Sustaining and Expanding Affordable Housing in Southeastern Wisconsin:

Proposal for a Housing Trust Fund of Southeastern Wisconsin

City Of Milwaukee Housing Trust Fund

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Executive Summary

Southeastern Wisconsin is a dynamic and increasingly interconnected economic force. Home to over two million residents, multiple Fortune 500 companies, and a vast array of rich natural resources, the region has huge potential for growth. Currently, several targeted initiatives are underway that seek to position the region nationally as a leader in water technology, information technology, creative industries, and advanced manufacturing. These efforts are critical to the region's ongoing economic development. Yet, in order for them to succeed, the region must begin to strategically address fundamental infrastructure issues with a renewed commitment to cross jurisdictional cooperation and collaboration.

Affordable housing is one of these key issues. To create a regional environment that nurtures economic growth and vitality, civic leaders must ensure that all of Southeastern Wisconsin has an array of housing options that can sustain a diverse and dynamic population. A 2009 Public Policy Forum report on the housing issues facing Greater Milwaukee noted that, *"a recent analysis of the factors contributing to job growth in 242 metro areas in the United States found that housing availability is one of the most crucial."*[1]

Affordable housing must be a primary consideration in any overarching effort to attract, maintain, and expand regional jobs. It is also is a powerful independent driver of economic development. A publication by the Center for Housing Policy[2] makes a persuasive case for the economic benefits of developing affordable housing.

- In a national survey of more than 300 companies, more than half of the companies with more than 100 employees acknowledge a lack of affordable housing nearby, and two-thirds of those companies believe the shortage hurts their ability to hold onto qualified employees.
- The National Association of Home Builders (NAHB) estimates that building 100 new Low Income Housing Tax Credit units for families can lead to the creation of more than 120 jobs during the construction phase. After construction is complete, new residents continue to support roughly 30 jobs in a wide array of industries.
- NAHB estimates that 100 Low-Income Housing Tax Credit units occupied by families generate roughly $827,000 in local revenue immediately, with more than half coming from permit/impact fees and utility user fees.
- Affordable rent and mortgage payments can significantly increase the disposable income of households by $500 or more per month in some cases. Low- and moderate-income households are more likely to spend this money for food, clothing, health care, and transportation. Local businesses stand to gain from the increased buying power made possible by affordable housing.

Unfortunately, a thoughtful regional discussion on the issue of affordable housing is often hampered by jurisdictional challenges, unfounded fears, and misperceptions among different

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[1] Ryan Horton, Deborah Curtis, and Laura Million. *Give Me Shelter: Responding to Milwaukee County's Housing Challenges* (Milwaukee, Wisconsin: Public Policy Forum, 2009), p. 6.

[2] Keith War drip, Laura Williams, and Suzanne Hague. "The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development: Evidence in Brief," *Insights from Housing Policy Research*, January 2011, reproduced as Appendix A.

segments of the population. But if Southeastern Wisconsin is to grow and succeed as a region, we must begin to strategically work together on this important issue.

With this proposal, the Housing Trust Fund of the City of Milwaukee (HTFM) recommends establishing a **Housing Trust Fund of Southeastern Wisconsin (HTF-SW)**. Housing trust funds, which provide gap and other no or low-interest financing to support a variety of affordable housing developments, represent one important tool that can be used in implementing overall affordable housing plans.

The HTFM recommends that the existing Housing Trust Fund of the City of Milwaukee, the Milwaukee County Special Needs Housing Trust Fund, and the Milwaukee County Inclusive Housing Fund be merged to form the foundation for the Housing Trust Fund of Southeastern Wisconsin. Eventually, our vision includes expanding the HTF-SW to include other counties, and possibly, the entire seven-county region.[3]

The HTFM believes that the creation of this collaborative new structure will provide four primary benefits to participating communities including:

1. An increased pool of capital to invest in high-quality affordable housing initiatives that will meet the needs of the people of Southeastern Wisconsin and support economic growth and development.
2. A resource for civic leaders, private investors, and developers to share ideas, experience, and expertise.
3. A structure for productive and cooperative cross jurisdictional dialogue around the critical issue of affordable housing to ensure that all perspectives, interests, and concerns are collaboratively addressed.
4. Increased government efficiency by reducing duplication of efforts and services.

The 2009 Public Policy Forum report[4] on affordable housing challenges in Greater Milwaukee addressed several solutions to the growing need for affordable housing. One key recommendation in that report was for the consolidation of existing Housing Trust Funds:

> *"In an environment of stressed public, corporate, and foundation budgets, it appears to be an appropriate time to consider consolidating the three separate housing funds at work in the county. A combined fund could ease the administrative burden for applicants, spread the funding burden across larger population and tax bases, raise the profile and scale of the fund, and have more potential to attract private donors." (p. 40)*
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> *"Consolidation of the city and county trust funds would make it easier to create a stable funding stream for housing by reducing redundancy among the existing funds and by ensuring that the dedicated funding source would be used in a coordinated manner to further…strategic goals."*
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> *"It seems likely that consolidation of the city's and county's trust funds would make it easier to create a stable funding stream for housing, by reducing the "competition" among the three existing funds and…by reducing the red tape that*

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[3] Kenosha, Milwaukee, Ozaukee, Racine, Walworth, Washington and Waukesha Counties.

[4] Horton, Curtis and Million, *Give Me Shelter.*

comes with separate levels of governance. A combined city-county fund also could set the stage for more effective and coordinated advocacy by both governments for funding solutions." *(p. 69)*

Given the findings from the Public Policy Forum's reports, the HTF-SW could achieve a greater impact by spreading administrative support across a broader spectrum of projects and potentially achieve additional stable funding streams. A regional approach should also build on the success and progress already made by the City and County Housing Trust Funds.

In addition to the other multiple benefits described in this paper, the HTFM believes that a Housing Trust Fund of Southeastern Wisconsin, as proposed here, would serve to coordinate public policy related to investment in the region's housing stock as well as drive a regional strategy in tandem with the housing plan currently being developed by SEWPRC.

Participation in the Housing Trust Fund of Southeastern Wisconsin

The HTFM recommends two classes of membership in the HTF-SW:
1) **Voting Membership.** Jurisdictions willing to commit financial resources to the HTF-SW will have the ability to vote on the activities of the HTF-SW.
2) **Advisory Membership**. Jurisdictions not yet ready or willing to make a financial contribution to the fund will still be encouraged to participate through advisory membership. Advisory members will have the opportunity to be active participants in collaborative discussions about the need and strategies for developing affordable housing throughout the region.

By using the HTF-SW as a collaborative forum for the development of regional plans, communities will develop an understanding of what a regional housing strategy means and how it needs to work by participating in discussions on real-world housing development projects and the benefits of those projects. Those discussions could help resolve challenging issues such as how to provide "workforce housing" that meets the needs of Milwaukee and other communities, and how to use both affordable housing and affordable transportation to improve access to jobs.

Through these discussions, communities that have committed, or are willing to commit, financial resources to the HTF-SW will benefit from the greater economies of scale that collaboration provides, while also retaining control over the funds committed. Communities taking a "wait and see" approach to committing financial resources will gain valuable experience and an understanding of how affordable housing benefits other communities through collaboration.

In addition to the benefits of greater coordination and economies of scale, the HTF-SW would help to raise awareness among participants of resources and approaches used by various communities. By having a structure in place which is representative of key decision-makers, the HTF-SW will also be better positioned to take advantage of federal and state investment opportunities, which increasingly place a high value on collaboration, partnership and regional approaches. One example of a missed opportunity for Milwaukee was HUD's Sustainable Communities Regional Planning Grant program, which announced awards in 2010[5].

Funding

As described in Appendices E-G, Housing Trust Funds are capitalized using a variety of revenue streams, though funding alternatives are limited due to constraints imposed by state

[5] http://portal.hud.gov/hudportal/documents/huddoc?id=OSHCFY10RegApplist.pdf

government. At the present time, there are three sources of revenue available to local jurisdictions for investment in the HTF-SW. These are:

1. **Local Appropriations**. This approach is currently employed by the City of Milwaukee and Milwaukee County, either through annual budget allocations or through the use of borrowing authority. Periodically, the city and the county have allocated the proceeds from public land sales to support the development of affordable housing – for example, the city diverted the proceeds from the sale of the land for the Kilbourn Tower Development from the General Fund. Milwaukee County passed a resolution stating that proceeds from Park East land may be earmarked for affordable housing.

2. **Tax Incremental Financing.** Tax Incremental Financing dedicates tax increments within a certain defined district to finance debt and is a viable source of funding for the HTF-SW. In addition, based on changes in state statutes approved in the 2009-10 budget cycle (described on page 12 and in Appendix H), local communities can extend the life of TIF districts for up to one year and use the proceeds to support affordable housing efforts.

3. **CDBG and HOME funds.** All local jurisdictions receive an allocation of Community Development Block Grant (CDBG) and HOME funds from the federal government – by virtue of being either a direct "entitlement city", by being a sub-recipient of a county CDBG program or by being eligible for funding under the state's CDBG program. Regardless of how regional HTFs are derived, the local jurisdiction has some latitude in terms how these funds can be used and could, if so desired, direct their allocation to the HTF-SW. Although the current system allocates CDBG funds to suburban communities for a variety of eligible uses, we are recommending that the County instead earmark a portion of its CDBG funds for the HTF-SW. (Note: Although HOME and CDBG represent the best options for funding the HTF-SW, the federal government has recently cut both programs substantially and is proposing further cuts for 2012).

Despite the difficult economic times, these options provide local communities with a meaningful way to participate in addressing our regional housing challenges. In addition to these options, the HTFM envisions that a key task of the HTF-SW would be to pursue legislative initiatives on the state level to provide additional, and dedicated, funding sources to local communities.

The proposed structure should also be flexible to permit and encourage private sector investment in the HTF-SW. The private sector has a vested interest in addressing this issue, since fundamentally we are talking about maintaining the economic vitality of the region. In an era of ever diminishing public resources, any sustainable public policy initiative, as is proposed here, has to be characterized by leverage and collaboration. Private sector expertise and resources will be important components of any long-term strategy to address the region's housing needs.

As the Public Policy Forum study on affordable housing concluded, "Addressing Milwaukee's affordable housing needs will require greater public sector coordination, greater private sector participation, and recognition of the need for an integrated strategy that addresses both the supply side of the equation (i.e., building or rehabilitating low-income units) and the demand side (providing additional rental assistance)."[6] Creation of the HTF-SW will increase transparency and efficiencies, and strengthen our ability to improve the quality of life and broaden economic opportunities for all citizens.

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[6] Horton, Curtis and Million. *Give Me Shelter,* p. 70.

Background

As a result of a campaign led by the Interfaith Conference of Greater Milwaukee in 2005, the City of Milwaukee established a Housing Trust Fund (HTF) to provide local support for the development of affordable housing in the City of Milwaukee. The commitment to date has provided $3 million in grants and loans and leveraged $62 million in other funds to produce 421 housing units. This commitment is significant in that it constitutes recognition by civic leadership of the importance of affordable housing in maintaining an economically diverse and vibrant community.

Milwaukee County has also recognized the need to improve access to quality affordable housing, especially for the more vulnerable members of our community. Independent of the city, the county established a Housing Trust Fund with a particular focus on persons who are served by the Behavioral Health Division of the Milwaukee County Department of Health and Human Services. There has been $3 million authorized for this purpose, and it has led to the funding of approximately 300 units of supportive housing.

In part, this initiative was undertaken by the county due to a series of investigative reports in 2006 by the *Milwaukee Journal Sentinel* on the need for quality supportive housing for the mentally ill.[7] Ongoing reports have elevated the issue on the community agenda and played a major role in encouraging greater collaboration between the City of Milwaukee and Milwaukee County in the development of several supportive housing projects, including Johnston Center Residence, Prairie Apartments, and Empowerment Village.

While the accomplishments to date are impressive, especially in the current difficult economic environment, the City of Milwaukee HTF recognizes the need to expand the reach and the scale of these efforts in Milwaukee County, and at some point, to communities throughout Southeastern Wisconsin. (See Appendix B: Background on Housing Trust Funds and Description of the Need in Milwaukee County).

Recommendation for the HTF-SW

In order to advance the goal of creating a platform for greater scale and impact throughout Southeastern Wisconsin, the Housing Trust Fund of the City of Milwaukee (HTFM) recommends that the efforts of the City of Milwaukee and Milwaukee County be combined into the Housing Trust Fund of Southeastern Wisconsin (HTF-SW) and eventually expanded to include other municipalities, counties, and possibly the entire seven-county region.[8]

The HTFM is proposing the creation of the HTF-SW for the following reasons:

- The HTF-SW would have more ability to implement a comprehensive regional housing strategy. A broader geographic area would also provide the HTF-SW with more options from which to choose in terms of where to invest HTF-SW monies, as well as potentially offering greater leveraging of its funds.
- There are affordable housing needs outside of the City of Milwaukee, as well as Milwaukee County. Those needs, which have been documented for decades, must be addressed, as should other housing problems beyond affordability. Milwaukee County

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[7] Meg Kissinger. "Abandoning our Mentally Ill," *Milwaukee Journal Sentinel*, March 2006.

[8] Kenosha, Milwaukee, Ozaukee, Racine, Walworth, Washington and Waukesha Counties.

has created a Special Needs Housing Trust Fund, which is a very valuable resource, but there are housing needs beyond "special needs" in the county. Recently, the Metropolitan Milwaukee Fair Housing Council filed a HUD Complaint against Waukesha County for discriminating on the basis of race and ethnicity in the administration of their CDBG and HOME programs. Participation in a regional HTF can provide a model of activity many of the region's entitlement jurisdictions could look to and emulate or adapt for their own needs.

- The HTF-SW would be well positioned to address the "workforce housing" needs of Milwaukee and other area communities. Providing affordable housing closer to jobs, as well as transportation to jobs, improves access to those jobs and is important to the economic health of area communities. It also reduces the time and cost of commuting.[9]
- Some sources of funding that are not now available for affordable housing may become available, or be more likely to become available, if the HTF-SW is in place (e.g., the aforementioned HUD's Sustainable Communities Regional Planning Grant program). Also, some sources of private capital may be more attracted to a regional fund because of an existing business presence in communities outside of Milwaukee or simply because they just think a regional approach makes more sense.

The HTF-SW could also help coordinate public policy related to investment in Milwaukee County and/or Southeastern Wisconsin's housing stock. By having a structure in place that is already representative of key decision-makers relative to this issue, Milwaukee and the region will be better positioned to take advantage of federal and state investment opportunities, which increasingly place a high value on collaboration, partnership, and regional approaches.

Funding

Current Housing Trust Funds

There are several programs that provide financial assistance to improve the affordability and quality of housing for lower-income people in Milwaukee County. Those programs include federal financial support for public housing, the federal HOME Investment Partnership program, the federal Community Development Block Grant (CDBG) program, the federal Housing Choice Voucher Program (Section 8 Vouchers), federal Project‒Based Section 8 Subsidies, federal Section 42 Low‒Income Housing Tax Credits, federal programs for the elderly and people with "special needs." including housing for homeless people, and Tax Incremental Financing (TIF) provided by local governments.

These sources of funding are channeled to the City of Milwaukee and Milwaukee County in a variety of ways. HOME and CDBG funds are allocated by formula to the city, county and some suburbs as direct federal grantees. Public housing funds and funding for Section 8 vouchers must be secured through competitive applications. Low Income Housing Tax Credits are allocated to individual rental housing projects by WHEDA (the Wisconsin Housing and Economic Development Authority). Federal funds for projects serving the elderly, people with disabilities, and homeless people are awarded directly to individual projects, except that homeless funds are awarded to a group of agencies and organizations that must collaborate through a "Continuum of Care." TIF funding is generated by individual cities and villages;

[9] The National Housing Conference, based on research by the Center for Neighborhood Technology, estimates that households earning less than $50K spend more than 70% of their income on housing and transportation combined.

counties are not currently empowered to use TIF.

There is also a state-funded program that provides financial assistance to lower-income homebuyers and renters, tax-exempt bond financing for projects that include some affordable housing, and the Affordable Housing Program of the Federal Home Loan Bank System.

New federal funding programs have been designed to respond to the issue of foreclosures. They include the Neighborhood Stabilization Program (which finances the purchase and rehabilitation of foreclosed homes so they can be returned to productive use), the Home Affordable Modification Program (or "HAMP" which offers financial incentives to lenders to modify the terms of mortgage loans for homeowners at risk of foreclosure), and a new Emergency Homeowners Loan Program (not yet in operation, which will provide financial assistance to homeowners at risk of foreclosure because of unemployment, underemployment, or health conditions).

In addition, there are state and federal programs dealing with lead hazard reduction and weatherization as alluded to earlier. As also discussed earlier, both the City of Milwaukee and Milwaukee County[10] have established trust funds, in recognition of the importance of addressing the issue of affordable housing.

Housing Trust Fund of the City of Milwaukee

The Housing Trust Fund of the City of Milwaukee (HTFM) was capitalized with $2.5 million in general tax revenue in 2007, and $400,000 in general tax revenue in both 2008 and 2009. Since 2008, the HTFM has provided slightly more than $3 million in funding for 18 affordable housing projects providing 322 homes. The HTFM's funding commitments have leveraged over $62 million in total resources, with an average of $9,336 in HTFM direct funding per unit. The HTFM is administered by the City of Milwaukee Community Block Grant Office, and makes grants for gap financing to developers of rental housing, owner-occupied housing, and housing and services for the homeless. (See Appendix C: Milwaukee City Projects Approved For Housing Trust Funding).

