



City of Milwaukee

200 E. Wells Street
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53202

Meeting Minutes HOUSING TRUST FUND ADVISORY BOARD FINANCE SUBCOMMITTEE

Thursday, June 12, 2008

10:00 AM

Room 301-B, City Hall

Meeting convened: 10:06 A.M.

1. Roll call

Present 3 - Peters, Schmidt and Lyles

Excused 2 - Sanchez and Madden

Also present:

Tom Gartner, Assistant City Attorney

Mr. Leo Ries, Executive Director of Local Initiatives Support Corp. (LISC)

2. Approval of the minutes of the December 3, 2007 meeting

Mr. Schmidt moved approval of the minutes, Mr. Peters seconded. There were no objections.

3. Discussion on creating an overall Trust for future housing trust fund monies, e.g.,

Mr. Lyles said that they will begin the discussion today on the idea of creating a trust, such as how it would look and what are the next steps that will need to be taken to create a trust. He advised the members that he has invited Attorney Brent Gregory with the law firm to join this subcommittee today to talk about the details of his background on trusts. He also said they will discuss Ald. Murphy's suggestion on how to approach organizations for money donation to the housing trust fund.

Attorney Brent Gregory appeared and thanked Mr. Lyles for inviting him to appear today. He explained that he is a trust attorney and has been in practice for about 33 years. He said he was also the past President of the Village of Whitefish Bay's Library Board and was in that capacity when the Village made plans to build a new library. He said the building of that new library was a public and private partnership, where the Village committed some monies and the Library Board was committed to raising money through private sources.

Atty. Gregory said that he thinks that what this subcommittee may be looking for is a fund in the form of an endowment. He suggested that one of the things the housing trust fund board should look at is finding some kind of seed grant or channeling some money from say a foundation, corporation or a wealthy individual that could be set aside to start an endowment. He said that money would then provide a stream of funds to be use in the future.

Atty. Gregory said there would be some concerns about setting aside some or all of the current monies already set aside by the city to start a trust, because there is the need right now for affordable housing due to the high number of foreclosures and homeless people.

Atty. Gregory continued to say that in his review of the housing trust fund resolution (060071) he found that it does says that there is a provision that specifies how monies committed to the fund should be used. He said the ordinance indicates specific rules for at least 85% of trust funds, but it also says that the remaining 50% or less shall be set aside for flexible use to respond to whatever housing needs the advisory board identifies. He said that may be a basis to channel those remaining funds into a trust or endowment.

In addition, he said that a typical trust would include a trustee, a beneficiary and the grantor (The person who is donating the assets to the trust). He said this trust or endowment would be somewhat different from a private trust fund, because there is already a specified public purpose and the beneficiary is already specified. he said the details on how the funds would be managed, such as the period of time this trust would be in existence and whether it would except private funds or would just use public funds are things that the advisory board would need to determine.

Mr. Peters asked how could they prevent the city from taking the money out of the trust or endowment and use it for another purpose?

Atty. Gregory replied that is something that would have to be specified in an ordinance or resolution when creating the endowment. He said he agrees that the funds would need to be protected.

Atty. Gartner offered some examples on how that type of situation has been addressed in other cases. He said the advisory board would have two primary

objectives, the first would be to create a mechanism that would allow it to segregate the housing fund outside the city's budget process so that the funds could be carried over year to year and that could also serve as a repository for repayment if the program started to make more loans that would generate repayment revenues; the second objective would be to set up a mechanism so that private donors making contribution could make tax exempt contributions.

Atty. Gartner said some examples on ways similar things have been done in the past, would include the situation with the Milwaukee Economic Development Corp. or the Neighborhood Improvement Development Corp (NIDC), which are private 501c3 corporations that were created with City participation and are considered separate entities. He said both of those operate pursuant to a corporation agreement with the city, with city staff providing services, but both have complete control over thier own accounts and assets. He said that in the case of NIDC, a lot its assets were created through cooperative arrangements with the Redevelopment Authority where loans were made and when repayment came in those repayment were segregated into NIDC. He said another example might be the Milwaukee Tech High School situation, where the Milwaukee Public Schools, UWM, MATC and Milwaukee County created a Tech Commission and that body took the steps to create its own foundation, which is basically a 501c3 corporation. He said it then was able to go out and raise funds and enter into contracts, etc.

