



Department of City Development
City Plan Commission
Redevelopment Authority of the City of Milwaukee
Neighborhood Improvement Development Corporation

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May 30, 2018

Wyman Winston
Wisconsin Housing and Economic Development Authority
201 West Washington, Suite 700
Madison, WI 53703

Dear Mr. Winston:

We are writing to provide comments on the proposed changes to WHEDA's Qualified Allocation Plan (QAP) for 2019-2020.

The low income housing tax credit program is an extremely important resource for creating and preserving affordable housing opportunities in the City of Milwaukee. We have appreciated the opportunity to work with WHEDA to deploy this tool in a manner that benefits Milwaukee residents and neighborhoods.

We have attached detailed comments on the proposed QAP which we believe are consistent with our common goals of increasing the supply of affordable housing for low income families and creating economic opportunities for our citizens. The comments include goals and priorities that have been identified by the planning and neighborhood engagement work of the City and its partners, as they have worked to insure that new investment in the City benefits our low income residents.

We appreciate your consideration of our comments as you work to finalize the Qualified Allocation Plan for Wisconsin. We would be happy to discuss them with you in further detail.

Sincerely,

Rocky Marcoux
Commissioner

Attachments

c: WHEDA Low Income Housing Tax Credit Program
State Representative Evan Goyke
Ivan Gamboa
Mac Weddle





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Scoring Category 1. Lower Income Areas - Community Revitalization Plans

The QAP proposes changes to the requirements for points to be awarded for Qualified Census Tracts that have Concerted Community Revitalization Plans (CCRP). These changes require the CCRP to have been approved within the last 10 years. We would suggest a slight modification to the change as described below.

The Comprehensive Plan of the City of Milwaukee consists of 14 individual Area Plans, and the City-Wide Policy Plan. Each Area Plan contains a housing element that describes existing conditions, residential design and location recommendations, and recommendations regarding the policies and partners needed to achieve desired housing goals. The City of Milwaukee generally uses the individual Area Plans to serve as the Concentrated Community Revitalization Plan for the purposes of certifying consistency under the QAP.

Multiple City neighborhoods have undertaken their own “Quality of Life” or other community-led planning processes and the City of Milwaukee supports the proposed change to the QAP to allow those plans to be considered as Concentrated Community Revitalization Plans. However, the City does not support the proposed change to require that Comprehensive Plans must have been approved within the last ten years to count for this purpose.

Wisconsin Statute 66.1001 sets forth the required process that local municipalities must adhere to in adopting and updating a Comprehensive Plan. For municipalities such as Milwaukee that elect to comply with the requirements of 66.001 by updating the comprehensive plan on an area-by-area basis, the proposed change to the QAP may have the unintended consequence of penalizing projects in neighborhoods where plan recommendations for affordable housing remain applicable and relevant, but were initially approved prior to the 10-year window proposed for the QAP.

Therefore, WEHDA’s proposed language change would be overly burdensome and may not achieve its intended goals. The City believes the minor adjustment proposed below would address this concern without impacting the intent of WEHDA’s proposed change.

Proposed Changes to support QAP Objectives:

Lower Income Areas / Concerted Community Revitalization Plan Criteria: Adjust the proposed updated language to clarify that if a municipality’s Comprehensive Plan (as defined by Wisconsin Statute 66.1001) meets all of the other criteria required by the QAP of a Concentrated Community Revitalization Plan, the Comprehensive Plan does not have to have been approved within the last ten years in order for a project to qualify for a QCT base boost under this criteria.

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Scoring Category 2. Energy Efficiency and Sustainability

This scoring category recognizes the importance of locating affordable housing near transit and ensuring that investments in local and regional transit are coordinated with investments in affordable housing.

Points are awarded in for proximity to transit services (“Public Transportation”) and walkability (“Strong Linkages”), which are key features of neighborhoods that support transit oriented development. However, as currently proposed, the available points are not sufficient to truly incentivize transit oriented development. The frequency, not just the presence, of available transit services is critical if the goal is to provide residents with reliable linkages to major job centers. Similarly, highly walkable neighborhoods are those that are most likely to be able to support transit oriented development and allow residents to more easily meet their daily needs without an automobile. Prioritizing neighborhoods that meet these criteria will help achieve the goals of the QAP, especially as walkable neighborhoods with access to high-quality transit across the nation and throughout Wisconsin are rapidly seeing decreasing housing affordability and increasing numbers of households at risk of displacement.

Proposed Changes to support QAP Objectives:

Public Transportation Criteria: Provide additional points for this existing scoring criteria, including providing points for sites that are served by “high frequency transit,” defined as providing headways of 15 minutes or less during peak service periods, or where such service is being developed (under construction, part of a formally approved “Locally Preferred Alternative,” or accepted into Federal Transit Administration “Project Development” process.).