Milwaukee County Special Needs Housing Trust Fund

In February of 2007, County Executive Scott Walker proposed and the County Board approved creation of a Special Needs County Housing Trust Fund (CHTF) to provide partial financing for the development of supportive housing in Milwaukee County. At least 40% of the units developed must (in accordance with applicable fair housing laws) be primarily set aside for use by Milwaukee County Behavioral Health Division consumers living with serious and persistent mental illness (as determined by Behavioral Health Division), and who are under 30% of median income. The fund is currently financed through low-interest loans from the State of Wisconsin Trust Funds Loan Program. The 2007, 2008 and 2009 adopted county budgets each authorized borrowing of $1 million from this state fund. (See Appendix D: Projects Funded by the

[10] In 2005, in conjunction with the effort to sell and develop land in the Park East Corridor, Milwaukee County created an "Inclusive Housing Trust Fund." The original intent was to use a share of Park East land sale proceeds to help finance the development of affordable workforce housing within the City of Milwaukee. The first $1 million of the net proceeds on the sale of a specific parcel of land in the Park East corridor was to have been placed into this new account, but that land sale has yet to close. The County Board attached an amendment to the 2008 budget calling for the first $1 million of *any* land sale proceeds to be directed into the fund that year. County policymakers have not yet determined how or whether additional dollars will be added to this fund.

Milwaukee County Special Needs Housing Trust Fund).

Proposed HTF-SW Funding

Significant research into the most appropriate *public* funding sources for a housing trust fund was conducted prior to the establishment of the City of Milwaukee Housing Trust Fund in 2007 by those working to pass legislation to create that fund. After the city's Housing Trust Fund was created, its Finance Subcommittee continued to work on developing public funding sources and conducted research into models of *private* funding sources for housing trust funds. (See Appendix E for information on key findings from both sets of research).

The HTFM recommends that the HTF-SW use multiple sources of public funding so that it is not dependent on a single revenue source. Using different sources of funding should provide for a more stable HTF-SW, given that the availability of each funding source varies with economic conditions and the "political will" of the moment. Greater stability would assure the continuity of HTF-SW efforts, which in turn would help assure that housing assisted by HTF-SW is distributed throughout the region and that there is more visible impact across the region. In addition, it would help avoid the perception that some communities are unfairly benefiting from the efforts of the HTF-SW.

The HTFM also recommends that the City of Milwaukee and Milwaukee County each commit start-up funding and staff to the HTF-SW. The HTF-SW should then seek to secure a commitment of matching funds from private sector sources.

The next sections of this report discuss public sources of funding for the HTF-SW based on the current economic and political environment, as well as funding models used for housing trust funds across the nation. As stated previously, the most viable options at the current period in time appear to be:

1) Local appropriations; e.g., sources of revenue such as sale of land.
2) Tax Incremental Financing (TIF).
3) Jurisdictional allocation of some portion of CDBG funds to the HTF-SW.

Findings on the potential for private investment in a housing trust fund, regional or otherwise, are also included.

Public Sources of Funding

The National Housing Trust Fund Project reports on revenue sources used by state, city, and county housing trust funds. The **most common revenue source** for ***state*** **housing trust funds** is **real estate transfer taxes** (although used by only 11 of 49 trust funds) or documentary recording taxes or fees (seven states). Other revenue sources for state housing trust funds include revenues from sale of unclaimed property, interest on escrow funds (used in Wisconsin for a fund to provide housing to homeless people), general obligation bonds, or other charges and fees. (See Appendix F: State HTF Revenue Sources).

By contrast, the **most common revenue source** for ***city*** **housing trust funds**—used by almost half of the funds—is **developer fees**. These include developer impact fees[11], residential inclusionary zoning fees[12], demolition fees, and condominium conversion fees, among others.

Other revenue sources used by city housing trust funds include tax increment funds, transient occupancy (hotel/motel) taxes, property taxes, document recording fees, bond revenues or fees, and general fund revenues. Thirteen (of 55) city housing trust funds collected revenues from more than one source. (See Appendix G: City HTF Funding Sources).

There is considerable variety in the sources of revenue for *county* housing trust funds, including impact fees and other developer fees, inclusionary zoning in-lieu fees, condominium conversion fees, real estate transfer taxes, sales taxes, property taxes, food and beverage taxes, parking garage revenues, bond revenues, fees for providing credit enhancement to development projects, and general funds. More ***county*** **housing trust funds** use the **document recording fee** as their revenue source than any other option. (See Appendix G: County HTF Funding Sources).

Revenue generated by activity in the real estate market

- Developer Fees: The limitation of developer fees (including inclusionary zoning fees) as a revenue source is that they work well only in places and during periods when there is a strong real estate market. They generate revenue only if developers are willing to build and pay the fees. That is also true of real estate transfer fees or taxes, document recording fees, condominium conversion fees, and demolition fees. The amount of revenue they all generate is related to activity in the real estate market.
- Real Estate Transfer Fees: Using real estate transfer fees in Wisconsin is a politically challenging proposition. The real estate brokerage industry, which has substantial lobbying power, is adamantly opposed to the use of such fees to fund any specific services or activities, even if they are related directly to housing. Given the troubled state of the housing market currently, a proposal to increase sales transaction costs, even by a modest amount, would be strongly opposed.
- Property Tax General Revenue: To some extent, property tax revenue is also tied to the strength of the local real estate market. Property tax revenue increases only if the amount and value of taxable property increases—and increased property tax revenue first has to pay for increases in the cost of public services (unless services are to be cut back in order to fund a housing trust fund, which is a difficult proposition politically). As a result, the viability of this as a funding mechanism greatly depends on the overall health of the real estate market and should be considered for use in times of economic upturn.
- Bonds: Among all of these revenue sources, only bond proceeds are not tied directly to the pace and volume of real estate activity *in the short term.* Cities or counties that use general obligation bonds to provide capital to housing trust funds are spreading the current cost over the repayment period of the bonds. States formally regulate the amount of local government bonded indebtedness, and the bond markets also "regulate" borrowing levels by charging higher interest rates if bonds are used too much. In addition, bonds are primarily repaid using revenue from property taxes—and so the ability of a local government to use bonding depends on its property tax base growing at a faster rate than the increase in other costs funded by property taxes.

[11] Paid by developers who build nonresidential property, on the premise that such developments increase the need for affordable housing.
[12] Paid by developers instead of building income- and cost-restricted homes.

Tax Incremental Financing

Tax incremental financing (TIF), as a potential revenue source for a housing trust fund, has a distinct advantage over the use of general property taxes. While the property tax base may not increase enough to generate new revenues, TIF uses only the *additional* or "incremental" revenue resulting from development activity that increases taxable value. In other words, TIF is tied directly to development and works only if property values do increase as a result of the development being undertaken.

In addition, other taxing districts (such as school districts and, in the case of municipal TIF projects, county governments) must wait to collect their share of the new tax revenue until after the public costs of the TIF project are fully paid. Cities and villages issue bonds to pay the costs and repay the bonds with the incremental tax revenue. (They can also require the developer to borrow the funds and dedicate the tax revenue to repay the debt.) The argument is that those other taxing districts are not really giving up revenue they would otherwise have, because without the TIF project the new activity that generates the revenue wouldn't happen. Most of the debate about TIF revolves around whether that is really true.

The 2009-2010 state budget bill changed state law to allow a municipality to extend the life of a TIF district for up to one year and use that year's incremental revenue for affordable housing or improving the municipality's housing stock. At least 75% of the revenue is required to be directed to affordable housing investments and up to 25% of the revenue must be used for improvements to the municipality's housing stock. This is the first time Wisconsin law has allowed TIF revenues to be used for expenses that are not part of the TIF project. (See Appendix I: Housing Trust Fund Legislative Efforts 2010). The Act requires a Common Council Resolution to implement the collection of funds for the Milwaukee Housing Trust Fund. This has not yet been pursued; the HTFM recommends that it should be pursued.

In its 2009-2010 session, the Wisconsin Legislature also changed state law to allow TIF districts that are generating *more* revenue than anticipated ("donor" districts) to subsidize districts that are not generating enough to repay the debt issued to carry out TIF-funded projects. There have been proposals to allow excess revenue from "donor" districts to be used for affordable housing or improve the housing stock. None have been approved at this point in time.

In 2003, three statewide advocacy organizations[13] proposed that the life of TIF districts be extended up to five years if at least 10% of the TIF borrowing was used for affordable housing. The proposal suggested that the housing set-aside funds could be used outside of TIF districts, so that funds could be used to help build or rehabilitate housing where it is most needed and in the best possible environment for housing. To encourage a regional approach to addressing housing needs, the proposal also suggested that cities and villages be allowed to enter into cooperative agreements with other municipalities or with county governments to enable affordable housing set-aside funds to be used where the housing is most needed (i.e., outside of the jurisdiction where the TIF revenue was generated).

The proposal was met with a positive response from statewide real estate industry and local government associations. The proponents tried to attach the proposal to a bill allowing TIF to be used for the first time for newly-platted residential subdivisions rather than only for

[13] The Wisconsin Community Action Program Association, the Wisconsin Council on Children and Families, and The Wisconsin Partnership for Housing Development

redevelopment projects. However, the sponsors of the "greenfield" subdivision law declined to include the affordable housing provisions, and the law passed without any affordable housing requirement.

In order to effectively broaden the use of TIF to support affordable housing, it will be necessary to resolve some concerns of stakeholders. If the life of TIF districts is extended, county governments and school districts would be required to wait longer for their share of incremental tax revenue. If TIF borrowing is used to help finance affordable housing in addition to the costs of the TIF district, those stakeholders might also have to forego some tax revenue. Affordable housing development would create economic benefits for the county and its municipalities, and the HTF-SW will need to "advertise" those benefits to help make the case for using TIF revenues to support affordable housing.

Even without extending the life of TIF districts or expanding the eligible uses of TIF borrowing, the City of Milwaukee and any other municipality using TIF could dedicate their share of the incremental tax revenue to the HTF-SW after the TIF borrowing has been repaid. This action could be done for a specified period of time or permanently. In addition, it would not require a change in state law or the approval of the other taxing districts.

CDBG, HOME, or other federal housing funds

As discussed in the section of this report describing the three existing housing trust funds, both the City of Milwaukee and Milwaukee County receive formula-driven allocations of Community Development Block Grant and HOME Investment Partnership Program funds. The HTF-SW could conceivably apply for HOME and/or CDBG funding or could propose to administer some or all of those funds on behalf of the city and county. The HTF-SW should instead invest its energy in making the case for better coordination of the use of those funds to carry out a regional housing strategy that the city and county agree to support and implement.

State Income Tax Credit

Some states offer a credit against state income tax liability for investment in affordable housing by businesses. In some cases, those programs are intended to encourage employers to support "workforce housing" initiatives, often for their own employees. In other cases, the programs are aimed at generating funding support for affordable housing or neighborhood revitalization more generally.

During the 2010 legislative session, a bill to provide tax credits for employer-assisted housing programs was approved by the State Assembly Committee on Housing and the State Senate Committee on Judiciary, Corrections, Insurance, Campaign Finance Reform, and Housing, but was not approved by the full Legislature. The bill provides a credit of 50% of the employer's expenses (90% if the employee is buying a home that has been in foreclosure) to provide financial assistance to employees (with incomes up to 120% of Area Median Income) to buy or rent housing they can afford.

Under the bill, employers could contract with another entity (usually a nonprofit corporation like Select Milwaukee) to manage their employer-assisted housing program. Many do that now, using funds they commit even without the incentive of a state tax credit. However, the bill requires assistance to be provided to individual employees. Offering a tax credit for employer or other private sector financial support for the *development* of housing that is affordable for working families would require extensive modification of the bill under consideration. However, the November 2010 election results mean that the legislative equation for many pieces of legislation in the State Legislature has changed in any case. In addition, the State is facing another serious budget deficit that could make new tax credit legislation problematic. It will be essential to consult with the new legislative leadership to determine whether state tax credit legislation that would be supportive of the role of the HTF-SW is a realistic prospect.

Public Benefit "Check-Off" Options

Advocates for some programs with a social purpose have been successful in using a "check off" feature on state income tax forms or utility bills. For example, Wisconsin income tax payers can donate funds to the Second Harvest Food Bank, breast cancer research, the Wisconsin Democracy Campaign, the Democracy Trust Fund, the Wisconsin Chapter of the National Multiple Sclerosis Society, and other programs.

Creation of a state income tax "check-off" would require action by the Wisconsin Legislature.

Private Sources of Funding

The HTFM has researched the use of private capital to supplement public capital in housing trust funds. We had hoped to find examples of private sector "investment" in housing trust funds, but we did not. As the Public Policy Forum report observes: "The vast majority of housing trust funds in the U.S. have a stable *public* revenue source. Examples of trust funds that have been successful in attracting private funds are scarce. Private capital contributions to housing trust funds have been either in the form of one-time donations or, in one case, tied to the workforce housing needs of large suburban employers in fast growing ex-urban areas (i.e. Silicon Valley)."[14]

That does not necessarily mean that including private capital as an investment, versus philanthropic funding, in the HTF-SW is impossible. However, we have not found successful examples to use as precedents.

Private capital is an essential element of financing affordable housing, except housing for people with income so low that they cannot pay any part of the cost of their housing. Private capital from conventional sources is used for development and construction financing as well as longer term (or "permanent") financing. (See Appendix J: How Affordable Housing Development Is Funded). It also includes private equity investments in projects eligible for tax credits, where the return to investors comes from the tax benefits rather than earning a rate of return on monies invested or loaned to a project.

Private capital can be used to help finance affordable housing only if there are sources of "gap financing" – i.e., a source of subsidy to finance the difference between the cost of producing the housing and the below-market value of the property that is produced. The low market value is attributable to the location of the property resulting in depressed values, or due to the cost of development and operating costs that cannot be built into rents or sale prices while still keeping the housing affordable. Without the existence of housing trust funds and other sources of "gap financing," the amount of private capital used for affordable housing would be extremely small.

In order to be used for "gap financing," which is a housing trust fund's core mission, private capital in the HTF-SW would most likely be philanthropic funding:

[14] Horton, Curtis and Million. *Give Me Shelter: Responding to Milwaukee County's Housing Challenges*

- Foundations (sometimes created by businesses or families, and sometimes with capital from a wider range of sources) help capitalize housing trust funds.
- Donations by individuals can be a significant asset to an HTF.
- In some communities, consortia of lending institutions or other businesses have been created to support affordable housing, either as part of housing trusts (not housing trust *funds*) or as separate "companion" programs to a housing trust fund. Such a partnership is worth considering should such a private entity exist that would wish to partner with the HTF-SW and vice versa.
- Some foundations and other funding sources such as United Way have created "donor designation" options for giving, through which donors can choose specific organizations or initiatives—such as a housing trust fund—to "direct" their donations. City of Milwaukee employees have the option of contributing to the Housing Trust Fund via this option.
- A housing trust fund could invite similar direct donations itself, using a website or other vehicles.

As mentioned previously, the development of affordable rental housing uses three kinds of capital:

- Development and construction financing ("debt"), as well as longer-term (or "permanent") financing, most of which comes from private lenders.
- Private equity investments in projects eligible for Low Income Housing Tax Credits, where the return to investors comes from the tax benefits rather than the projects.
- "Gap financing," which usually comes from public sources such as CDBG and HOME, and housing trust funds.

Development of housing for sale to homeowners is also predominantly financed with private capital. There are no tax credits for development of owner-occupied housing as there are for rental housing. New Markets Tax Credits can be used to support *development businesses* that produce owner-occupied or rental housing but not to support *individual development projects*. There was a proposal during the Bush administration to create a Home Ownership Tax Credit (HOTC), but it did not pass Congress. The only way of making owner-occupied housing more affordable is to use "gap financing" which lowers the debt service to be repaid thus keeping the housing affordable.

Private capital for mixed-income housing

One way in which private capital can be used to help produce affordable housing is by financing housing for consumers with more purchasing power, who do not need or qualify for subsidy funds, as part of mixed-income projects. There are sites for new construction, or existing buildings that can be rehabilitated or converted from nonresidential to residential use, that are too large or too expensive to be used entirely for affordable housing. "Market-rate" housing will always be totally financed with private capital. The projects can provide some affordable housing only if that capital is available to finance the other housing.

Many housing advocates and practitioners believe that mixed-income housing is a better option than projects that solely provide affordable housing, even if the latter option is financially feasible. However, mixed-income projects are often perceived as higher risk because there is some uncertainty about whether consumers with a wider range of choices will be willing to live near or among people with lower incomes. There is sometimes opposition to mixed-income projects because neighbors or local governments would prefer that only relatively more expensive housing be developed. Private sources of capital willing to finance mixed-income housing make an invaluable contribution to creating affordable housing opportunities.

The possibility of mixed-income developments financed by a housing trust fund, other sources of "gap financing" and private capital underscores the advantage of the *Housing Trust Fund of Southeastern Wisconsin*. There will be more opportunities for that kind of development project if the HTF-SW serves a larger geographic area and more opportunities to enlist private-sector partners in the housing trust fund's work.

A "Regional Opportunity Fund"

There has been some discussion in Milwaukee of a "Public-Private Regional Opportunity Fund." A Regional Opportunity Fund would offer an opportunity for private investors to participate in financing projects that offer benefits to the community, as well as some rate of return to the investors. Such a fund could supplement tax credits as a source of financing for affordable housing. Over the past several years, there have been concerns about the continued viability of those tax credits because of changes in the capital markets. A Regional Opportunity Fund might offer a way for private investors to continue supporting affordable housing if tax credits cease to be a major source of financing for rental housing projects.[15] An outline of issues that would have to be taken into account with this kind of fund is provided in <u>Appendix K</u>.

While the HTFM has recommended that the primary activity of the HTF-SW be the provision of "gap financing," we do not believe that the HTF-SW should totally rule out the possibility of using private capital to make loans or investments. However, before the HTF-SW could possibly move toward loan activity, there are several concerns of both private and public stakeholders that would have to be satisfactorily addressed.

Some private investors are concerned about the idea of combining public and private capital, because they are concerned about the possibility that political motivations might influence funding decisions. Although the distinction between "political" and "public policy" considerations may seem clear to people in the public sector, it is sometimes less clear to people in the private sector. In addition, with local and state governments under increasing fiscal pressure, the willingness of private sector funders to participate in the HTF-SW could be used as an argument for the public sector to *reduce* its level of effort because the private sector will fill the gap. We believe that a public sector role in funding affordable housing is essential, and that some financing needs are more likely to be met with public than private capital.

