



City of Milwaukee

200 E. Wells Street
Milwaukee, Wisconsin
53202

Meeting Minutes HOUSING TRUST FUND ADVISORY BOARD FINANCE SUBCOMMITTEE

CATHIE MADDEN, CHAIR

*Jim Mathy, Vice-Chair Brian Peters; Kenneth Little, Kori
Schneider Peragine, and Lanie Wasserman*

*Staff Assistant, Joanna Polanco, 286-2366,
jpolan@milwaukee.gov*

Tuesday, July 13, 2010

1:00 PM

Room 301-A, City Hall

Meeting convened: 1:12 p.m.

1. Roll call

Present 4 - Madden, Peters, Mathy and Schneider Peragine

Excused 1 - Little

Also present:

Assistant City Attorney, Tom Gartner

Craig Kammholz, Director of Financial Services

**Jennifer Gonda, Legislative Fiscal Manager - Dept. of Intergovernmental
Relations.**

2. Review and approval of the minutes of the May 12, 2010 meeting

*Mr. Mathy moved to approve minutes from May 12, 2010. Minutes were approved
without objection.*

*Ms. Madden said that given this board has only met 3 times in several months, she
would like to outline the purpose of the Housing Trust Fund Advisory
Board Finance Subcommittee (HTFAB Finance) to all members present.*

The four purposes of this subcommittee are:

- 1. Identify and recommend sources of public funding for the HTF.*
- 2. Identify and recommend sources of private funding for the HTF, if any.*
- 3. Make recommendations on how the HTF is structured - it currently operates at City
level as a government entity; do we want to consider other options?*
- 4. Do we want to make any recommendations about the process utilized for selecting
and awarding grants.*

**3. Discussion relating to the recommendations by the Housing Trust Fund
Task Force (File #060071) relating to funding sources that require passage
of state legislation**

Ms. Gonda went over the items she listed in her memo dated June 22, 2010

Item one - 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 the Department of Intergovernmental Relations. The Department of City Development has expressed concerns that linkage fees could discourage development.

Ms. Madden asked Ms. Gonda if anyone ever quantified what could be received from linkage fees.

Ms. Gonda responded that her office did not research this information. She asked Mr. Kammholz if that would be something that could be calculated.

Mr. Kammholz said it could.

Ms. Madden states that if there is not a significant financial benefit, it would not be worth the effort.

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 (Taylor/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 the office of Intergovernmental Relations due to the seeking of similar revenue sources for general city budget purposes. The Intergovernmental Relations office also needs some specificity on what types of taxes and fees the board would like to pursue.

Mr. Mathy asked: was the document recording fee ever discussed?

Ms. Gonda stated that that was never mentioned to her to look at.

Mr. Peters stated that the state of Pennsylvania has a state law that allows for counties to double their fees for housing, it kind of depends on the county and who is using it.

Ms. Gonda stated that in order to do something like this; we would need the support of Milwaukee County. She and Ald. Murphy tried to establish communication with the county in this regard and were avoided.

Mr. Mathy suggested giving this another try.

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). Legislation was proposed and did not pass.

Mr. Mathy asked if this could be any different for any of these efforts if it was seen as a regional trust fund run by a non-profit organization.

Ms. Gonda does not think it would change the dynamics on the transfer fee.

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, intergovernmental relations 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.

Ms. Madden suggested talking further about the TIF's. Should we keep this in the short list that we want to pursue?

Mr. Peters stated in reference to item #1 of Ms. Gonda's memo, is there a time line we want to consider doing this in.

Ms. Gonda responded that there is none.

Mr. Peters asked, for example, if we know TIF is closed in August, when does the Common Council need to pass the resolution?

Ms. Gonda stated that each TIF is different. It would have to be for affordable housing purposes.

Mr. Kammholz stated that he updated the original schedule that comptroller prepares for the HTF. The original proposal for the HTF stated that half of the city's portion of the increment could be levied for four additional years after the closure of a Tax Incremental District. This new proposal allows a full increment for all five taxing jurisdictions City, County, MMSD, MPS and MATC.

Ms. Madden said that in order to start the process you need an enabling resolution.

Ms. Gonda stated that we have obtained enabling state legislation which allows the City to pass a resolution.