Strong Linkages Criteria: Provide additional points for this existing scoring criteria, including providing points for sites within “highly walkable” neighborhoods that are more likely to support transit oriented development as defined by having a Walkscore of 75 or greater.

Scoring Category 14. Opportunity Zones

This scoring category reflects the importance of creating affordable housing opportunities in areas near job centers and with access to key goods, services and public amenities. This is an important goal for the City of Milwaukee as well as WHEDA.

The City of Milwaukee is experiencing significant new residential development in the neighborhoods adjacent to downtown Milwaukee. This is resulting in increasing housing costs, and fears that existing residents may be displaced from neighborhoods adjacent to downtown that have long served as social and cultural hubs of the City’s African-American and Latino

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communities. The City of Milwaukee is committed to creating new affordable and mixed income housing in its Greater Downtown neighborhoods.

The influx of private capital and new residents combined with their proximity to many of the region's largest job centers signal that these neighborhoods represent "Areas of Economic Opportunity." However, this opportunity is not reflected through the metrics utilized under both the existing and proposed QAP criteria for determining "Areas of Economic Opportunity." A recent analysis conducted by HR&A Advisors as part of the City of Milwaukee's ongoing Equitable Growth through Transit Oriented Development Planning study concluded that the current QAP criteria for Areas of Economic Opportunity have the unintended effect of excluding some of the City of Milwaukee neighborhoods experiencing the highest demand for new development and rising housing costs. These are neighborhoods where residents are most at-risk for displacement due to rising housing costs, and where naturally occurring affordable housing is most likely to become unaffordable. These areas also align with some of the parts of the region best served by transit where ensuring continued access to affordable housing is critical to link low income residents to jobs.

WHEDA's proposal to include a "rent burden" criteria in this category to allow neighborhoods to earn points as an Area of Economic Opportunity is not likely to have WHEDA's intended effect when applied in Milwaukee. Neighborhoods across the City of Milwaukee have significant numbers of families that are paying more than 30% or 50% of their household incomes for rent. However, those areas are often correlated with Milwaukee's lowest income neighborhoods as opposed to areas with the highest or rapidly rising rents. So while the City supports the concept of considering rent burden in the QAP process, there are other measures that may also be needed to allow neighborhoods with the highest risk of displacement to qualify for sufficient points in this category to receive credits.

Earlier this year, the Department of City Development completed an Anti-Displacement Plan that included identifying areas where displacement may be occurring or is at risk of occurring in the near future. Utilizing a variety of data sources to track neighborhood change over time, the Anti-Displacement Plan concluded that the trends associated with gentrification and displacement are present in a number of near downtown neighborhoods, especially those directly north and south of downtown Milwaukee. Despite the changing market conditions in these neighborhoods and the opportunity they provide residents through their proximity to job centers and transit service, many of the neighborhoods experiencing signs associated with gentrification and risk of displacement do not qualify under many of the QAP's Areas of Economic Opportunity criteria, making it difficult to locate projects in these areas that would otherwise further the objectives of the QAP. Additional criteria should be considered by the QAP in order to assist in the creation of affordable housing in these areas of opportunity.

Proposed Changes to support QAP Objectives:

Areas of Economic Opportunity Criteria: Create additional metrics to provide points for rapidly transitioning neighborhoods where residents may be at risk of displacement due to rising housing costs and diminished affordability. Following national best practices, the City of Milwaukee has analyzed changes in median gross rents, changes in median household income, changes in the percentage of residents with a bachelor's degree, and change in median home values to identify these neighborhoods locally. All of these data sets are publicly available at the census tract level via the American Community Survey. The City of Milwaukee recognizes WHEDA would need to conduct additional analysis to select the most appropriate thresholds and data sources for these measures that would be applicable across the state and welcomes the opportunity to share local data and collaborate during this process.

Proposed New Scoring Category – Financial Leverage

The QAP proposes combining the previous Financial Participation and Credit Usage categories into a new Financial Leverage Category. The goal of the former and proposed categories is to encourage the most efficient use of the tax credit, as well as leverage outside resources for the program.

However, based on our review of recent projects receiving tax credit awards in Milwaukee, it appears the new formula that has been proposed for this category may not accomplish that goal, and may unintentionally work to the disadvantage of high quality Milwaukee projects that have made efficient use of the tax credit, as well as leveraged other financial resources.

The proposed change would award points based on the amount of LIHTC equity as a percent of total development costs. In the past credit usage category, there was recognition that projects in urban areas (Milwaukee and Madison) may have higher development costs due to environmental remediation costs, difficult and challenging site conditions, higher acquisition costs and higher operating costs. These factors are not considered in the new scoring category. In addition, using the amount of LIHTC equity as a percent of total development costs to measure financial leverage seems to penalize projects which are able to negotiate higher tax credit pricing from their equity providers – which we believe should be encouraged.