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[15] The subprime lending and foreclosure crises have had a dramatic impact on one of the principal sources of financing for affordable housing. That increases the need for the kind of "gap financing" housing trust funds can provide. The Low Income Housing Tax Credit (or "Section 42) program has been the largest federal financial support for affordable housing. Under the program, private investors (usually corporations) invest in housing for residents within certain income limits. The return on their investment comes from credits that reduce their federal (and sometimes state) income tax liability. Consequently, the money they invest—which typically has paid half or more of the cost of building or rehabilitating the housing—acts like a grant, because the project itself does not have to generate a return on the investment.

These issues and concerns would have to be seriously considered and discussed before the HTF-SW could adopt a policy of making loans.

Creating the Housing Trust Fund of Southeastern Wisconsin

The HTFM recommends that the formal steps in the process of creating the HTF-SW include at least the following:

- Consideration of the proposal by the appropriate committees of the Common Council and the County Board and possible modifications to the proposal.
- Securing agreement in principle to the proposal.
- Organization and incorporation of the new HTF-SW.
- Drafting of resolutions terminating the existing housing trust funds and transferring. the capital (or agreements to provide capital) to the HTF-SW, with whatever restrictions or conditions the owners of the funds chose to attach.
- Recruitment and appointment of the governing body of the HTF-SW.
- Securing staff or entering into contracts for services.
- Securing commitments of additional capital to expand the HTF-SW.

Functions of the HTF-SW

The HTFM recommends that the core function of the HTF-SW is to provide funding for affordable housing development or rehabilitation projects that meet the objectives of the housing trust fund. The HTFM also recommends that the HTF-SW help lead and coordinate the development of a regional housing strategy, working in collaboration with other stakeholders.

The Public Policy Forum report says that someone needs to play this role, and recommends a "permanent intergovernmental planning committee" for that purpose.[16] It is true that a number of governmental entities within the region currently make decisions about the strategy that housing funds under their control are supposed to implement. In some federal programs, local governments are *mandated* to develop funding strategies. They can cooperate and collaborate with one another in the process of doing that, but each of them is ultimately accountable to the funding source.

However, local governments are not the only entities involved in trying to solve housing problems on either a local or regional level. Participation by the private sector is essential to a successful housing strategy. Most of the money that makes development and rehabilitation of housing possible is private capital. Many of the solutions to affordable housing problems call on providers of private capital to do something other than "business as usual." There is growing recognition that provision of affordable housing is essential to healthy economic development and job growth, as well as increasing acknowledgement of the value of creative partnerships between government and business toward reaching shared housing goals.

The HTFM recommends that the HTF-SW play the role of convening stakeholders to develop and implement a regional housing strategy. The HTF-SW could be a neutral "bridge" among communities and county governments and between the public and private sectors. The ability of the HTF-SW to play that role, of course, depends on its credibility with the other stakeholders.

[16] Horton, Curtis and Million. *Give Me Shelter: Responding to Milwaukee County's Housing Challenges*.

The HTFM recommends that the HTF-SW should provide education and advocacy relative to housing needs in the region. Such activity is closely tied to fundraising to support the trust fund and could help leverage other resources outside of the trust fund.

The HTFM recommends that the HTF-SW *not* be a Community Development Financial Institution (CDFI).[17]

It is true that being chartered as a CDFI *could* open up the possibility of a new and substantial funding source—the CDFI Fund, which is managed by the U.S. Department of the Treasury. Funding is available for planning and technical assistance as well as capital to be used as equity/loan-loss reserve or capital to lend. In addition, certain kinds of grants and investments by lending institutions are counted toward the institution's responsibilities under the Community Reinvestment Act if the recipient is a CDFI.

However, there is not one housing trust fund in the United States that doubles as a CDFI. CDFIs cannot be controlled by the public sector, nor can the majority of their funding come from public sources. Both of those features are important parts of the existing City of Milwaukee and Milwaukee County Housing Trust Funds. In addition, to be certified by the CDFI Fund and therefore be eligible for federal funding or CRA 'credit' for lending institutions, the predominant activity of CDFIs must be making loans or investments rather than grants.

Recipients of HTF-SW Funds

The HTFM recommends that the HTF-SW provide financial assistance to nonprofit and for-profit developers who offer housing opportunities to individual homeowners and renters. Providing assistance directly to individual homeowners and renters is beyond the reach of the HTF-SW, in terms of both the financial resources that are likely to be available to the HTF-SW and the administrative workload. In addition, other agencies and organizations already play this role.

Oversight and Governance

The HTFM recommends that the HTF-SW be chartered as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code. Tax-exempt status, which makes private contributions tax-deductible, is essential for private fundraising. For example, foundations only make grants to tax-exempt entities.

Board Structure

The HTF-SW could still be publicly "chartered." Governmental bodies that provide funding could attach contractual conditions to the use of their funding that ensure public policy objectives and

[17] Based on the Public Policy Report, the following CDFIs currently serve the Milwaukee area: CDFIs managed by North Milwaukee State Bank, LISC and the Illinois Facilities Fund (IFF). The report does not mention Forward Community Investments, headquartered in Madison, but it does operate statewide. The report says that only North Milwaukee State Bank has funds available to support affordable rental housing, that LISC supports neighborhood revitalization including but not limited to affordable housing, and that IFF has too large a service area to be a major contributor to affordable housing initiatives in the Milwaukee area. Other CDFIs serving the Milwaukee area, according to the CDFI Coalition, include Brewery Credit Union, First American Capital Corporation (West Allis), First Service Credit Union, Greater Galilee Baptist Credit Union, Milwaukee Economic Development Corporation, New Covenant Missionary Baptist Church Credit Union, Partners Advancing Values in Education (PAVE), Ways to Work, and the Wisconsin Women's Business Initiative Corporation (WWBIC). Impact Seven, based in Turtle Lake, is a CDFI that also operates statewide, and is now expanding its presence in the Milwaukee area.

public regulatory requirements are met. The governance structure would also include governmental representatives.

- *Advisory Board:* In addition to the voting board of directors, the HTF-SW should have a non-voting advisory board whose members represent communities in the region that want to participate in formulating a regional housing strategy but are not yet ready to commit financial resources.

Public action will be required to consolidate the existing City of Milwaukee and Milwaukee County housing trust funds in the new HTF-SW, and to authorize the new HTF-SW to use public funds. However, private sources of capital that may be committed to the HTF-SW will also want a significant role in deciding how those funds are used, and often look for assurance that funding decisions will not be based solely on political considerations.

At a minimum, the board will need committees to provide oversight for: (1) project solicitation, funding and monitoring; and (2) financial management. It will also need an executive committee to take actions between meetings of the full board. In addition, an “awards subcommittee” could be created to vet projects and applications and to make specific funding recommendations to the full board. The full board will be authorized to vote to approve each funding award.

Board Appointments

The HTFM recommends that the board be appointed by the funding sources. Initially, for continuity representatives from the existing governing bodies will probably be members of the board. If the HTF-SW starts with the existing public sources of funding, the Mayor, Common Council, County Executive and County Board would appoint its initial board members. However, there should be flexibility to add board members as other funders are recruited. For example, if private capital is available to the HTF-SW from the beginning, representatives of those funding sources should be included on the board.

Board Composition

The HTFM recommends that the board include members from the public sector, the private sector (both funding sources and people with experience in housing), nonprofit organizations that are knowledgeable about affordable housing needs and programs, and advocates for people who need affordable housing.

Administration and Operations

The HTFM recommends that the HTF-SW have its own full-time staff. The HTF-SW needs a staff large enough and competent enough to do what the HTF-SW is created to do—but no larger than that. The size and composition of the staff will depend on the amount of money managed by the HTF-SW and the size and nature of the transactions into which it enters. The staff will need to:

- “Underwrite” funding proposals—review them for financial feasibility, consistency with the objectives of the HTF-SW, and the ability of the entity responsible for the project to manage it successfully during both the development and operating stages
- Monitor the performance of the project to make sure it is meeting the intended objectives
- Account for the assets of the HTF-SW
- Raise capital
- Publicize the availability of assistance from the HTF-SW—“market” the HTF-SW

Initially this work could be contracted out to one of the existing CDFIs until the portfolio of the HTF-SW was of sufficient size to justify its own staff. Right now, local government staff manage the existing HTFs (which would be consolidated to create a regional fund), and no one has a full-time job staffing any of the HTFs. We do not believe that arrangement would work well for the HTF-SW. It will be necessary for the city and county to provide start-up funding for the staff of the HTF-SW until it can become financially self-supporting. Achieving that objective will require that either the funding sources for the HTF-SW commit operating funds as well as funds to support projects, or that the HTF-SW charge fees to developers who receive funding, or some combination of the two.

Geographic Reach

Initially, the HTFM recommends that the HTF-SW serve all of Milwaukee County. Over time, it ideally would expand to include other counties in the seven-county Southeastern Wisconsin region or the entire region.

The HTFM recommends that decisions about including other counties or individual municipalities be based on identifying funding sources that would enable the HTF-SW to do business in other parts of the region. Those funding sources may be public or private. However, it will be very important to coordinate the use of resources made available through the HTF-SW with existing sources of funding to support affordable housing. As a practical matter, even though the HTF-SW will be a private entity that makes use of some public funding, it could not carry out is mission effectively without the active cooperation of local governments.

The geographic scope of the HTF-SW, of course, will also be based on the political receptivity of communities and neighborhoods to supporting the mission of the HTF-SW.

Forms of Financial Assistance from the HTF-SW

Grants

The HTFM recommends that the HTF-SW make grants. The existing City of Milwaukee and Milwaukee County housing trust funds make grants, and there is no reason to change that if those funds are consolidated into the HTF-SW. Sometimes people make the distinction between grants and long-term deferred-payment loans (repayable only if a project ceases to make quality affordable housing available). However, this is a distinction of relatively minor importance. The arrangement is sometimes described as a “repayable grant” or a “forgivable loan,” and they are essentially the same thing. The important fact is whether the financing requires any repayment of principal or payment of interest (or return on invested capital) while the housing is in operation as affordable housing.

Some programs that provide financing for affordable housing, whether they are “housing trust funds” or not, provide financial assistance that is a hybrid of loans and grants. For example, financial assistance to lower-income homebuyers sometimes requires no repayment while the home is used as a principal residence by the homebuyer, but requires a sharing of appreciation in the value of the home if it is sold. Those loans maintain affordability for the homeowner, but replenish and potentially increase the resources of the program (or housing trust fund). That arrangement can sometimes be extended to a new owner, if their income is also within the limits of the program. Some programs forgive part of the repayment obligation depending on how long the household owns and lives in the home, to encourage greater stability of homeownership in neighborhoods where that is important. The City of Milwaukee, for example, forgives financial assistance to homeowners if they live in the home for five years.

Loans

The HTFM recommends that the HTF-SW be open to the possibility of making loans, for several important reasons, including the following:

- Making loans could generate interest earnings that could be reinvested in the HTF-SW.
- There may be sources of capital available to the HTF-SW only as loan capital. If the availability of that capital could increase the ability to expand affordable housing options, and the providers of the capital believe that the HTF-SW would be a good “steward” of that capital, the HTF-SW should be set up to take advantage of access to that capital.
- Loans at lower interest rates than the conventional housing finance market can reduce the cost of the housing and the need for more expensive financing sources for developers, thus making the projects more likely to transpire.
- Loans for “predevelopment” expenses—the expenses that must be incurred to find out whether a project is feasible—represent a high level of risk and can be difficult for developers to obtain. Without access to financing for those expenses, many projects will never even get off the ground.

For all of these reasons, we believe that it would be wise for the HTF-SW to seriously consider the option of providing loan financing.

Eligible Housing Types

The HTFM recommends that financial assistance from the HTF-SW should be available for rental housing, owner-occupied housing, or projects that provide housing for homeless people (although not for rent assistance). Projects could involve new construction of housing, rehabilitation of existing housing, modifications to existing housing to increase accessibility, or “adaptive reuse” (conversion of nonresidential buildings to use as housing).

The HTFM recommends that the HTF-SW follow the same funding requirements that are currently used by the HTFM. These include:

- Housing for owner-occupants must be affordable within 100% of county median income.
- Financial assistance for rental housing and projects for the homeless (acquisition, new construction, or rehabilitation) must produce housing affordable within 60% of county median income.
- The HTFM also requires that certain percentages of funds be used for different housing types. At least 25% of funds must be used for housing or services for people who are homeless. At least 35% must be used to develop or rehabilitate rental housing. At least 25% must be used to create and maintain home ownership opportunities. The balance of the funds can be used for any type of housing.
- Funds may be used for accessibility improvements or modifications in any category. However, at least 2% of available funds (or $100,000, whichever is less) annually *must* be used to fund accessibility improvements or modifications.

The HTFM also recommends following the funding guidelines established by the Milwaukee County Special Needs Housing Trust Fund (CHTF), including:

- Projects must provide permanent housing where at least 40% of the units developed are (in accordance with applicable fair housing laws) set aside for use by Behavioral Health Division consumers with serious and persistent mental illness, and who are under 30% of median income. As a practical matter, such housing will be rental housing.
- The CHTF funds new construction, rehabilitation, acquisition of real property, clearance and demolition, removal of architectural barriers, and other activities necessary for the development of the project.

Eligible Applicants

The HTFM recommends that the HTF-SW use the same criteria for applicant eligibility as are used by the City of Milwaukee Housing Trust Fund. They are:

- A nonprofit corporation organized under Ch. 181 of the Wisconsin Statutes, qualified as a Section 501(c)(3) organization, at the time of application submission.
- A for-profit organization organized and licensed to do business in the State of Wisconsin at the time of grant application submission.
- Developers who are working in partnership with social service agencies.

Priorities for Project Selection

The HTFM recommends that the HTF-SW use the same priorities for project selection now used by the City of Milwaukee Housing Trust Fund. The Milwaukee County Special Needs Housing Trust Fund does not use priorities for project selection.

The Housing Trust Fund of the City of Milwaukee uses a point scoring system which gives priority to projects that:

- Maximize “leverage” of HTF funds (use of other public or private funds in tandem with HTF resources)
- Provide larger numbers of homes for people at lower income levels (within the maximum income eligibility limits)
- Build in a longer term of affordability
- Use higher percentages of City residents working on the project
- Earmark higher percentages of project funds for Emerging Business Enterprises
- Increase diversity of incomes in the neighborhoods where they are located
- Use green building principles
- Are carried out in coordination with community institutions such as employers, business improvement districts, schools, and job training or social service agencies
- Move people from institutions to community-based housing
- Pay workers higher wages
- Bring a more experienced development team
- Exceed minimum standards for accessibility
- Provide services to residents that don’t use HTF funds
- Have a firm commitment of construction financing
- Meet community needs

Minimum Term of Affordability

The HTFM recommends that the HTF-SW use the same minimum term of affordability as is used by the City of Milwaukee Housing Trust Fund. The Milwaukee County Housing Trust Fund does not require a minimum term of affordability.

The City of Milwaukee Housing Trust Fund requires affordability of rental housing (other than housing for the homeless) for 30 years with a possible lifting of the restriction at the end of 15 years (except for Low Income Housing Tax Credit projects, which must meet a 30-year term of affordability imposed by WHEDA as the entity that allocates the Tax Credits). Housing for the homeless must remain affordable for 50 years. Assistance for owner-occupied housing is forgiven if the owner stays in the home for five years. The affordability requirements are not affected by the amount of funding requested from the Housing Trust Fund or the size of the project.

Leveraging Requirements

The HTFM recommends that no specific amount of other funds be required as "leverage" for a commitment of funding from the HTF-SW. The intent is to use grant funds provided by the HTF-SW as "gap financing." As a practical matter, because there will be limits on the amount of funding the HTF-SW can make available, other funds will be used for projects except in exceptional circumstances. However, we recommend that the HTF-SW board have the ability to determine the most appropriate percentage of project cost to be funded by the HTF-SW.

Points in the scoring system are awarded to projects for providing higher percentages of leveraged funds. The minimum leveraging requirement for the City of Milwaukee Housing Trust Fund is that "Trust Fund dollars must always be used to leverage and complement other sources of financing and to close funding gaps." Until recently, the HTFM also imposed a requirement that: "Housing Trust Funds may not be used as the primary source of funds for any project." The decision was modified after deciding to award HTF funding to some projects asking for smaller amounts of support, e.g., $20,000.

Milwaukee County Special Needs Housing Trust Fund grant amounts may not exceed 10% of the total development costs for units set aside for BHD consumers with serious and persistent mental illness. No eligible project may receive more than $500,000 of CHTF funding in a given year. The HTFM recommends that this same policy be followed for the HTF-SW.

Accessibility Requirements

The HTFM recommends that the HTF-SW require that any project receiving funding meet accessibility requirements as determined by its board. The accessibility requirements used by the HTFM are reproduced below. The Milwaukee County Special Needs Housing Trust Fund does not use specific accessibility requirements. We recommend that the HTF-SW consider adopting more stringent standards than those used by the HTFM, and also adopt a policy of not providing funding for developers simply to meet accessibility requirements that are already mandated by law or regulation.

The Milwaukee County Special Needs Housing Trust Fund does not use specific accessibility requirements. The requirements used by the City of Milwaukee Housing Trust Fund are outlined below.

Multi Family Projects (Three or more dwelling units)
All new construction or substantial rehabilitation projects receiving funding from the HTF-SW must comply with the following standards:

- Section 504 of the Rehabilitation Act of 1973
- Fair Housing Act as amended
- Americans with Disabilities Act (with respect to marketing office and common areas)
- Wisconsin Open Housing Act
- Architectural Barriers Act

Additionally, these projects must meet at least one of the following design principles:

- Aging in place
- Universal design
- Any other accessible and/or adaptable design criteria approved by the Housing Trust Fund Advisory Board.

Home Ownership Projects (New housing units in one- to three-unit structures)
Each ground-floor unit shall be constructed to the following "visit ability" standards):

- One zero-step entrance to the dwelling unit that will permit a visitor using a wheelchair to enter the main-level floor of the dwelling unit through a doorway entrance that has a minimum 32" clear passage opening.
- Usable path of travel throughout the interior main-level floor of the dwelling unit that is no narrower than 36" at any point except for interior doorway opening with a minimum 32" clear passage opening.
- Powder room (half bath) on the main-level floor that has:
    - A doorway entrance with a minimum 32" clear passage opening
    - Sufficient space to close the entrance door while the room is occupied
    - A minimum 30" by 48" floor space clearance
    - Reinforced walls for future installation of grab bars to provide access to the toilet if necessary

Any of these standards (except standards imposed by federal or state law) may be waived or reduced by the Housing Trust Fund's board, upon consultation with appropriate staff, if project site conditions are unsuitable, but any such waiver does not exempt the project from all other applicable requirements regarding accessibility and visit-ability.