Mr. Kammholz said that annually the Dept of City Development produces a report of all the TIF's; this will give you an idea as to when something is going to close out in that year.

Mr. Gartner stated that there is an amendment to the tax increment law that expanded the ability of municipalities to expend money outside of the boundaries of the TID.

Ms. Gonda stated that talking to Ald. Murphy will be the next best step to take.

Observations:

- 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.

Mr. Peters stated that he was hoping WI would get some small percentage of that.

Ms. Gonda responded that is not a large amount of money, maybe a couple hundred

thousands dollars.

Ms. Madden opened discussion on Linkage fees.

Mr. Gartner stated that from the City's perspective one of the biggest problems with these types of fees is that things have been historically levied in suburban areas where the environment is a little bit different than Milwaukee. For the most part DCD is on the other side of the equation discussing how much subsidy the city or the redevelopment authority need to provide to encourage development.

Ms. Madden asked is this going to be a deterrent.

Ms. Madden asked if this board should pursue a voluntary \$1 contribution on the state form.

Mr. Kammholz stated to bring it in front of Ald. Murphy for his approval asking which one of these revenue sources you think we should pursue for the housing trust fund.

Ms. Madden stated that we need to bring to Ald. Murphy a listing of sources for funding.

Ms. Madden stated another funding source - NSP funding.

Ms. Madden discussed the following:

- Fees on downtown parking spaces*
- The addition of a \$1 dollar surcharge to the price of any entertainment event ticket costing \$30 or more.*
- A portion of the city's Potawatomi Bingo Casino revenues*
- Increasing the hotel/motel tax*
- Establishing an income-tax credit for persons who make contributions to the Housing Trust Fund.*

The committee decided that none of these options would be viable to pursue at this time.

Mr. Gartner suggested to focus on coordinating with other groups to identify projects that are significant to give extra consideration, not to focus on funding.

Ms. Madden stated that she will generate a preliminary draft to pass to all members before this body presents something to the HTF.

4. Next meeting date, time and agenda

Ms. Madden stated that she will get in contact with members to coordinate the date and time for the next meeting.

Meeting adjourned: 2:33 p.m.

Joanna Polanco

Staff Assistant



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 (Taylor/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.

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.

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:

Funding Options With No State Legislation Required

1. TIF-equivalent general revenue contributions. 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. Set aside a portion of the City's annual bonding for the purpose of funding the Housing Trust Fund. 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. Some kind of development fee or "linkage" fee. 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. The City's share of the real estate transfer fee. 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. A fee on downtown parking spaces.

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).

**City of Milwaukee
Active Tax Incremental Districts**

<u>TID #</u>	<u>Project Name</u>	<u>Max Life</u>	<u>Est. Close Out</u>	<u>Remaining Years</u>	<u>Funding Years</u>	<u>Potential Funding</u>
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 & Wisconsin 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	800,100
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 Commerce 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	Meccafie 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	Cathedral 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/Hartley	2032	2028	4	0	-
TIDs closed in 2010						
23	City Hall Square					
38	Grand Avenue Project					
69	New Avenue Commerce Center					
						Increment
						206,902
						457