Mr. Ries appeared at the table and said that he and Ms. Madden have been looking at ways to engage the private sector in funding the housing trust fund. He said in the course of those conversations they had included Mr. Robert Henken the new President of the Public Policy Forum and he made them aware of an initiative he would like to take and that is to encourage greater cooperation between the city and county. He said he is also working with Mr. Henken on doing a study on what other cities have done in terms of creating a structure to accommodate private sector contribution. He said they are looking at how to create a new entity that could represent the interest of the city and county and also a vehicle for private sector investment. He said the City Attorney's example of Milwaukee Tech is a great example, because the City and County contributed to it and yet they were also able to attracted significant other investors.

Mr. Ries continued to say that he has already met with the Mayor, Aldermen and Mr. Henken and at this time he is in the process of building support for this funding concept and hopefully taking this concept to the next level, which is the study and then the creation of a structure. He said this would accommodate the goals of this subcommittee.

Mr. Gregory said that creating a 501c3 organization would be a good way to protect the funds and would attract private donors. He said that is the structure that the Village of Whitefish Bay Library Board used to attract donors.

Mr. Lyles asked Mr. Gregory how was the Library structured to meet its goal, such as did they set a timeline, was there a dollar amount goal and did the City match the dollars donated?

Mr. Gregory replied that the library did set a timeline for the building of and the actual construction of the library. He said before they got the underway the Library Board did a feasibility study for what they could likely raise from private sources and what the village could commit. The Library Board went back to the village with a proposal based on the feasibility study. The village board did advise the Library Board that it would need to raise more monies then what it proposed. He said the project eventually was completed and under budget.

Mr. Lyles asked if the Library Board's 501c3 organization was then terminated or did it have a sunset provision?

Mr. Gregory replied that the 501c3 organization was in existence as long as the Library Board was collecting donations, but it wasn't seen as a perpetual endowment and it continued for about 5 years from the onset. He said that the Housing Trust Fund's needs would be on going.

Atty. Gartner said that the NIDC doesn't have any specific rule on how its funds are administered, but it does have a board and guidelines and it does have the ability to make changes to its policy.

Mr. Schmidt said that this subcommittee had discussed some investment options at past meetings and asked if those could still be considered? One of those investments options that was discussed was a contribution from the Milwaukee pension fund.

Mr. Ries replied that this structure that is being considered could accommodate public investment options that were discussed previously. Mr. Reis also mentioned that the work he is doing with Mr. Henken will be to revisit those dedicated public funds, including the real estate transfer tax.

Mr. Lyles said that his hope is that this trust fund would be the icing on the cake that will go along with what the City and County commits. He said he doesn't envision today or even tomorrow that there will be enough money spinning off from a trust to support the true needs, but some of the needs could be met from the earnings, along with what is committed by the city on an annual basis.

Mr. Schmidt asked Mr. Ries if there is a time table on when the study that he and Mr. Henken are doing is going to be done?

Mr. Ries replied that it could happen pretty quickly. He said he is meeting with Ald. Murphy and County Supervisor Dimitrijevic to get their blessing on it, before they proceed.

Mr. Schmidt asked what are the elements of study going to be?

Mr. Ries replied by that he has a draft copy of the proposal, but he doesn't want it to be a public record yet. He said some of the research questions will be: What are potential funding sources that might exist to supplement existing funding provided by the City and County? Should the city and county formally combine their efforts? How should the funds be housed?

Mr. Lyles thanked Mr. Gregory for appearing before this subcommittee today and sharing his insight.

Mr. Lyles asked Mr. Gregory if the Village of Whitefish Bay library project had a private sector trustee?

Mr. Gregory replied in the negative. He said the Village Clerk keep track of the funding.

Mr. Lyles thanked Mr. Ries and Atty. Gartner for appearing today.

4. Next meeting date, time and agenda

Mr. Lyles said that it is convenient to have the Finance Subcommittee meeting on the same day as the full advisory board meeting.

Mr. Lyles said that future meeting will take place at 10:00 A.M. on the second Thursday of every month. There were no objections.

Meeting adjourned: 10:40 A.M.

Terry J. MacDonald
Staff Assistant