Review and Selection Process

Currently, the City of Milwaukee Housing Trust Fund funding decisions are selected by the Technical Review Subcommittee, recommended by the Housing Trust Fund Advisory Board and approved by the Common Council. In the case of the Milwaukee County Special Needs Housing Fund, funding decisions are made by the County Board upon the recommendation of the Committee on Community and Economic Development.

The HTFM recommends that the Board of the HTF-SW approve the projects to be funded.

The HTFM recommends that the review timeframe be aligned with the application and decision-making timeframes for other funding sources, to the maximum extent possible, such as WHEDA's allocation of Low Income Housing Tax Credits, the City's allocation of CDBG and HOME funds, and similar decisions by Milwaukee County. As the HTF-SW expands its coverage geographically, the number of other funding sources will also expand. The challenge will be that different funding sources use different timeframes.

It makes sense to coordinate not just the timeframe, but other aspects of the funding decisions among other sources of funding to the maximum possible extent. Ideally, the HTF-SW would take the lead in creating a collaborative structure and process for deciding on strategy, funding criteria, and priorities among at least the major sources of funding for affordable housing in the area of operations of the HTF-SW.

Other Requirements

The HTFM recommends that the HTF-SW explore higher scoring on projects that provide business and employment opportunities for lower-income individuals, minorities, and women comparable to the requirements that are applicable to federally funded housing projects.

The scoring system used for applications to the City of Milwaukee Housing Trust Fund provides that: “The advisory board will give weighted consideration to applications that…use workers from the neighborhood and/or give priority to M/W/D/E/Section 3 business enterprise contractors.” Project developers receiving Milwaukee County Special Needs Housing Trust Fund funding must agree to meet or exceed County Disadvantaged Business Enterprise (DBE) requirements pertaining to construction projects.

The County Housing Trust Fund mandates a minimum request of $100,000 and a maximum request of $500,000 in a given year. We recommend that the HTF-SW establish minimum and maximum funding amounts based on the resources it has available.

Concluding Remarks

The Relationship between Affordable Housing and Neighborhood Revitalization

Clearly there is a substantial overlap between affordable housing and neighborhood revitalization. Expanding the supply of affordable housing, improving the physical condition of affordable housing, and offering lower-income households better housing options can all be important elements of a neighborhood revitalization strategy. Investment in housing is not the *only* kind of investment needed to revitalize neighborhoods, but it is a fundamental and important component. Addressing such issues as the quality of schools, public safety, opportunities for lower-income people to improve their economic futures with better job options, and other elements are also critical parts of neighborhood revitalization.

Lower-income households in the City of Milwaukee and some other communities in the seven-county Southeastern Wisconsin region are heavily concentrated in neighborhoods that need revitalization. That does not automatically mean that efforts to expand affordable housing options should be limited to those neighborhoods. There are compelling arguments in favor of offering affordable housing options to lower-income households outside of those neighborhoods. That is a serious policy issue with which the governing body of the HTF-SW will have to grapple.

The recommendation of the HTFM is that the HTF-SW be an affordable housing resource, not a neighborhood revitalization program. To the extent that investments in affordable housing *are* made in neighborhoods that need revitalization, the Board of the HTF-SW will have to decide whether the revitalization strategies that are in place, and the resources committed to implementing the strategies, are adequate to protect the HTF-SW's investments.

A successful neighborhood revitalization strategy must be built around investing a sufficient amount of resources to make a significant impact on the conditions that have caused neighborhood residents, business owners, and other stakeholders to lose confidence in the future of the neighborhood. In other words, revitalization strategies must be aimed at changing negative trends and "turning the neighborhood around." The necessary types and scale of investments must also be made within a short enough timeframe to convince people whose confidence in the neighborhood must be rebuilt that positive change can and will happen—and will happen soon enough to motivate them to make their own investments in stabilizing and improving the neighborhood.

Given those considerations, the HTF-SW will also have to decide the number of neighborhoods in which it can prudently work, and the extent to which its resources should deliberately be used as part of neighborhood revitalization strategies. The resources available to the HTF-SW would not have the desired impact if the HTF-SW tries to finance limited amounts of new or rehabilitated housing in too many neighborhoods that have too many problems. To protect its investments, the HTF-SW operating in communities with severely challenged neighborhoods has to decide whether to: 1) deliberately invest more of its money in a smaller number of such neighborhoods (i.e., be part of a revitalization strategy); 2) finance housing only in neighborhoods where someone else is investing in revitalization (sufficiently to protect the HTF-SW's limited investments in housing); or, 3) not invest in those neighborhoods at all.

Appendix

APPENDIX A: THE ROLE OF AFFORDABLE HOUSING IN ECONOMIC STIMULATION

CENTER FOR HOUSING POLICY

INSIGHTS from Housing Policy Research

The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development

Evidence in Brief†

By Keith Wardrip, Laura Williams, and Suzanne Hague

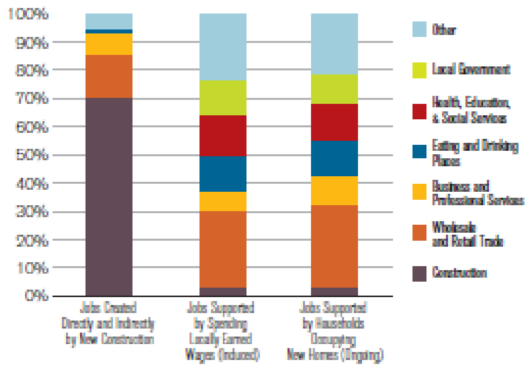
January 2011

The primary goal of affordable housing is to lower the monthly housing costs for low- and moderate-income families. But research shows that affordable housing development also drives local economic growth. This fact sheet summarizes the different ways in which affordable housing§ can contribute to rising employment and economic recovery.

Building Affordable Housing Creates Jobs and Spending Both During Construction and After the Homes are Occupied

It stands to reason that building or rehabilitating affordable housing creates jobs in the construction field. Less obvious is that this activity ripples through the economy, supporting businesses that supply the construction trade as well as retailers, health services, and restaurants where newly employed workers spend their pay. The National Association of Home Builders estimates that building 100 new Low-Income Housing Tax Credit units for families can lead to the creation of more than 120 jobs during the construction phase. Furthermore, once the paint is dry and the homes are occupied, new residents continue to support roughly 30 jobs in a wide array of industries.[1] Figure 1 illustrates the types of jobs created and supported during construction and after occupancy. These employment effects are on-par with building comparable market-rate units.

FIGURE 1. Types of Jobs Created During and After the Construction of a 100-Unit Family LIHTC Property



Source: National Association of Home Builders. 2010. *The Local Economic Impact of Typical Housing Tax Credit Developments.* Washington, DC: Author.

†This fact sheet summarizes the conclusions of a detailed research review by the Center for Housing Policy titled "The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development: A Review of the Literature." Released by the Center for Housing Policy in January 2011, this review is available at http://www.nhc.org/media/files/Housing-and-Economic-Development-Report-2011.pdf.

§Affordable housing takes many different forms, and this review uses the term broadly to encompass all housing developed at levels affordable to low- and moderate-income households. Most of the programs explored in this fact sheet (e.g., the Low-Income Housing Tax Credit Program, down payment assistance programs, community land trusts, public housing, etc.) use a subsidy to bring housing costs down to below-market rates and in-line with what low- and moderate-income households can afford. However, this fact sheet also considers the impacts of programs and policies that reduce housing-related expenses (such as energy and transportation costs) or that provide sound, unsubsidized mortgage products to low- and moderate-income households.

The Development of Affordable Housing Can Help Attract Both New Employers and a Skilled Workforce

Many employers have reported that a lack of affordable housing makes it more difficult — and thus more costly — to recruit and retain employees. In a national survey of more than 300 companies, 55 percent of the companies with more than 100 employees acknowledge an insufficient level of affordable housing in their proximity, and two-thirds of these respondents believe that the shortage is negatively affecting their ability to hold onto qualified employees.[2] Surveys also suggest that the availability of affordable housing plays a role in where businesses decide to build, relocate, or expand their operations.[3] From an employer's perspective, a lack of affordable housing can put a local economy at a competitive disadvantage.

Population and employment trends suggest that many employees feel the same way. During the run-up in home prices in the early part of the 2000s, 23 of the 35 highest-cost metro areas lost domestic population, while most moderately priced housing markets grew in size.[4] Preliminary research has also linked unaffordable housing to slower employment growth.[5] This research suggests that mobile workers with choices might move away from areas with the highest housing costs in order to pursue opportunities in more affordable locales.

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Investing in Affordable Homes Increases Revenues for States and Localities

When affordable homes are built or rehabbed, the funds flowing to cities and states can be considerable. Revenues can take the form of fees for permitting, zoning, and utilities, or they can reflect sales, income, or property taxes generated by the construction-related economic activity. The National Association of Home Builders estimates that 100 Low-Income Housing Tax Credit units occupied by families generate roughly $827,000 in local revenue immediately, with more than half coming from permit/impact fees and utility user fees.[6]

Additionally, research has shown that a new affordable housing development is more likely to have a neutral or positive impact on property values than a negative impact.[7] In situations where the impact is positive (e.g., a nicely designed development replaces a vacant lot or a dilapidated building), higher property values can translate into higher property tax revenues for local governments.

Homebuyers Who Participate in an Affordable Homeownership Program Appear Less Likely to Experience Foreclosure Than Those Who Do Not, Which Can Reduce Government Spending

Recent research suggests that efforts to create affordable and sustainable homeownership opportunities for low- and moderate-income households can lower participants' risk of delinquency and foreclosure. Some effective programs provide zero-interest loans for down payment and closing cost assistance; others lower the cost of the home to a level affordable to working families; still others simply provide sound underwriting for prime loans in typically underserved areas. Illustrating the effectiveness of such efforts, one study finds that among low- and moderate-income borrowers, those who received subprime loans were three to five times more likely to default on their mortgage than those who received prime loans through an affordable lending program.[8] Additionally, a review of a program in Massachusetts that offers low-interest loans to help with down payment costs concludes that low- and moderate-income participants are only about half as likely to be in foreclosure as other borrowers in the state with prime, fixed-rate loans (0.75 percent compared to 1.39 percent).[9]

As long as the combined costs of housing and transportation remain affordable, both working families and local economies can reap the benefits as families have more to spend on local goods.

When they do occur, foreclosures force local governments to absorb many direct costs, including costs for boarding the property and coordinating trash removal; court and legal expenses; increased police and social services for the affected neighborhoods; and, potentially, demolition of severely distressed properties. Local governments may also see property taxes, utility revenues and other taxes and fees decline. Municipal costs for a single foreclosure can easily total in the thousands of dollars and exceed $30,000 in extreme cases.[10] And in addition to these direct costs, foreclosure activity can lower nearby property values, which, in turn, can have a significant impact on government revenues.

Affordable homeownership programs, therefore, represent a smart, fiscally sound mechanism for promoting housing and neighborhood stability.

When Housing and Associated Costs Such as Transportation and Utilities Are Affordable, Families Have More Income to Spend on Local Goods and Services

Affordable rent and mortgage payments can significantly increase the residual income that households have at their disposal after meeting necessary housing costs — by five hundred dollars or more per month in some cases.[11] Research shows that low- and moderate-income households are more likely than others to spend (rather than to save) this money to fulfill basic, but otherwise unmet, household needs such as food, clothing, healthcare, and transportation.[12] Local businesses stand to gain from the increased buying power made possible by the availability of affordable housing.

Working families can also enjoy lower monthly costs if their home is in a dense, mixed-use community with access to public transit or job centers. One study shows that among working families earning between $20,000 and $35,000 (in 2000 dollars), those in central cities spend a significantly smaller share of their income on housing and transportation costs (54 percent) than do those living at greater distances from employment centers (70 percent).[13] A similar trend holds for households with incomes between $35,000 and $50,000. As long as the combined costs of housing and transportation remain affordable, both working families and local economies can reap the benefits as families have more to spend on local goods.

The same concept applies to homes that are energy-efficient. Energy-efficient homes reduce the use of fossil fuels and lower monthly utility costs in the process. The United States Department of Energy estimates that the federal Weatherization Assistance Program helps low-income families reduce utility costs by an average of $437 per year.[14] Similar to an affordable rent or mortgage, reduced utility costs free up funds in a family's budget, allowing them to purchase more goods from local businesses.

Additionally, many builders of energy-efficient homes try to buy materials from local suppliers in order to reduce greenhouse gas emissions associated with transporting materials over long distances.[15] This maximizes the ripple effect of new construction or rehabilitation for local establishments and minimizes the loss of economic activity to other businesses.

CENTER FOR HOUSING POLICY

As the research affiliate of the National Housing Conference (NHC), the Center for Housing Policy specializes in developing solutions through research. In partnership with NHC and its members, the Center works to broaden understanding of the nation's housing challenges and to examine the impact of policies and programs developed to address these needs. Combining research and practical, real-world expertise, the Center helps to develop effective policy solutions at the national, state and local levels that increase the availability of affordable homes.

INSIGHTS from Housing Policy Research

The Insights series summarizes research on key housing policy topics in a format designed to be accessible to a wide range of readers.

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Resources

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<u>APPENDIX B</u>: BACKGROUND ON HOUSING TRUST FUNDS AND DESCRIPTION OF NEED IN MILWAUKEE COUNTY

What is a Housing Trust Fund?

Generally speaking, a housing trust fund provides money to developers so they can build or rehabilitate housing that is affordable to people who cannot pay the full cost of decent quality housing in the market. Besides addressing housing affordability and quality, housing trust funds often encourage the production of housing that has other desirable features, such as high levels of energy efficiency and use of sustainable building practices.

A "housing trust fund" is a fund to which typically a dedicated source of funding is available, so that the existence of the fund is not dependent on annual appropriations or discretionary decisions about whether or not to continue providing money. As long as the activity that generates the funds continues, the housing trust fund stays in existence. The character of the fund as a "housing trust" is based on a presumably permanent and irrevocable decision to commit a certain level of capital to the fund.

In general, housing trust funds provide "gap financing." That is, they provide funds to fill part or all of the gap between the real cost of producing housing and the cost that lower-income residents can afford to pay. "Gap financing" can be in the form of a grant—money used to pay part of the cost of building or rehabilitating housing. This lowers housing costs to residents by reducing the amount that has to be borrowed and built into sale prices or rents. "Gap financing" can also mean money loaned to build or rehabilitate housing at lower interest rates. That kind of financing makes housing more affordable by reducing the cost of repaying the debt—so that rents or monthly mortgage loan payments can be lower.

What housing needs should be addressed by a Regional HTF?

Housing trust funds across the country provide funding to help meet a range of housing needs:

- Expanding the supply of housing available to low and moderate-income people by:
  - Building new housing
  - Rehabilitating housing that has deteriorated so badly it cannot be occupied
  - Converting nonresidential buildings to housing
- Improving the physical condition of housing through rehabilitation
- Linking affordable housing to the location of jobs for moderately-paid workers by locating housing near jobs or near transit that provides affordable transportation
- Reducing energy consumption and keeping housing more affordable over the long term through energy conservation
- Making housing healthier and reducing negative impacts on the environment by using "green" materials and sustainable building practices in construction and rehabilitation
- Ensuring that housing meets the needs of people with disabilities through physical design and linking housing with supportive services
- Expanding housing opportunities by producing housing that is available on a

non-discriminatory basis[18]

Expanding access to decent quality, affordable housing can also be accomplished by providing financial assistance to lower-income people so they can live in housing that is already in good condition and in desirable location, but simply costs more than they can afford to pay. If that assistance involves paying part of housing costs over a long term, housing trust funds can do that only if they have a long-term funding source.

Over the past few years, unfortunately, some new kinds of housing needs have emerged. The country is experiencing severe financial stress and an upheaval in the housing market created originally by an unsustainable escalation of housing prices, irresponsible and sometimes predatory home mortgage lending fed by price escalation, and a resulting historic level of foreclosures on home mortgage loans. The causes of the recession have become more complicated The victims of predatory lending include not only new homebuyers whose hopes for a better life have been betrayed, but also existing homeowners—in many cases, homeowners without any mortgage debt—who were persuaded to refinance their homes to pay medical costs or cope with other living costs. In many communities, efforts to make progress on affordable housing needs and revitalize neighborhoods have taken a step backwards.

Millions of homes are being foreclosed upon and are standing vacant, often vandalized because of prolonged vacancy. Their former owners have been displaced and need a decent, affordable place to live. The large number of foreclosed homes and uncertainty about their future have resulted in declines in the value of homes around them, threatening the viability of what used to be decent, affordable owner-occupied housing. When foreclosed homes are sold, too many are sold as distress-sale prices to unscrupulous buyers who “flip” them—selling them to new victims at inflated prices and with unaddressed physical problems—or rent them to tenants who have few other housing choices.

As is true for many other kinds of housing needs, there are some public and private programs already available to respond to the foreclosure crisis. A Regional Housing Trust Fund would supplement those programs rather than replacing them, and would not be the primary source of funding to respond to the problem.

In May 2009, The Public Policy Forum issued an excellent analysis of housing problems in Milwaukee County, “Give Me Shelter”[19]. Work being done on a regional housing plan by the Southeast Wisconsin Regional Planning Commission (SEWRPC) also provides some information (discussed in some of the following sections), although important parts of SEWRPC’s analysis are not yet finished.[20] Other sources of information also help answer that question, and are cited in the sections below.

Expanding the supply of affordable housing

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[18] Housing made available on a non-discriminatory basis may, however, be intended for use by people within certain income levels, by elderly people or by people who need certain kinds and levels of supportive services

[19] Commissioned by LISC – Milwaukee with financial support from the City of Milwaukee, Milwaukee County, the Helen Bader Foundation, the
Greater Milwaukee Foundation, M&I Bank, U.S. Bank, and Select Milwaukee

[20] Drafts are available of: Chapter IV-Existing Housing; Chapter V-New Housing Development; Chapter VI-Housing Discrimination and Fair Housing Practices; and Chapter IX-Accessible Housing that provide information relevant to the questions.

