from the TIF Bond would be used to help capitalize the Housing Trust Fund.

Establish a Development Linkage Fee - Create a linkage fee for ALL residential, commercial and industrial property. The fee would be no greater than twenty-five cents per square foot and would only be assessed for new construction or major renovation of existing structures.

Proceeds from City Land Sales - The city of Milwaukee routinely sells land and property that it owns. Currently, 20% of the proceeds of these sales are allocated to DCD. This proposal recommends that the remaining 80% of land sales proceeds be allocated to the Housing Trust Fund.

Encumber Future Potawatomi Funds - The city of Milwaukee receives approximately \$3.9 Million from the Potawatomi gaming agreement on an annual basis. It is reported that with the expansion of the existing casino, these revenues could grow to an average of \$7.2 Million per year. One-third of the expected increase or \$1 Million per year (whichever is more) should be allocated to the Housing Trust Fund.

General Obligation Borrowing - On any year that the combined revenue identified above does not meet the \$5 Million goal, the city of Milwaukee will issue a General Obligation Bond to bring the Housing Trust Fund up to the recommended amount.

State Legislation - The City should take the lead on proposing two state legislative changes: a) Allow a portion of TIF revenue to roll up into a Common Fund to be used for HTF funding; b) Enact state enabling legislation to allow cities and counties to create distinct fees and taxes earmarked solely for the creation and operation of a Housing Trust Fund.