2010

**City of Milwaukee
Active Tax Incremental Districts**

<u>TID #</u>	<u>Project Name</u>	<u>Max Life</u>	<u>Est. Close Out</u>	<u>Remaining Years</u>	<u>Funding Years</u>	<u>Potential Funding</u>
23	City Hall Square	2021	2010	11	1	588,510
44	Lindsey Heights	2028	2010	18	1	1,121,028
56	Erie/Jefferson	2031	2010	21	1	2,851,400
34	Third Ward Riverwalk	2024	2011	13	1	1,804,791
40	West North Avenue	2027	2011	16	1	480,969
42	MidTowne Center	2027	2011	16	1	1,790,874
47	875 East Wisconsin Ave	2028	2011	17	1	1,432,493
28	Mid-Town New Housing	2022	2013	9	1	282,372
30	Westown I / library Hill	2023	2013	10	1	690,762
18	New Covenant Housing	2019	2014	5	1	60,557
22	Beer Line B	2020	2014	6	1	3,540,535
27	Clarke Square	2022	2014	8	1	201,199
20	Florida Yards	2020	2017	3	1	309,901
17	Curry/Pierce	2018	2018	0	0	-
37	Grand Avenue Redevelopment	2026	2018	8	1	1,449,257
54	Stadium Business Park	2031	2018	13	1	407,711
15	27th & North Ave	2018	2020	-2	0	-
59	Bronzeville	2032	2020	12	1	370,216
46	New Arcade	2028	2022	6	1	788,827
41	Manpower	2027	2024	3	1	2,690,694
35	27th Street & Wisconsin Avenue	2025	2025	0	0	-
51	Granville Station	2030	2025	5	1	365,865
58	20th Street & Walnut	2032	2028	4	1	-
48	Park East III	2029	2029	0	0	-
53	Menomonee Valley	2030	2030	0	0	-
60	Amtrak	2032	2030	2	1	52,616
<u>Developer Financed</u>						
44	Lindsey Heights	2028	2010	18	1	725,115
55	Holt Plaza	2031	2011	20	1	429,135
39	Hilton Hotel	2027	2015	12	1	749,769
49	Cathedral Place	2029	2017	12	1	1,369,779
50	Solar Paints	2029	2017	12	1	72,752
52	Sigma-Aldrich Corp.	2026	2020	6	1	379,825
38	Grange Avenue	2027	2027	0	0	-
57	Menomonee Valley East/Harley	2032	2032	0	0	-

MacDonald, Terry

From: Brian Peters [BPeters@independencefirst.org]
Sent: Wednesday, June 30, 2010 10:31 AM
To: MacDonald, Terry
Subject: FW: [Creating Communities Blog] Example of TID & Housing

Please distribute to the other members of the finance sub-committee.

From: Brian Peters [mailto:brianind1@yahoo.com]
Sent: Wednesday, June 30, 2010 10:28 AM
To: Brian Peters
Subject: [Creating Communities Blog] Example of TID & Housing

Last fall, [I mentioned a new law](#) relating to Tax Incremental Districts and Tax Incremental Financing. To summarize it, the law allows municipalities to pretend that their newly closed Tax Incremental District is still active and direct up to a year of that revenue toward housing, with at least 75% going to affordable housing and up to 25% used to improve the housing stock.

Thanks to [this article](#), I have an example of how this could've worked in Milwaukee.

The Common Council's Zoning, Neighborhoods and Development Committee on Tuesday unanimously approved a resolution dissolving the district, along with two other tax districts created for developments that didn't occur.

As a result, the \$25 million in improvements at City Hall Square, 104 E. Mason St., will be generating around \$640,000 annually for local governments, according to a Department of City Development report.

If the City of Milwaukee had taken advantage of this law with the \$640,000 in revenue, they could've directed at least \$480,000 toward the [City of Milwaukee Housing Trust Fund](#), giving it a much-needed boost, and up to \$160,000 toward lead prevention programs targeting lead paint.

Any community with a closing TID can do the same, directing the money toward some kind of housing programs (such as rehab, homeowner loans, development grants, etc.).

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Posted By Brian Peters to [Creating Communities Blog](#) at 6/30/2010 10:28:00 AM



Department of Administration
Community Development Grants Administration

Tom Barrett
Mayor

Sharon Robinson
Director of Administration

Steven L. Mahan
Community Block Grant Director

MEMORANDUM

TO: Cathy Madden, Chairperson Housing Trust Fund Finance Sub-Committee

FROM: Steven Mahan, Community Development Grants Administration

DATE: June 18, 2010

RE: United Way Funding

Dear Housing Trust Fund Finance Sub-Committee Members:

On March 18, 2010, the Housing Trust Fund Finance Sub-Committee requested that CDGA make an inquiry to all funded Housing Trust Fund recipients, on whether they had received United Way Funding. On April 21st, 2010, CDGA sent an email to all the listed contacts for each project and asked if their agency had received United Way Funding in the past three years.

Of the Groups that have responded to this request so far, the following have received United Way funding in at least one of the past three years:

Guest House
Milwaukee Christian Center
Northcott Neighborhood House
St. Catherine's Residence (donor designation contributions)
Our Space, Inc. (donor designated contributions)
Habitat for Humanity (donor designated contributions)
United Methodist Children's Services (donor designated contributions)

Those who responded and have not received UW funding are:

Layton Blvd West Neighbors
Martin Luther King Economic Development Corporation
Milwaukee Community Service Corp.

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 conservation, 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.)