Q: Is there a mismatch that a Regional HTF could help address between the availability of affordable housing and the numbers of households who need it?

A: Yes—and we know it is fairly dramatic in Milwaukee County.

- The Public Policy Forum reports that there were 47,200 "extremely low income" renter households[21] in Milwaukee County in 2000, but only 30,700 apartments at rents affordable to those households.[22] (Note: The Public Policy Forum report does not distinguish between the City of Milwaukee and the rest of Milwaukee County in terms of supply vs. need for affordable housing).
- In addition, almost half of those apartments were rented by households who could afford to pay more—reducing the number of apartments actually available to people who need them.
- There were more apartments with rents affordable to "very low income" renter households[23] and "low income" households[24] than the number of households. Again, however, the supply of apartments actually available to people who need them was much smaller than the number of people who need them. About half of the apartments were rented by households who could afford to pay more.

The Public Policy Forum report (in the table below) documents the fact that the percentage of apartments affordable to lower-income renters that are occupied by renters with relatively higher incomes goes up as the size of the apartment increases.
Thus, lower-income renters who need larger apartments are even more disadvantaged than those who need smaller apartments.

	% of occupants with higher incomes than necessary			
	0-1 bedrooms	2 bedrooms	3+ bedrooms	Total
Units affordable to those making under 30% AMI	33%	57%	62%	48%
Units affordable to those making between 30% and 50% AMI	50%	58%	53%	54%
Units affordable to those making between 50% and 80% AMI	41%	53%	50%	48%

The Public Policy Forum report is limited to rental housing. The SEWRPC housing plan will analyze the cost of both rental and owner-occupied housing compared to the incomes of renters and homeowners, but that analysis is not yet available.

Q. Do we need to build new affordable housing to fill that gap?

A. Yes
There is a widespread assumption that the supply of "affordable" housing is currently larger because of extremely high numbers of foreclosed homes—often for sale at lower prices—and a decline in home values because of the weakened housing market. The percentage decline in home values has been estimated for different parts of the country. Some people argue that we

[21]With incomes of no more than 30% of median income in the County

[22]Based on the household paying no more than 30% of its gross income for housing

[23] With incomes above 30% but no more than 50% of median in the County

[24] With incomes above 50% but no more than 80% of median in the County

should not be building more new housing, even at “affordable” sale prices or rents, because there is so much “surplus” housing on the market and so many homes that have become more “affordable” as their values have declined.

However, those factors cannot be translated directly into a shrinking of the gap between housing cost and people’s ability to pay. That is, we can’t really tell how much smaller the gap may be.

- The physical condition of some of the homes “available” at lower prices has been seriously deteriorated, and the homes are not actually habitable without extensive rehabilitation that requires subsidies to keep the cost of housing “affordable” after rehabilitation.
- Some of the homes need to be torn down and replaced because the damage to them has gone beyond the point that rehabilitation makes sense.
- Some homes have declined in value but are not for sale, because their owners are hanging on hoping for values to recover at least somewhat.
- Some homes are available for sale only to new homebuyers, while the people who need “affordable housing” are renters whose incomes are so low that they are not realistically in the home purchase market.

Some people also argue that it is more cost-effective to provide financial assistance to people who need more affordable housing—to pay part of their rent, mortgage loan payments or other housing costs—so they can live in existing housing. Proponents of such “demand-based subsidies” (by contrast to “supply-based subsidies”—building housing which itself is less expensive to consumers) believe it is better to make some housing temporarily affordable than to create housing that will be lower-cost permanently. They also argue that the incomes of the residents may go up over time so they have less or no need for continued subsidies, but should not have to move to make way for someone who does need “affordable” housing.

On the other hand, it can be extremely difficult to persuade households who make “too much”—households that occupy housing affordable to people with lower incomes—to give up housing that they like and that represents a “bargain” in terms of the percentage of their income paid for housing. Programs that provide rental assistance to lower-income families are designed to pay market rent levels. Households with somewhat higher incomes may be paying somewhat above market rents. Even if they aren’t, the owners of the property may find it more attractive to rent to households with relatively higher incomes than households with lower incomes, even if they are complying with fair housing laws and regulations as they do so.

The choice between lowering the cost of housing by using subsidies to build (or rehabilitate) it and giving people financial assistance so they can live in housing that costs more is a policy choice that has to be made by the providers of the financial assistance and the providers of the housing. There is not a right or wrong answer because both are needed depending on the population and the housing stock in any given area.

There are sometimes concerns about whether building affordable housing[25] has a negative effect on property values. In a 2002 study, researchers at the Center for Urban Land Economics Research at UW-Madison[26] looked at every sale of property listed in the MLS in the Madison

[25]… or expanding the supply of affordable housing through rehabilitation of existing buildings or conversion of nonresidential buildings to residential use…
[26] Low Income Housing Tax Credit Housing Developments and Property Values, Richard K. Green,

and Milwaukee areas between 1991 and 2000. They looked for evidence that the sale prices may have been affected by the proximity of rental housing developed under the Low Income Housing Tax Credit (or “Section 42”) program. Their analysis controlled for factors such as poverty rates, education levels, marriage rates, income levels, and age distribution of the population.

They reported that: “…our results for Wisconsin are generally consistent with results in other studies: we have not been able to find evidence that Section 42 developments cause property values to deteriorate. We have found no evidence of an impact in Waukesha and Ozaukee, and find evidence that properties in Madison near Section 42 developments appreciate more rapidly.”

The physical condition of housing

Q: Is there a need that a Regional HTF could help meet to improve the physical quality of housing?

A: Yes.

The Public Policy Forum reports that: “The health of Milwaukee’s current private rental stock is failing. Rental units in Milwaukee are comparatively old, have some overcrowding issues and, as a result, have a high percentage of vacant units at the very low end. More than 40% of renters in Milwaukee County are living in housing that is inadequate either because it is too expensive, too crowded or does not have adequate plumbing and kitchen facilities.”

The SEWRPC study provides information from an “Analysis of Impediments to Fair Housing” for the City of Racine. Recipients of federal housing and community development funding prepare that analysis. The Racine analysis observes that: “The majority of Racine's housing units built before 1940 are located in the central city, as is the least expensive housing. It is likely that disrepair is among the reasons much of this housing is inexpensive. In 2000, 4.9 percent of the City's households were overcrowded compared with 3.2 percent in 1990.”

Similar analyses for other parts of the region either are not included in the SEWRPC study or do not comment on the physical condition of housing. However, it is not difficult to get this data for any community that would be included in the Regional HTF.

Lead paint

A peer-reviewed article[27] in the October 2002 issue of Environmental Health Perspectives (Volume 110 Number 10) estimates that 33% of Midwest housing has lead paint hazards. The 2000 U.S. Census estimate of the total number of dwelling units in each county in the seven-

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Stephen Malpezzi and Kiat-Ying Seah, June 14, 2002, The Center for Urban Land Economics Research. The University of Wisconsin

[27] The Prevalence of Lead-Based Paint Hazards in U.S. Housing, David E. Jacobs (1]), Robert P. Clickner (2), Joey Y. Zhou (1), Susan M. Viet (2),David A. Marker (2), John W. Rogers (2), Darryl C. Zeldin (3), Pamela Broene (2), and Warren Friedman (1) [(1) U.S. Department of Housing and Urban Development, Office of Healthy Homes and Lead Hazard Control, Washington, DC, USA; (2) Westat, Rockville, Maryland, USA; (3) Division of Intramural Research, National Institute of Environmental Health Sciences, Research Triangle Park, North Carolina, USA]

county region and the resulting number of dwelling units with lead paint hazards appear below.

	TOTAL DWELLING UNITS	DWELLING UNITS WITH LEAD PAINT HAZARDS
Kenosha	67,000	22,110
Milwaukee	409,000	134,970
Ozaukee	35,000	11,550
Racine	81,500	26,895
Walworth	55,000	18,183
Washington	54,000	17,820
Waukesha	156,000	51,480

Location of affordable housing compared to location of jobs

Q: Is there a mismatch that a Regional HTF could help address between the availability of affordable housing and the location of jobs for moderately paid workers?
A: Yes, we believe there is. However, "hard data" are not yet available to document the extent of the mismatch and the parts of the region in which the problems are most severe.

The draft of the SEWRPC regional housing plan—part of which has been completed and released—reports that one of the seven critical elements of the housing problem in Southeastern Wisconsin[28] is: "An imbalance between jobs and housing in sub-areas of the Region and the Region as a whole, particularly an adequate supply of affordable, or "workforce," housing near employment centers." SEWRPC also reports that: "…due to the inter-related nature of housing and other factors impacting the quality of life and success of the Region, concerns such as the concentration of unemployment and poverty in the Region's central cities, the relationship between economic development and affordable housing, and the need to provide better public transit links between jobs and affordable housing are addressed by the plan as they relate to the defined housing problem."
The chapter of the regional housing plan that will analyze the "Job/Housing Balance" has not yet been completed and released.
The City of Milwaukee's Consolidated Plan observes that: "Annual employer surveys conducted by the Employment and Training Institute for the Private Industry Council of Milwaukee County have found that three-fourths of Milwaukee area job openings are located in Milwaukee County suburbs and the counties of Waukesha, Ozaukee, and Washington–usually not easily accessed by public transportation."

We recommend that the Regional HTF carefully monitor SEWRPC's work to identify proposed "regional urban centers" and "major economic activity centers," and consider focusing the HTF's investments in workforce housing in those locations

Energy costs and "green" or sustainable building practices

Q: Is there a need that a Regional HTF could help meet to: (1) Reduce energy consumption and keeping housing more affordable over the long term through energy conservation; and (2) Make housing healthier and reducing negative impacts on the environment by using "green" materials and sustainable building practices in construction and rehabilitation?

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[28] As identified through input received from concerned public officials, housing advocates, homebuilders, and public review of the regional housing plan scope of work

A: Yes

The Public Policy Forum report does not specifically discuss issues of energy consumption, energy conservation or sustainable building practices. The report *does* point out that renters in Milwaukee County have very low incomes.

> "Milwaukee's affordability crisis is related to extremely low average household incomes. In 2000, Milwaukee County had the 103rd lowest average household income out of the country's 112 most populous counties. Making matters worse, median family incomes in Milwaukee County declined 10.3% between 2002 and 2007, further exacerbating the housing cost burden among renters."

The report further observes that: "Milwaukee's affordability crisis is driven by low household incomes, not high rents," and that rents are relatively low compared to other similar-size cities and other cities in the Midwest—even though significant parts of the housing stock are expensive in relation to their condition.

Those facts have two implications for energy consumption and energy conservation. First, the burden of high energy costs—resulting from inadequate insulation, lower-efficiency furnaces, lack of storm windows and other energy conservation measures—
falls heaviest on lower-income renters, since energy consumption can't be reduced as incomes are lower. Second, the low incomes and low rents that characterize a substantial amount of Milwaukee County's rental housing don't support investment in energy conservation. In apartments where tenants pay their own utility bills, improving energy conservation could save them money. However, in most cases they cannot have energy conservation work done themselves. Even if they could, financing that work would be a challenge for many low-income renters.

Another factor indicating the need for energy conservation is the age of the housing stock. The SEWRPC draft regional housing plan data indicates that "…about 25 percent of the Region's housing stock was built between 1940 and 1959 and about 21 percent was built before 1940. Milwaukee County has the highest percentage of housing units built prior to 1940." According the City of Milwaukee Consolidated Plan, 69.5% of housing in the city was built prior to 1959. The vast majority of that housing—and even housing built since 1960—was built before energy conservation was a significant consideration in building practices.

People with disabilities and people facing discrimination

Q: Is there a need that a Regional HTF could help meet to: (1) Ensure that housing meets the needs of people with disabilities through physical design and linking housing with supportive services; and (2) Expand housing linked to employment and educational opportunities that is available on a non-discriminatory basis?

A: Yes

People with disabilities encounter problems in finding housing that meets their needs as a result of housing being inaccessible to people with physical disabilities, not designed to accommodate the needs of people with other kinds of disabilities, not having needed supportive services available, or because of discrimination. Many other individuals and families are victims of discrimination in housing.

The report of the Special Needs Housing Task Force, created jointly by Milwaukee County and the City of Milwaukee, discussed extensively the housing needs of people with mental illnesses. The County's Special Needs Housing Trust Fund (CHTF), described in a later section of this paper, was created in response to those needs and it has produced impressive results. However, all of the housing supported by the CHTF has been located in the City of Milwaukee. While there are unquestionably many city residents with mental health issues who need better housing options, the need for such housing is a county-wide issue and many of the potential residents of "special needs" housing would welcome the option of housing located in other communities in the county or other parts of the seven-county region.

The SEWRPC draft regional housing plan materials released to date (Chapter IX, Accessible Housing and Chapter VI, Housing Discrimination and Fair Housing Practices) discuss the issues in considerable detail for the entire seven-county Southeastern Wisconsin region.

It is interesting to note that HUD has begun ramping up their enforcement of requirements for communities that receive HOME and CDBG dollars. Of particular emphasis is these communities' obligation to "affirmatively further fair housing" (AFFH). Each community must certify in their annual action plan that they are not only **not engaging in discrimination** but also **working to reverse the effects of segregation**. For years communities have ignored this, but due to a slew of recent complaints and lawsuits, HUD is requiring communities to commit to much more effective AFFH activities. A Regional HTF may provide a model of activity many of the region's entitlement jurisdictions could look to.

The impact of foreclosures on affordable housing

Q: Is there a need that a Regional HTF could help meet to deal with the impact of foreclosures and homeowners with unaffordable mortgage loans?

A: Yes

A Regional HTF could provide "gap financing" to developers that acquire and rehabilitate foreclosed homes. That financing would enable the federal Neighborhood Stabilization Program (NSP) to reach more homes and neighborhoods. Rehabilitated homes can be sold to homeowners using responsible, sustainable mortgage loans instead of the kind of financing that resulted in many of the foreclosures. Some rehabilitated homes can also be used as lease-purchase housing (rented on a temporary basis and converted to owner-occupancy later) or responsibly managed rental housing. In some situations, foreclosed homes have deteriorated to such an extent that rehabilitation is not a realistic option. Federal NSP funds and HTF funds could be used to acquire, demolish and replace the foreclosed homes with good quality new housing for sale or rental.

Foreclosures are an issue on a region-wide basis. Although Milwaukee County has had the largest number of foreclosures in the state (5,335 foreclosure actions initiated in 2008, and almost 24% of the foreclosures in the state in 2007-2008), other counties in the region have also been seriously impacted by foreclosures.

Racine County had 1,028 foreclosure actions initiated in 2008, and Waukesha County had 983 (4.2% and 4.1% of the foreclosure actions in the state). One of every 79 homes in Milwaukee County was involved in a foreclosure action in 2008. The foreclosure rate was even higher in Kenosha County (one of every 76 homes) and only slightly lower in Racine County (one of every 79 homes). Even in Walworth County, which is not usually considered a "troubled" housing market, one of every 91 homes was involved in a foreclosure action in 2008.[29]

Although the number of foreclosures has been declining somewhat in recent months, the numbers are still high. Some of the decline results from lenders that have been challenged legally for not having adequate records to prove they have the right to foreclose, and from some lenders simply deciding not to file for foreclosure because they already have such a large inventory of foreclosed homes and because they do not believe they can recover enough from the foreclosure action to make it worthwhile. However, in many cases the homes are still in default and the owners have left because they believe they will lose the home eventually. In those cases, the homes are essentially abandoned and being maintained by no one.

[29] Data compiled by the UW–Extension Center for Community and Economic Development from circuit court records.

<u>APPENDIX C</u>: PROJECTS FUNDED BY THE CITY OF MILWAUKEE HOUSING TRUST FUND

Awards approved on February 5, 2008

- Rehabilitation of 24 rental apartments by Heartland Housing and Guest House. A $25,000 HTF award leveraged $4,510,927 in other funding.

- Construction of a permanent supportive living facility for homeless people by Mercy Housing Lakefront. A $750,000 HTF award leveraged $9,808,340 in other funds.

- New construction of housing for homebuyers by the Milwaukee Christian Center. A $68,000 HTF award leveraged $398,994 in other funds.

- New construction of rental housing for women by St. Catherine's Residence, Inc. A $750,000 HTF award leveraged $9,808,340 in other funds.

- Expansion of the headquarters of United Migrant Opportunity Children's Services to include low-income rental housing. A $2000,000 HTF award leveraged $6,279,862 in other funds.

Awards approved on February 2, 2009

- Rehabilitation of Veterans Manor at 35th Street and Wisconsin Avenue by the Center for Veterans Issues, Ltd. A $168,395 HTF award leveraged $11,194,253 in other funds.

- Turnkey renovations of owner-occupied housing by Layton Boulevard Neighbors West. A $20,000 HTF award leveraged $155,000 in other funds.

- New construction of owner-occupied accessible housing at 26th and Cherry Streets by Northolt Neighborhood House, Inc. A $105,000 HTF award leveraged $1,378,970 in other funds.

- New construction of Empowerment Village at 1527 W. National Avenue by Our Space, Inc. A $375,000 HTF award leveraged $6,879,224 in other funds.

Awards approved on February 1, 2010

- New construction of rental housing for families at 4763 North 32nd Street by Bishop's Creek Development Corporation. A $250,000 HTF award leveraged $9,363,509 in other funds.

- Rehabilitation of owner-occupied housing by the Dominican Center for Women. A $147,000 HTF award leveraged $75,000 in other funds.

- Turnkey renovations of owner-occupied housing by Layton Boulevard Neighbors West. A $14,000 HTF award leveraged $250,000 in other funds.

- Rehabilitation of owner-occupied housing by the Milwaukee Christian Center. A $126,000 HTF award funded the entire project.

- Energy conservation improvements to owner-occupied housing by the Milwaukee Community Service Corporation. A $33,7500 HTF award leveraged $200,000 in other funds.

- Rehabilitation of owner-occupied housing by Habitat for Humanity. A $100,000 HTF award leveraged $100,000 in other funds.

- Construction of King Drive Commons III at 2735 N. Martin Luther King Drive by the Martin Luther King Economic Development Corporation. A $100,00 HTF award leveraged $5,665,917 in other funds.

- Rehabilitation of owner-occupied housing by Rebuilding Together Greater Milwaukee. A $75,000 HTF award leveraged $200,000 in other funds.

- New construction of housing for people dealing with alcohol and other drug abuse at 6th and Scott Streets by United Community Center. A $75,000 HTF award leveraged $463,817 in other funds.

Awards approved on January 19, 2011

- Housing for homeless people:
  - Community Advocates, Inc., Autumn West,
    3410 W. Lisbon Ave. $173,464
- Rental housing:
  - Martin Luther King Economic Development Corporation, King Commons IV, 2701 N. MLK, Scattered Sites, $200,000.
  - Riverworks Development Corporation, Riverworks Lofts, $230,000
- Homeownership:
  - Dominican Center for Women, Owner-Occupied Rehabilitation, $125,000.
  - Layton Boulevard West Neighbors, Turnkey Renovation Program, $30,000.
  - Northcott Neighborhood House, Bronzeville, 2476 N. 5th Street, $105,000.

APPENDIX D: PROJECTS FUNDED BY THE MILWAUKEE COUNTY SPECIAL NEEDS HOUSING TRUST FUND (CHTF)

The Board has approved resolutions committing CHTF financial support for six permanent supportive housing developments since the fund was created. Those developments and their CHTF funding amounts are:

- United House, a 24-unit permanent supportive housing development at 25th & Center Sts. which opened in late August of 2008. This project is a joint initiative of Cardinal Capital Management and Our Space, a service provider. The project received $348,450 of CHTF funding.

- Prairie Apartments, a 24-unit permanent supportive housing development at 12th St. & Highland Ave. which opened in April of 2009. This project is a joint initiative of Heartland Housing and Guest House of Milwaukee, a service provider. The project received $157,544 in CHTF financing.

- Washington Park Apartments, a 24-unit permanent supportive housing development for families located in the 3900 block of West Lisbon Ave. This project is an initiative of United Methodist Children's Service, a developer and the project's service provider. The project opened in December 2009 and received $277,000 of CHTF funding.

- Johnston Center Residences, a 91-unit permanent supportive housing development located at 13th St. and Windlake Ave. This project is a joint initiative of Mercy Housing Lakefront and Hope House, a service provider. The project is currently under construction and has been approved to receive $750,000 of CHTF funding over two years.

- Empowerment Village-National, a 30-unit permanent supportive housing development located at 1527 W. National Ave. This project is a joint initiative of Cardinal Capital Management and Our Space, a service provider. The project is currently under construction and has been approved to receive $500,000 of CHTF funding.

- Empowerment Village-Lincoln, a 30-unit permanent supportive housing development located at 525 W. Lincoln Ave. This project is a joint initiative of Cardinal Capital Management and Our Space, a service provider. The project is currently under construction and has been approved to receive $500,000 of CHTF funding.

- 2500 W. Fond du Lac, a 38-unit permanent supportive housing development located at 2500 W. Fond du Lac Ave. This project is a joint initiative of Heartland Housing Inc. and St. Ben's Meal, a service provider. The project is currently under construction and has been approved to receive $375,000 of CHTF funding.

These projects account for a total of $2,907,994 in CHTF commitments since the CHTF was created and has assisted in the development of 266 supportive housing units.

<u>APPENDIX E</u>: RESEARCH (2006-1010) ON HOUSING TRUST FUND MODELS IN THE U.S.

Legislative Reference Bureau Funding Recommendations (2006)

MEMORANDUM

To: Milwaukee Housing Trust Fund Task Force members

From: Jeff Osterman, Legislative Reference Bureau

Date: March 24, 2006

Subject: FUNDING OPTIONS FOR HOUSING TRUST FUND

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The first meeting of the Housing Trust Fund Financing Models Subcommittee was held on March 13. The Subcommittee's primary task was to develop a list of possible funding sources for the Housing Trust Fund. Funding options were divided into two categories -- those for which no state legislation is needed and those requiring a change in state law. The Subcommittee identified the following as potential funding sources for the Housing Trust Fund:

<u>Funding Options With No State Legislation Required</u>

1. <u>TIF-equivalent general revenue contributions</u>. When a TID is closed, the City could designate the same amount of tax revenue it had been receiving prior to TID closure (from the tax increment used to repay the TID) for the purpose of funding the Housing Trust Fund. The other taxing jurisdictions that forego tax revenues in the TIF process could also do the same thing with their post-closure shares of TID revenues.

2. <u>Set aside a portion of the City's annual bonding for the purpose of funding the Housing Trust Fund</u>. There was some concern about this option because there must be a revenue source to support the bonding, and affordable housing doesn't produce a lot of revenue. On the other hand, it was argued that bonding for this purpose does support economic development and expansion of the tax base.

3. <u>Some kind of development fee or "linkage" fee</u>. Such a fee might be tied to condo conversions or the construction of condos priced at more than $500,000, for example. There were some philosophical objections to this option (i.e., development fees put development in the city at a competitive disadvantage against development in the suburbs). But maybe the City can offer some kind of development incentive or bonus to developers in exchange for contributing to the Housing Trust Fund (a tax-break type of incentive would probably require state legislation).

4. <u>The City's share of the real estate transfer fee</u>. A State budget bill provision to require Milwaukee County to transmit, to the City of Milwaukee, the City's share of the County's real estate transfer fee proceeds was removed from bill before final adoption.

5. <u>A fee on downtown parking spaces</u>.

(continued)

6. The addition of a $1 surcharge to the price of any entertainment-event ticket costing $30 or more.

7. Proceeds from the sale of City land. However, it was noted that sale proceeds are often minimal (e.g., $1 lots) and that DCD relies on these proceeds to fund its budget.

8. A portion of the City's Potawatomi Bingo Casino revenues.

Funding Options Requiring State Legislation

1. Increasing the hotel/motel tax.

2. Establishing an income-tax credit for persons who make contributions to the Housing Trust Fund.

3. Using TIF revenues to fund affordable-housing projects outside the individual tax incremental districts (like Minnesota does).

06116b

Finance Model Committee Recommendations (2006) - pre-HTF

To: Financing Models Subcommittee Members

From: Leo J. Ries

Date: April 20, 2006

Re: Recommendations for funding a Housing Trust Fund (HTF)

After reviewing various options, I am proposing that the Financing Models Subcommittee recommend a two-pronged strategy for financing the proposed HTF. In my opinion, the optimal funding option would require changes in state legislation for implementation. Consequently, I believe our Subcommittee should propose that the City implement the program on a limited scale using funds over which the City already has authority and then, simultaneously, pursue changes in state legislation that would generate more substantial funds over an extended period of time.

Short-term plan:
I believe that our Subcommittee should recommend that the City issue general obligation bonds totaling $5 million which will provide the start-up capital for the HTF. Repayment of the bond would be tied to TIF-equivalent general revenue contributions for two to three years or until the bond is retired.

Discussion: When a TIF district is closed, the City would designate the same amount of tax revenue it had been receiving prior to closure for the purpose of repaying the bond. The taxing jurisdictions that forego tax revenues in the TIF process could support repayment of this bond or finance an additional bond in a similar fashion with their post-closure shares of the TIF District revenue.

Long-term plan:
I believe that our Subcommittee should also recommend that the City aggressively pursue two legislative changes at the state level that would provide predictable, designated revenue stream for the long term.

1. Change state statutes to permit the City to divert surplus funds from high-performing TIF Districts to a fund specifically to support the activities of the proposed HTF.

   Discussion: A 2004 change in state statutes approved the re-establishment of the "Donor TIF" concept. This legislative change allows a successful TIF District to donate excess revenue to a TIF District with an underperforming revenue stream. The legislative change, as proposed here, would extend this concept to include contributions of TIF revenue to the HTF. TIF Districts would be held open beyond the projected retirement date for a modest period of time (e.g. two to four years), during which time the revenue would be directed to the HTF.

   Since the revenue coming into the HTF would be variable from one year to the next, the fund could be managed similar to the Tax Stabilization Fund, from which amounts would be budgeted and disbursed annually according to schedule to insure consistent, sustainable levels of annual investment in the City's housing stock, ideally around $5 million annually. The benefit of this approach is that it would link the prosperity of commercial, industrial and downtown developments to the well being of the entire community. In other words, low-income residents and neighborhoods with depressed values would also benefit from the economic resurgence that occurs in neighborhoods that are thriving.

2. Establish a "Housing Assistance Tax Credit" to any individual or corporate donor equal to 50% of any contribution made to the Housing Trust Fund or to any project that serves the population targeted by the Housing Trust Fund.

   Discussion: The federal government already provides tax credits to encourage the development of affordable housing. This program, known as the Low Income Housing Tax Credit Program or the Section 42 program, is available only for the development of permanent rental housing, is rather complex to utilize, relies in investments primarily from very large corporate and financial entities and does not effectively reach very low income individuals.

   The State Tax Credit envisioned here is envisioned having a wider range of eligible uses and could be used to reward modest contributions from individuals as well as substantial investments by large corporations. The program, as proposed here, would create an opportunity for wealthy individuals and corporations outside of the City of Milwaukee to invest directly in the economic future of southeastern Wisconsin by improving conditions within the City. Based on research done by LISC, there are 17 states that have implemented a tax credit program similar to the one proposed here, with credits ranging from 20% to 70% of the donated funds. (Programs established in other states prescribe a varied range of activities as eligible beneficiaries of the tax credit program, such as community services, crime prevention, education, health care services, energy conversation, housing, job training, neighborhood assistance programs, economic development. The tax credit program, as proposed here, could be broadened or limited depending on the will of the policy makers.)

Public Policy Forum: Promising Practices (2009)

Give Me Shelter: Responding to Milwaukee County's affordable housing challenges (Public Policy Forum study: May 2009)

Promising Practices (pp 54-63)

1. **Financing**
   a. Community Development Financial Institution (CDFI): Milwaukee lacks a CDFI that focuses solely (or, a significant portion of its time) on creation of new and rehabbed affordable housing. Such a CDFI, given the right infrastructure, expertise and capacity, could attract private investment.
   b. Models:
      i. **Chicago's Community Investment Corporation (CIC)**: pg. 54
      ii. **New York's Community Preservation Corporation (CPC):** pg 55
2. **Capacity Building**
   a. CDCs can play an important role in preserving and creating new affordable housing. However, Milwaukee's CDCs are small and have had limited success with larger real estate transactions or even piecemeal acquisition and rehabilitation projects. Other cities have found that a "one-stop" technical assistance agency can be an effective capacity-building tool for CDCs and investor-owners.
   b. Model that provides technical assistance and training to increase CDC capacity:
      i. **Chicago Rehab Network (CRN):** pg. 56
   c. Models that encourage private investment:
      i. **New York's Community Preservation Corporation (CPC):** pg. 56
      ii. City of Milwaukee: **"Buy in Your Own Neighborhood"** (*Issues: limited funding and the program is available in only a small number of Targeted Investment Neighborhoods*): pg. 57
3. **Housing Trust Funds (HTF)**
   a. These exist because community organizers, housing advocates and elected officials alike have agreed that a permanent stream of revenue for affordable housing should be a public priority. While progress has been made in this area in Milwaukee with the creation of an HTF, it is not accompanied by predictable and secure funding sources.
   b. Models of HTFs that have achieved stability and scale:
      i. **Indianapolis Housing Trust Fund:** pp. 57-58
         1. **Funding source(s):** Revenue from electronic filing of property sales disclosure forms and annual investment from the Health & Hospital Corporation of Marion County.
      ii. **Chicago, Low-Income Housing Trust Fund:** pp. 58-59
         1. **Funding source(s):** Discretionary monies from the City of Chicago's corporate fund, HOME and other federal assistance, developer fees, and

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proceeds from the privatization of the Skyway toll road connecting Illinois and Indiana.

iii. **Columbus/Franklin County Affordable Housing Trust:** pp. 59-60

1. **Funding source(s):**
    a. **Franklin County:** Dedicates half of a $1 increased real estate transfer fee to the Trust.
    b. **City of Columbus:** Provides a portion of hotel/motel taxes annually to maintain the Trust's capitalization.
    c. **NOTE:** The Trust was established as an independent, nonprofit corporation in 2001 that does lending for affordable new home and apartment development and for the rehabilitation of vacant and abandoned residential buildings. www.thehousingtrust.org
    d. It is a revolving loan fund that is growing every year. In 2008 the fund was self-supporting for the first time and was able to cover all of its administrative costs without tapping funds from the city or county.
    e. No private funding.
2. **Board of Directors** = retired bankers, developers, and housing advocates who are jointly appointed and approved by the city and county, review and approve projects servicing families up to 80% of AMI.

iv. **King County, Washington (A Regional Coalition for Housing/ARCH):** pp. 60-61

1. **Funding source(s):**
    a. General Fund and CDBG contributions from member municipalities. (Arch was created and funded by 15 cities and King County. Parity formulas help guide municipal contribution to the trust fund based on city size and expected job and housing growth.).
    b. Also capitalized by payments from developers, loan repayments, interest earnings, and in-kind contributions from member municipalities, e.g., fee waivers, infrastructure improvements, and contributions of land.
    c. Funds are made available as both grants and low-interest contingent loans. Projects are matched with funding sources based on jurisdictional location thus ensuring equitable distribution of funding and housing units between member jurisdictions.
2. **Success Factors:**
    a. Coordination and leveraging of public resources and attraction of private and non-profit investment.

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b. Information sharing, e.g., pooling technical resources and information across jurisdictions.
c. Technical assistance ARCH provides.
d. Community participation and leadership that promotes involvement from community members, information gathering and sharing, and strengthening leadership.

4. **Innovative Ideas**
   a. **Corporate Neighborhood-focused Investments:** pp 61-62
      i. **Models:**
         1. **Milwaukee: City's Targeted Investment Neighborhood (TIN) Program**
         2. **Minneapolis:** the **Philips Partnership** (which includes Abbott Northwestern Hospital, Wells Fargo Bank, Hennepin County, the City of Minneapolis, the Metropolitan Council, Children's Hospitals and Clinics-Minneapolis, the Minneapolis Foundation and Fannie Mae)
            a. www.phillipspartnership.org/housing.html
   b. **Foundation-based Housing Initiatives:** pg. 62
      i. **Model:**
         1. **Connecticut: The Fairfield County Collaborative Fund for Affordable Housing**
            a. Consortium of mostly foundations and a few banks with the goal of increasing and preserving quality affordable housing.
            b. LISC-Connecticut manages the Fund.
   c. **Section 8 Voucher Homeownership and Family Self-Sufficiency Programs:** pp. 62-63
      i. **Section 8 Homeownership Program:** Allows low-income renters currently receiving Section 8 vouchers, and/or those eligible for vouchers, to use the voucher toward a mortgage payment.
      ii. **Family Self-sufficiency Program:** Encourages communities to develop local strategies to help voucher families obtain employment.
         1. **Models:**
            a. **Illinois: DuPage Housing Choice Homeownership Program**
            b. **Massachusetts: Family Self-Sufficiency Program**

City of Milwaukee HTF Finance Committee: Best Practices (2009)

Location	Type of HTF	HTF Inception Date	"Dedicated" Legislation Passed In...	Revenue Source for (dedicated) funding?	How was Legislation passed?	Contact Information
Iowa	State	2003	2008	1)Re-build Iowa Infrastructure Fund 2) Real Estate Transfer Fees: 1st Yr: 5%; amounts inc. each year until 2014, and each year thereafter 30% of revenues are transferred. (Caps at $3M/year)	• Sponsored Affordable Housing Advocacy Days • Worked w/Lobbyist hired w/United Way help • Illustrated impact of the state fund on communities throughout the state.	**Sheila Lumley** Polk County HTF Des Moines, IA **515.282.3233**
Philadelphia	City	2005	2005 **May, 2008:** City Council voted to amend FY2009 operating budget to expand funding by $3M annually for each of next 5 years.	**Deed & Mortgage Recording fees:** $14M annually **May, 20008** 1) Short-term inc to fill the gap resulting from a decline in recording fee revenue 2) Substantial longer-term increase from dedicated sources, e.g., new property tax revenues from developments as their 10-yr. abatements expire.	**May, 2008** How done: Campaign for Vibrant and Safe Neighborhoods (a coalition of over 60 organizations led by the Philadelphia Association of Community Development Corp) did concerted education and advocacy.	**Rick Sauer** Philadelphia Association of CDC's Philadelphia, PA **215.732.5829**

Source: Center For Community Change (2008)

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Location	Type of HTF	HTF Inception Date	"Dedicated" Legislation Passed In...	Revenue Source for (dedicated) funding?	How was Legislation passed?	Contact Information
New Jersey	State	2008?	N/A Passed a major housing reform bill.	Non-residential developer fee on all communities • "Some" of the revenue goes to the State HTF	NOTE: 7.17.08 Proposed changes to NJ housing laws to 1) Produce more housing for low-moderate income people 2) Promote housing built closer to where people work.	**Arnold Cohen** Housing & Community Development Network of NJ **609.393.3752**
Massa-chusetts	Affordable Housing Trust Fund	2001	N/A **2005:** Received $100M Bond authorization **2008?:** Received addt'l $220M	2008: $1.275B 5-year housing bond (state level)		**Aaron Gornstein** Citizen's Housing Planning Assoc. **617.702.0820**
Michigan	N/A	N/A	N/A	Legislature inc. funding for the Community Development Fund by an additional $2M (to the existing $2.16 appropriation) contingent on receipt of addt'l funds from TANF	N/A	**Alicia Quintero** Community Economic Development Assoc. of Michigan **517.485.3588**

Source: Center For Community Change (2008)

2

Location	Type of HTF	HTF Inception Date	"Dedicated" Legislation Passed In…	Revenue Source for (dedicated) funding?	How was Legislation passed?	Contact Information
Missouri	State	1994	N/A	$3 Recording Fee on real estate documents **Proposed**: $7 increase in document recording fee and a $4M increase in the Affordable Housing Assistance Program, which enables individuals and businesses to receive a tax credit for 55% of their charitable contributions. Also, bills in House & Senate to inc. Document Recording Fee to $10 ($9 to HTF; $1 to County Recorder of Deeds).	N/A	**Sandy Wilson** Missouri Assoc. for Social Welfare **573.634.2901** www.masw.org
Santa Clara , CA (Housing Trust of Santa Clara County)	N/A— A Trust, not Trust Fund			They seek private, corporate & government support through their website ("click on the Donate $$$ link") or contacting them at: 408.436.3450.	N/A	Housing Trust of Santa Clara County: http://www.housingtrustscc.org/
San Antonio (Housing Asset Recovery Prog)	N/A	N/A	N/A	**Objective:** Leverage private sector funds with a City of San Antonio Housing Trust investment of $312,500 to revitalize the inner city.	**Strategy:** Acquire vacant homes and match them to existing vacant lots & neighborhoods. Contract w/private sector partners to provide repair and property disposition services.	

Source: Center For Community Change (2008)

3

Location	Type of HTF	HTF Inception Date	"Dedicated" Legislation Passed In…	Revenue Source for (dedicated) funding?	How was Legislation passed?	Contact Information
West Virginia	State	2001	2008	Additional $20 fee w/b charged on the transfer of real property and the sale of factory-built homes by licensed dealers. (will generate > $1M/yr)	**2005/6**: Previous efforts to secure dedicated funding had failed to housing entities throughout the State formed "Friends" of the Trust Fund to have a more influential group advocate for dedicated funding. **2007:** Nail driving contest among Legislators.	**Lara Pierce** Habitat for Humanity of WVa **304.720.7636** www.habitatwv.org
Austin, TX	City	1998?	N/A	N/A However, campaign efforts resulted in a $55M bond for affordable housing being approved in Nov., 2008. A portion of the bonds will go to the HTF.	- Political Consultant held a series of housing forums - Citizens Bond Committee was formed - "There's No Place Like Home" Campaign - Campaign focused on successful models of affordable housing	**Karen Paup** TX Low Income Housing Information Service **512.477.8910**
Illinois	State	?	1989	Real Estate Transfer* tax on property sellers: $.50/$500. Half of those $$ are dedicated to the Affordable Housing Trust Fund. * Note: 35 states collect a real estate transfer fee.	2008: - Tax cut proposed of $.10/$500 to sellers of property < $500k. (Estimated revenue=$215M inc. $49.5M new funds). - 20% of AHTF be targeted for supportive housing.	**Tammie Grossman** Housing Action Illinois **312.939.6074** www.housingactionil.org

Source: Center For Community Change (2008)

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Location	Type of HTF	HTF Inception Date	"Dedicated" Legislation Passed In…	Revenue Source for (dedicated) funding?	How was Legislation passed?	Contact Information
Indiana	State &City	State? Other cities? **Indiana-polis:** 2002	City HTFs have dedicated revenue, not the State HTF **Example =** Indianapolis: 2006	Document recording fees and local government bond issuance surcharge. **Indianapolis:** - **2006:** $$ from electronic filing of property sales disclosure forms - **2007:** Health & Hospital Corp. of Marion County (a municipal corporation that runs the county's health services department as well as a hospital) agreed to invest $1M/yr. to the HTF	Proposed only. Note: The campaign worked with Hoosiers throughout the state to raise awareness & understanding of the need for affordable housing.	**Christie Gillespie** Indiana Assoc. for Community Economic Development **317.920.2300**

Source: Center For Community Change (2008)

Housing Trust Fund	Model	Funded by:
City of Seattle	City Office of Housing	7-year $145 million levy passed in Nov 2009 through property tax
New Jersey Counties	County Trust Fund advised by taskforce. Required 10-yr plan plus ordinance authorizing trust fund & collection of $	Enabling authority to allow counties to have $3 document recording surcharge for homelessness trust fund
City of Philadelphia	City Trust Fund	Deed & Mortgage Recording Fee
Pinellas County, Florida	County program to purchase land for affordable housing	1-cent sales tax "Penny for Pinellas" (not for housing only; housing is anticipated to be 3.6% of allocations or $30 million over 10 years.
San Diego Housing Trust Fund	City	Commercial linkage fee (fee on sq. ft of commercial /industrial development)
Washington DC	City	Deed Recording & Transfer Taxes. Note the first $70 million in 2010 and first $80 million in 2011 then indexed to inflation (subject to Council approval).
City of Atlanta	City	Beltline Tax Allocation District (system of new parks, transit & housing around 22-mile loop of railroad). 15% will go to housing trust fund-at least $240 million over 25 years.
Oakland Housing Trust Fund	City	Linkage fee on development; not a lot of money
Chicago	Created by City in 1989; incorporated as non-profit in 1990 but Board of Directors appointed by Mayor. Admin support by City Dept. of Housing.	Variety of revenue sources; Administers rental support from state; some revenue from general operating fund, Not clear the source of money from some of revenue providers
West Hollywood	City	Requires residential and commercial developers to either provide affordable housing or pay a fee in in-lieu of providing said housing. Residential in-lieu fees, commercial development fees, and settlement funds are paid to the City's Housing Trust Fund to be used exclusively for projects with at least twenty percent (20%) of the total number of units affordable to low income households and a minimum of sixty percent (60%) of the total number of units affordable to low and moderate income households. The funds are used by non-profit developers to build said housing.
Santa Rosa	Run by Housing Authority?	Transfer of a portion of real property transfer tax from general operating fund into Trrust
Tucson, AZ	City	No revenue source; after initial $500,00, currently broke.

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APPENDIX F: STATE HTF FUNDING SOURCES

State Housing Trust Funds Dedicated Revenue Sources 2010 Summary

Prepared by:
Housing Trust Fund Project
Center for Community Change
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Frazier Park, CA 93225
661-245-0318
mbrooks@communitychange.org

Housing Trust Fund	*Revenue Sources*	*Notes*
Arizona Housing Trust Fund	State Unclaimed Property Fund Other	also state enabling legislation for local housing trust funds
Arkansas Housing Trust Fund	No revenue	
California Housing Trust Fund	No revenue	bond revenues fund local ht-fund matching program
Connecticut Community Investment Act	Document recording fee	
Connecticut Interest on Real Estate Brokers Trust Account	Interest on real estate escrow accounts	
Connecticut Housing Trust Fund for Economic Growth and Opportunity	GO bonds (committed for 5 years)	
Delaware Housing Development Fund	Document recording fee General Fund	
District of Columbia Housing Production Trust Fund	Deed recordation and transfer tax Surplus funds	
Florida William E. Sadowski Act	Documentary Stamp Taxes	revenues shared with counties
Georgia Homeless Trust Fund	General fund	
Hawaii Rental Trust Fund	Real estate conveyance tax	
Idaho Housing Trust Fund	No revenue	
Illinois Affordable Housing Trust Fund	Real estate transfer tax	
Illinois Rental Housing Support Program	Real estate document recording fee	
Indiana Housing and Community Development Fund	Program income Smokeless Tobacco Tax	also state enabling legislation for local htfund with doc recording fees
Iowa Housing Trust Fund	HFA funds Rural Infrastructure Fund Real Estate Transfer Tax	revenues also used to match local housing trust funds
Kansas Housing Trust Fund	Bond and fee revenues Appropriations	
Kentucky Affordable Housing Trust Fund	General Fund Document recording fees	
Louisiana Housing Trust Fund	Income tax check-off Surplus Funds	
Maine Housing Opportunities for Maine	Real estate transfer tax Housing bond	
Maryland Affordable Housing Trust	Interest on title escrow accounts Housing bond	
Massachusetts Affordable Housing Trust Fund	GO bonds Bay State Comp.Invest.Fund	
Massachusetts Community Preservation Act	Document recording fees (match)	enables local htfunds with property tax increase
Michigan Housing & Community Development Fund	Appropriation	
Minnesota Housing Trust Fund	Interest on real estate escrow accounts Revenue bond application fees, etc. General fund	

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Missouri Housing Trust Fund	Document recording fee Housing finance	also state enabling legislation for 3 counties using doc recording fees
Montana Revolving Loan Account for Housing	No revenue	
Nebraska Affordable Housing Trust Fund	Documentary stamp tax	
Nebraska Homeless Assistance Trust Fund	Documentary stamp tax	
Nevada Account for Low Income Housing	Real estate transfer tax	
Nevada Assistance for Low-Income Owners of Mobile Homes	Fees from mobile home park owners	
New Hampshire Affordable Housing Trust Fund	Other	
New Jersey Balanced Housing Program	Realty transfer tax	also state enabling legislation for county homeless tfunds with doc recording fees
New Jersey Special Needs Housing Trust Fund	GO Bonds [backed by driving violation fees]	
New Mexico Housing Trust Fund	Capital outlay fund	
North Carolina Housing Trust Fund	General fund Appropriation	
Ohio Housing Trust Fund	Document recording fees	
Okahoma Housing Trust Fund	Appropriations	
Oregon Housing Development Grant Program	Public purpose charge Document recording fees	
Oregon Low Income Rental Housing Fund	Interest on tenant security deposits, eviction court fees	

Pennsylvania		enabling legislation for county htfund with doc recording
Rhode Island Housing and Conservation Trust	No revenue	
South Carolina Housing Trust Fund	Real estate transfer tax	also state enabling legislation for local htfunds
Tennessee Housing Trust Fund	Appropriations THDA funds	
Texas Housing Trust Fund	General Revenue	
Utah Olene Walker Housing Trust Fund	Base budget General fund	
Vermont Housing and Conservation Trust	Real estate transfer tax General fund	
Washington State Housing Trust Fund	Capital budget Other: including interest on real estate escrow accounts; penalties from failure to pay transfer tax; and repayments General fund	also enabling legislation for property tax levy for local htfunds
Washington Homeless Trust Fund [now] Home Security Fund Account	Document recording fee	also enables county homeless tfunds
West Virginia Affordable Housing Trust Fund	Grant Real Estate Transfer Tax	
Wisconsin Interest Bearing Real Estate Trust Account	Interest on real estate escrow accounts	also enabling legislation for local htfunds with TIF funds

APPENDIX G: CITY HTF FUNDING SOURCES

City Housing Trust Funds
Dedicated Revenue Sources
2008 Summary

Jurisdiction	*Housing Trust Fund*	*Revenue Sources*	*Other Funds*	*Leverage **
Tucson, Arizona	Housing Trust Fund	MF rental conversion fee Unexpended funds from Utility Services LI Assistance Program		
Berkeley, California	Housing Trust Fund	Developer impact fees	Other	$5.00
Citrus Heights, California	Affordable Housing Trust Fund	Developer impact fees Inclusionary in-lieu fees	Other	$10.00
Cupertino, California	Affordable Housing Fund	Developer impact fees		
Elk Grove, California	Affordable Housing Fund	Developer impact fees		$3.00
Livermore, California	Housing Trust Fund	Inclusionary in-lieu fees	Program income	$3.00
Long Beach, California	Housing Trust Fund	Transient occupancy tax		
Los Angeles, California	Affordable Housing Trust Fund	Tax increment financing General Fund (DWP)	Federal funds	$4.90
Mammoth Lakes, California	Housing Trust Fund	Transient occupany tax	State and Federal funds	$4.00
Menlo Park, California	Below Market Rate Housing Program	Developer impact fees	Loan repayments	
Morgan Hill, California	Senior Housing Trust Fund			
Oakland, California	Affordable Housing Trust Fund	Developer impact fees		
Oxnard, California	Affordable Rental Housing Trust Fund	Developer impact fees		
Palo Alto, California	Affordable Housing Fund	Developer impact fees	Other	$10.00
Pasadena, California	Housing Trust Fund	Developer impact fees		
Petaluma, California	Housing Fund	Developer impact fees Inclusionary in-lieu fees Tax increment financing		$10.00
San Diego, California	Housing Trust Fund	Developer impact fees		$10.00
San Francisco City and County, California	Housing Funds	Developer impact fees Inclusionary in-lieu fees Transient occupancy tax	General fund	$2.50
San Jose, California	Housing Trust Fund	Increased tax increment funds Inclusionary in lieu fees		$4.74
Santa Cruz, California	Affordable Housing Trust Fund	Inclusionary in-lieu fees		
Santa Monica, California	Citywide Housing Trust Fund	Developer impact fees Inclusionary in-lieu fees		$1.50
Santa Rosa, California	Housing Trust	Tax increment financing Inclusionary in-lieu fees Reserve; Bond financing	GF: real estate transfer tax growth. Contributions	$20.00
West Hollywood, California	Affordable Housing Trust Fund	Developer impact fees	Program income	
Boulder, Colorado	Community Housing Assistance Program	Property tax Housing Excise tax	General fund	$7.00
Longmont, Colorado	Affordable Housing Fund	Inclusionary in-lieu fees	General fund	$3.84
Chicago, Illinois	Low Income Housing Trust Fund	City Corp funds		
Evanston, Illinois	Affordable Housing Fund	Demolition tax Inclusionary in-lieu fees		
Highland Park, Illinois	Affordable Housing Trust Fund	Residential demolition tax	Equity from refinancing housing	

(continued)

Bloomington, Indiana	Housing Trust Fund			
Indianapolis, Indiana	Housing Trust Fund	Electronic filing fees for property sales disclosure forms Document recording fees	Foundation and donor Health and Hospital Corporation	
Lawrence, Kansas	Housing Trust Fund			$0.50
Boston, Massachusetts	Neighborhood Housing Trust	Developer impact fees		$9.00
Boston, Massachusetts	AFSCME Council 93 AFL-CIO Housing Trust Fund	Union agreement		
Cambridge, Massachusetts	Affordable Housing Trust	Developer impact fees	MA CPA Program Harvard 20/20 Program	$4.00
Northampton, Massachusetts	Affordable Housing Trust Fund		Contributions	
Ann Arbor, Michigan	Housing Trust Fund	PUD developer fees		
Kalamazoo, Michigan	Local Housing Assistance Fund	City and County funds	Michigan State Housing Development Authority	
Duluth, Minnesota	Housing Investment Fund	Casino revenues		$5.00
Minneapolis, Minnesota	Affordable Housing Trust Fund	Housing revenue bond fees Miscellaneous funds	General fund and federal funds	$5.00
St. Paul, Minnesota	Neighborhood STAR Program	Sales tax		
St. Louis, Missouri	Affordable Housing Trust Fund	Use tax		$12.00
Jersey City, New Jersey	Affordable Housing Trust Fund	Developer impact fee		
Santa Fe, New Mexico	Community Housing Trust	Developer contributions		$60.00
New York, New York	Battery Park City Housing Trust Fund	Excess lease revenues		
Asheville, North Carolina	Housing Trust Fund		General fund	$10.00
Charlotte, North Carolina	Housing Trust Fund	Bond revenues		$10.00
Bend, Oregon	Housing Trust Fund	Percent of valuation on building permits		
Portland, Oregon	Housing Investment Fund		General fund	$4.00
Philadelphia, Pennsylvania	Housing Trust Fund	Document recording fees	Interest earnings	
Charleston, South Carolina	Lowcountry Housing Trust		General Fund Contribution	$7.00
Knoxville, Tennessee	Affordable Housing Trust Fund		General Fund	$5.50
Austin, Texas	Housing Trust Fund		General Fund	
San Antonio, Texas	Housing Trust	Finance corporation bonds Interest and earnings	Housing finance	$9.00
Salt Lake City, Utah	Housing Trust Fund	RDA commitments		$7.00
Burlington, Vermont	Housing Trust Fund	Develper fees Condominium conversion fees Housing replacement fees Inclusionary in-lieu fees. Property tax		$5.00
Montpelier, Vermont	Revolving Loan Fund	Property tax		
Alexandria, Virginia	Housing Opportunities Fund			$3.00
Manassas, Virginia	Housing Trust Fund		Federal and other funds	
Bainbridge Island, Washington	Housing Trust Fund		General fund Contribution	
Seattle, Washington	Housing Levy Program	Property tax levy		$4.00
Madison, Wisconsin	Affordable Housing Fund		General fund Federal funds	$8.00

(continued)

Milwaukee, Wisconsin	Housing Trust Fund	Bond revenues

** as reported in the 2007 Survey of housing trust funds*

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APPENDIX H: COUNTY HTF FUNDING SOURCES

County Housing Trust Funds
Dedicated Revenue Sources
2008 Summary

Jurisdiction	*Housing Trust Fund*	*Revenue Sources*
Pima County, Arizona	Housing Trust Fund	Roof top fee
Alameda County, California	Affordable Housing Trust Fund	Developer impact fees
Marin County, California	Housing Trust Fund	Developer impact fees
Napa County, California	Affordable Housing Fund	Developer impact fees;County & City; Other
Sacramento City and County, California	Housing Trust Funds	Developer impact fees, Interest and earnings
San Luis Obispo County, California	Housing Trust Fund	Public/private investments
San Mateo County, California	Housing Endowment and Regional Trust	Public/private investments; capital
Santa Clara County, California	Housing Trust of Santa Clara County	Public/private investments; Interest income
Sonoma County, California	County Fund for Housing	Developer impact fees
Aspen/Pitkin County, Colorado	Housing, Day Care Fund	Real estate transfer tax; Sales tax
Telluride/San Miguel County, Colorado	Housing Trust Funds	Developer impact fees; Sales/use tax; Other
Dade County, Florida	Homeless Trust Fund	Food and beverage tax; state & private
Dallas County, Iowa	Local Housing Trust Fund	Public/private investments; capital
Johnson County, Iowa	Housing Trust Fund of Johnson County	Public/private investments
Dickenson County, Iowa	Lakes County Community Land Trust	
Polk County, Iowa	Polk County Housing Trust Fund	Bond financing; public/private investments
Scott County, Iowa	Scott County Housing Council	State htfund
Southwest COG (nine counties), Iowa	Southwest Iowa Housing Trust Fund	
Howard County, Maryland	Community Renewal Fund	Property transfer tax (estimate)
Montgomery County, Maryland	Housing Initiative Fund	Condominium Conversion tax; Developer approval fees; MPDU Program; General Fund; Housing finance; Interest income and other
Ramsey County, Minnesota	Housing Endowment Fund	
St. Louis County, Missouri	Housing Resources Commission	Document recording fee
Albany County, New York	Housing Trust Fund	Appropriation from county tax foreclosure auction proceeds
Columbus/Franklin County, Ohio	The Affordable Housing Trust for Columbus/ Franklin County	Hotel/Motel tax; Real estate conveyance tax; General Fund; capital
Montgomery County, Ohio	Montgomery County Housing Trust	Sales tax
Toledo/Lucas County, Ohio	Toledo/Lucas County Housing Fund	Parking garage revenues; General Fund; capital
Pennsylvania Counties (Philadelphia on city chart)	Act 137	Document recording fees (est)

(continued)

Arlington County, Virginia	Affordable Housing Investment Fund	Developer fees (incl zoning and proffers); County funds; Loan repayments
Fairfax County, Virginia	A Penny for Affordable Housing Fund (Flexibility Fund)	Real estate tax
Fairfax County, Virginia	Housing Trust Fund	Developer proffers; general fund
East King County, Washington	ARCH Housing Trust Fund	County/cities funding commitments; other
King County, Washington	Housing Opportunity Fund	Credit enhancement program revenues; General fund

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APPENDIX I: HOUSING TRUST FUND LEGISLATIVE EFFORTS (2010)

City of Milwaukee

Department of Administration
Intergovernmental Relations Division

Tom Barrett
Mayor

Sharon Robinson
Director of Administration

Audra Brennan
Director of Intergovernmental Relations

Date: June 22, 2010
From: Jennifer Gonda, Sr. Legislative Fiscal Manager (DOA-IRD)
To: Housing Trust Fund Finance Subcommittee
Re: Housing Trust Fund Legislative Efforts

Common Council Resolution 060071 directed the Department of Administration – Intergovernmental Relations Division to seek introduction and passage of seven different funding mechanisms for Milwaukee's Housing Trust Fund. Their status is as follows:

1. Allow revenues from tax incremental districts to be used for housing trust fund purposes outside those districts.

   In conjunction with Alderman Murphy and various city staff, legislation was designed that would allow the extension of TID increments for up to one year with at least 75% of the proceeds required to be directed to affordable housing investments. This legislation was successfully enacted in Wisconsin Act 28 (2009-11 State Budget) with support from Senator Spencer Coggs and Representative Tamara Grigsby. The Act requires a Common Council resolution to implement the collection of the funds for Milwaukee's Housing Trust Fund.

2. Allow municipalities to assess linkage fees in the range of 10 to 30 basis points per square foot of new construction (both residential and non-residential), with the proceeds from such fees available to support local housing trust funds.

   No action has been taken by our office. The Department of City Development has expressed concerns that linkage fees could discourage development.

3. Create a 50% state tax credit for contributions to housing trust funds.

   In conjunction with local and statewide housing organizations, the city had drafted and introduced 2009 Senate Bill 534 and Assembly Bill 817 (Tayor/Sinicki). In addition to creating 50% tax credits for Employer Assisted Housing contributions, an amendment was discussed that would have also created a state income tax credit for contributions made to a Housing Trust Fund. The authors declined to amend the bill draft as it increased the cost of the legislation and therefore reduced its chance of passage. Due to the fiscal impact to the state, the legislation did not pass, but efforts will be made to revisit it as part of the 2011-2013 State Budget process.

4. Enable municipalities and counties to levy taxes and fees that solely support housing trust funds. Such taxes and fees should be exempt from state-imposed revenue caps or tax-levy freezes.

   No action has been taken by our office due to the seeking of similar revenue sources for general city budget purposes. We also need some specificity on what types of taxes and fees you would like us to pursue.

Room 606, City Hall, 200 East Wells Street, Milwaukee, WI 53202 - Phone (414) 286-5584 - Fax (414) 286-8547
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(continued)

5. Create a State of Wisconsin housing trust fund to be funded, at least in part, by real estate transfer fee proceeds, with no funds coming from local governments. Specifically, this housing trust fund should be funded by 5% of the real estate transfer fee revenues (i.e., the share of transfer fee revenues retained by the State for other purposes would be reduced from 80% to 75%).

   In 2007 Senate Bill 40 (the proposed State Budget), Governor Doyle proposed the creation of a State Housing Trust Fund to be administered by WHEDA. Using increased real estate transfer fee revenues (the proposal doubled the fee), it would have created an affordable housing trust fund of $4 million for agencies in Milwaukee who provide homeless and transitional housing services. Due to heavy opposition from the Wisconsin Counties Association for the proposed use of the increased fees and the Wisconsin Realtors Association for the increase itself, the proposal was defeated.

6. Increase the amount of the real estate transfer fee statewide from $3 per $1,000 of sale price to $4 per $1,000, with the increased revenues being dedicated to the state housing trust fund (if one is created) or to local housing trust funds (if no state housing trust fund is created).

   See above.

7. Eliminate the exemption from the requirement to pay the real estate transfer fee that currently applies to transfers involving purchasers that are limited liability companies ("LLCs"), with the additional transfer fee revenues being dedicated to the state housing trust fund or, if no state fund is created, to local housing trust funds.

   Legislation to eliminate the LLC exemption has been introduced for the past several legislative sessions at the behest of the Wisconsin Counties Association. This proposal has never had any success in the Legislature, therefore, our office has not tried to introduce legislation specifically directing those proceeds to Housing Trust Funds.

Observations:

- Gathering support for the TIF authorizing resolution is advised if the HTF wishes to begin collecting those increments.

- IRD strategy over the last two sessions has been to focus on advancing the TIF legislation. Now that it has been enacted, we could focus on a different proposal.

- We are not garnering any support for proposals to increase or shift the Real Estate Transfer Fee. This revenue source is currently "owned" by Wisconsin counties and they are highly opposed to its diversion and highly mobilized to defeat any proposal to do so. The Wisconsin Realtors Association is also highly opposed to any increase in the fee. IRD does not recommend further action to divert this fee for HTF purposes.

- IRD did advocate for the National Housing Trust Fund created in the Housing and Economic Recovery Act of 2008. $1 billion has now been proposed to capitalize the Fund in H.R. 4213, the American Jobs and Closing Tax Loopholes Act of 2010. The bill is currently in conference committee and the funding is included in the House version, but not the Senate version.

City of Milwaukee:
Active Tax Incremental Districts

TID #	Project Name	Max Life	Est. Close Out	Remaining Years	Funding Years	Potential Funding
G.O. Financed						
34	Third Ward Riverwalk	2024	2010	14	1	596,252
47	875 East Wisconsin Ave	2029	2010	19	1	484,914
56	Erie/Jefferson	2031	2010	21	1	1,078,645
18	New Covenant Housing	2019	2011	8	1	22,578
30	Westown I / library Hill	2023	2011	12	1	283,082
35	27th Street & Wiscsonsin Avenue	2025	2011	14	0	-
27	Clarke Square	2022	2012	10	1	79,814
40	West North Avenue	2027	2012	15	1	176,387
42	MidTowne Center	2027	2012	15	1	600,100
44	Lindsey Heights	2028	2013	15	1	620,765
28	Mid-Town New Housing	2022	2014	8	1	97,998
37	Grand Avenue Redevelopment	2025	2014	11	1	656,176
20	Florida Yards	2020	2015	5	1	150,188
61	Chase Commerece Center	2032	2015	17	1	5,130
15	27th & North Ave	2018	2016	2	0	-
22	Beer Line B	2020	2016	4	1	1,402,010
46	New Arcade	2028	2016	12	1	291,083
54	Stadium Business Park	2031	2016	15	1	150,766
17	Curry/Pierce	2019	2017	2	0	-
48	Park East III	2029	2019	10	0	-
76	S. 27th & W. Howard	2036	2019	17	0	-
41	Manpower	2027	2020	7	1	947,238
62	DRS Power & Technology	2032	2020	12	0	-
63	Falk/Rexnord	2026	2020	6	1	36,806
66	Metcalfe Park Homes	2034	2023	11	0	-
70	735 N. Water St.	2034	2024	10	0	-
60	Amtrak	2032	2025	7	1	121,653
58	20th Street & Walnut	2032	2026	6	1	3,735
71	Mitchell Street	2033	2026	7	0	-
72	Bishop's Creek	2035	2026	9	0	-
53	Menomonee Valley	2030	2028	2	0	-
65	North 20th/West Brown Streets	2033	2028	5	1	2,927
51	Granville Station	2030	2029	1	1	187,575
59	Bronzeville	2032	2029	3	1	172,768
68	Fifth Ward/First Place	2034	2029	5	1	64,157
67	The Brewery Project	2034	2031	3	1	122,884
64	Direct Supply	2033	2033	0	1	95,077
75	Reed Street Yards	2034	2033	1	0	-
73	City Lights	2034	2034	0	0	-
74	N. 35th & Capitol Drive	2034	2035	0	0	-
Developer Financed						
55	Holt Plaza	2031	2010	21	1	160,758
39	Hilton Hotel	2027	2015	12	1	176,087
49	Cathederal Place	2029	2016	13	1	403,355
50	Solar Paints	2029	2016	13	1	21,697
52	Sigma-Aldrich Corp.	2026	2020	6	1	121,071
57	Menomonee Valley East/Harley	2032	2028	4	0	-
TIDs closed in 2010						Increment
23	City Hall Square					206,902
38	Grand Avenue Project					457
69	New Avenue Commerce Center					-

APPENDIX J: HOW AFFORDABLE HOUSING DEVELOPMENT IS FUNDED

To provide context for the following sections on public and private sources of funding, it may be helpful to understand the "categories" of funding sources that developers, in particular non-profit developers, use for building or rehabilitating affordable housing for either rental or home ownership. (Note: The information below is illustrative and not intended to cover the subject in entirety).

Generally speaking, funding come from some combination of tax credits, "permanent" financing sources and "gap" funding depending on the purpose of the housing, e.g., rental, ownership, special services support, etc. Developers often refer to the financial packages they put together as "lasagna financing" due to the need to go to multiple sources for funding of one project because the financing will not come from just one source. The traditional types of funding sources are as follows:

1. Tax Credits
    a. Low Income Housing Tax Credits (LIHTCs)
        i. Can be used as funding for *rental* properties only
            1. At least 20% or more of the residential units in the development are both rent restricted and occupied by individuals whose income is 50% or less of the area median gross income.
            2. At least 40% or more of the residential units in the development are both rent restricted and occupied by individuals whose income is 60% or less of the area median gross income
        ii. Awarded by WHEDA
    b. New Market Tax Credits (NMTC)
        i. NMTCs cannot be used in conjunction with LIHTCs.
        ii. These can be used for funding real estate projects only in "mixed use" situations when at least 20% of the income is going to come from non-residential (e.g., commercial) sources.
    c. Historic Tax Credits
    d. Other
        i. Example: Disaster Relief Tax Credits were available in Wisconsin from 2008-2010.

2. "Permanent" Debt Financing
    a. Bank loans
    b. Community Development Financial Institution (CDFI) loan
        i. Generally charge lower interest rates that traditional bank loans

    c. Public bond financing (WHEDA, RACM, HACM)

3. "Gap" Financing: This is generally the hardest to obtain as it is often "last in" financing, may fund the smaller portion of the project, and is typically awarded in the form of grants which will not be re-paid.
    a. Sources for low-income affordable housing:
        i. CDBG & HOME funds
        ii. NSP (currently)
        iii. City of Milwaukee Housing Trust Fund
        iv. Tax Incremental Financing (TIF)

b. Sources for "special needs" affordable housing come from any of the above *plus* the following:
    i. County of Milwaukee Housing Trust Fund
    ii. HUD Funds:
        1. Shelter Plus Care (SHP): AODA/Homeless populations
c. Other sources of "gap" financing
    i. FHLB Affordable housing program
    ii. Philanthropic grants

One interesting exception to the framework outlined above is Habitat for Humanity which provides home ownership opportunities for 30% AMI or below populations. The funding for Habitat is entirely philanthropic and comes in the form of grants that do not need to be re-paid. Although the homeowners pay debt service, the mortgage is held by Habitat which enables them to provide very flexible terms, with the mortgage payments are used to finance Habitat's operations.

<u>APPENDIX K</u>: REGIONAL OPPORTUNITY FUND

Typical Considerations For Private Sector Investment In the Fund:

- **Define fund's primary investment objective**
    - Should be broad enough to provide flexibility to consider a wide variety of diverse investment opportunities and adapt to changing market conditions;
    - Must incorporate public needs as well as appropriate risk-return characteristics for private investors;
    - Political considerations (public participants in fund);
    - Public image considerations (private participants in fund);
    - Milwaukee only? Greater metro area? SE Wisconsin?
- **Establish fund's governance / advisory committee**
    - Should be wholly independent of political process;
    - All equity contributors will require seat on advisory committee;
    - Who (i.e. what entity?) will act as managing member of fund?
    - Determine conditions under which general partner/managing member may be removed
    - Will LISC national organization contribute / sponsor fund?
- **Consider fund's management team**
    - Team must have "clout"
        - Years of experience (public and private)
        - Reputation
        - Expertise in critical needs areas
            - Executive leadership
            - Law
            - Accounting
            - Finance
            - Investment underwriting
            - Marketing / "Road show" capital raising
            - Portfolio management
            - Politics
            - Public-private interaction
            - Communications
            - Development
            - Asset management
            - Acquisition / Disposition
            - Community organizing
        - Compensation
- **Target aggregate capital commitments**
    - What is the total estimated size of the fund in terms of asset value at full deployment?
    - What is the minimum equity contribution?
    - What is managing member's required contribution?
    - Should contributions (i.e. by the public sector) other than cash contributions be recognized as equity? If so, define.
        - Guarantees of bond issue financings on fund investment projects?
        - Tax incentives (State income? Property? State Payroll?)
        - Fee reimbursements/waivers?
        - Expedited approval / permits / hearings

- **Establish hurdles for IRR, cash on cash, payback, etc.**
    - IRR hurdles (unlevered and levered) should reflect risk profile of target investments (i.e. market rate opportunistic returns)
    - What is initial year cash return on cash invested? Year by year?
    - Will there be any preferred return distributions or accumulations to any equity classes that have different risk tolerance levels?
        - Managing member promotes?
    - How many years before invested capital is returned to each investor (assuming all distributions treated as return of capital)?
- **Outline leverage policies**
    - How will leverage be employed?
        - To leverage returns?
        - Mitigate individual investment risk?
        - Diversify risk?
        - To provide working capital?
    - Secured vs. unsecured financing?
    - Fixed / floating rate debt?
    - Use of recourse?
    - Fund level covenants?
    - Maximum LTV, minimum DSC, debt yield, at fund level? Asset level?
- **Specify term life of fund (and exit strategy options)**
    - Is fund intended as an indefinite going-concern?
    - Is it a closed-end fund?
        - What is fund life?
        - Can fund life be extended? How?
    - How will the fund be wound down?
        - Will fund be wound down by asset dispositions?
            - How will dispositions be timed relative to market conditions?
        - Sale of fund to third party? Public sale?
- **Set fund closing date**
    - When will equity raise be complete?
    - Documentation closing?
- **Determine equity commitment drawdown and investment period**
    - How long will equity commitments remain outstanding?
    - What is the maximum length of the investment period?
    - How much of equity commitments will be held back to fund working needs?
- **Determine default triggers and consequences**
    - What happens if an equity member defaults on its equity contribution requirement?
    - Will other members be required to cover the shortfall pro-rata?
    - Is there a preferred return / cash distribution waterfall to other members who cover defaulted equity member contribution?
    - Does defaulted member lose voting rights on advisory board?
- **Specify estimated holding periods**
    - What is the estimated holding period for individual investments (IRR sensitivity)?
- **Establish investment selection criteria**
    - What are investment parameters?
        - Minimum / maximum investment size? Average size?
        - What are appropriate types of assets given the fund investment objectives?

        - What, if any, types of investments will be explicitly prohibited?
        - Geographic targets?
        - Return hurdles?
        - "Headline"/public image risk?
    - How will investment opportunities be sourced?
    - Will joint venture opportunities be considered?
        - Will fund assume a passive investment role or is active management required?
    - Will any "grants" be considered? If so, what are conditions?
- **Set policies and procedures for new investment acquisition, development, management and disposition**
    - What is the approval process for investment selection?
    - Who has decision-making authority for entering into contracts? Third party agreements?
    - Investment underwriting considerations
    - How are investment acquisitions handed off between acquisition personnel and asset management personnel?
    - How will funding be administered?
    - How will reporting be administered? Third party private investors will have significant accounting / reporting requirements.
- **Establish diversification / risk mitigation policies**
    - Geographic concentration limits?
        - Neighborhood, city, etc. limits?
    - Maximum investment size limits?
    - Asset type diversification / what are parameters?
    - Limits on maximum exposure to specific clients / third parties?
    - Leverage limits / use of debt and recourse
- **Set parameters on fee structure**
    - Determined by market
        - General Partner promotes
        - Placement agent fees
        - Acquisition fees
        - Asset Management Fees
        - Third party property management fees
        - Third party valuation fees
        - Disposition fees
        - Origination / "finders" fees
- **Outline operating income / capital distribution policies**
    - Will distributions be paid monthly? Quarterly? Annually?
    - Will distributions be re-invested?
    - May investors defer distributions for re-investment?
    - Will there be any "catch up" or "clawback" provisions?

- **Outline capital call policies**
    - When / under what conditions may capital be called by the managing member?
    - What happens if equity member defaults on capital call?
        - See above
- **Consider start-up and organizational expenses**
    - Estimated costs?
    - Who pays?

    - Does managing member collect fee for initial efforts in creating fund?
- **Consider tax consequences**
    - Private investors are taxpayers
        - How will fund be structured for federal and state income tax purposes?
        - How will distributions / use of leverage impact taxable income?
        - Will 1031 Exchange strategies be employed?
- **Consider accounting, audit, and reporting issues**
    - Does fund have adequate resources to handle accounting and reporting functions required by equity members?
    - Has management established appropriate internal controls?
    - How will fund assets be valued?
        - Third party valuations? Internal?
        - What are policies?
        - Frequency of valuation?
    - Will fund utilize GAAP accounting?
    - Who will be third party auditor? Legal counsel?

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