In the way of illustration, below are examples of several worthwhile Milwaukee projects which received recent tax credit awards, showing the differences in scoring between the current and proposed guidelines.

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Villard Square is a 43 unit new construction project being developed on vacant City and privately owned land. The project development team includes Brinshore Development and graduates of Milwaukee's ACRE program. The City is providing \$500,000 in assistance to the project and wrote down the cost of the project site.

2018 scoring round: The project scored 69% of the available points in the Financial Participation and Credit Usage categories.

Proposed 2019 scoring metric: The project would score 13% of the available points available in the new Financial Leverage category.

Washington Park Townhomes is a 40 unit new construction on a long vacant brownfield site in Milwaukee's 30th Street industrial corridor. The project developer is Gorman & Company. The City sold the land to the developer for \$1 (after investing over \$1 million to remediate the site and prepare it for development) and committed \$875,000 in additional financial assistance to the project.

2017 scoring round: The project scored 78% of the available points in the Financial Participation and Credit Usage categories.

Proposed 2019 scoring metric: The project would score 25% of the available points available in the new Financial Leverage category.

Mill Road Library is a 65 unit project being developed by Royal Capital Group. The project is a unique partnership with the Milwaukee Public Library and will include the City's state of the art new Mill Road Library along with a combination of market rate and affordable housing units. The City provided the site for the project, as well as \$2,350,000 in financial assistance.

2017 and 2018 scoring round: The project scored 90% of the available points in the Financial Participation and Credit Usage categories.

Proposed 2019 scoring metric: The project would score 50% of the available points available in the new Financial Leverage category.

Proposed Changes to support QAP Objectives:

Financial Leverage Category: Review and re-evaluate the proposed changes to the Financial Leverage Category to ensure the change does not have unintended negative consequences for projects that meet WHEDA's goals for high quality affordable housing. Reinstate the distinction in the plan that recognizes high cost and challenging development areas. Adjust any new criteria so as not to penalize projects that are able to negotiate higher pricing for their equity investment.



Attachment 4

Concept Paper

Strategic Acquisition Fund for Transit Oriented Development

Background

The first phase of the Milwaukee's Streetcar system will soon become operational, providing additional transportation options for Milwaukee residents and employees. Planning is underway that would extend the benefits of the system to adjacent neighborhoods north and south of downtown, as well as to construct an East-West Bus Rapid Transit line connecting the lakefront and downtown to Milwaukee's Near West Side neighborhoods and the regional Medical Center on the County's West Side. Coupled with significant new investment in downtown and adjacent neighborhoods, Milwaukee has undertaken a major planning effort to ensure that new development and investment in transit directly benefits low and moderate income residents in the neighborhoods surrounding downtown.

These benefits include affordable and high quality housing options connected by high-frequency transit to major regional job centers. The City of Milwaukee is finalizing an Equitable Growth through Transit Oriented Development Planning Study that has recommended a number of strategies to promote and preserve affordable housing near transit. In addition, the Department of City Development has recently completed an "Anti-Displacement Plan" that recommends policies and programs to ensure that positive change in Milwaukee neighborhoods is equitable and benefits *rather than displaces* residents. These goals are also consistent with the vision and action agenda of MKE United.

An important strategy that has emerged in this work is the creation of a Strategic Acquisition Fund (Fund). The Fund would be a proactive tool that would be utilized to finance the acquisition of key properties nearby current or planned transit corridors and in neighborhoods at risk of displacement that can be developed or preserved for mixed income and affordable housing.

Need

Affordable housing development involves a complex array of financing resources which require time to assemble. The Fund would provide a patient and responsive source of capital for acquisition purposes. This will allow sites to be controlled as they become available, so development opportunities are not lost or become unaffordable as transit and other investments drive up land costs.

The Fund would also encourage and spur development interest, not only by providing an additional financing tool, but as evidence of a priority and a commitment to the development and preservation of affordable and mixed-income housing in near downtown neighborhoods.

Similar funds that have been deployed elsewhere in the country in conjunction with planned transit investments have proven to be a critical step in creating and preserving affordable housing in areas experiencing rising housing prices.

Partners

The City of Milwaukee will work with outside partners to develop and implement the Fund. These efforts have been informed and supported by a number of local stakeholders, including Harbor District Inc., the Historic King Drive Business Improvement District, Near West Side Partners and the Greater Milwaukee Foundation.

Goals

The goals of the Fund are to:

- Provide financing for the acquisition of key properties that will be developed and preserved for affordable and mixed income housing consistent with residents' vision for their neighborhoods.
- Create a financing tool that is nimble and will be able to accommodate the need to rapidly respond to acquisition opportunities in neighborhoods with rising property values.
- Support the strategic development goals of the City and its partners in City neighborhoods.

Sites

The Fund would prioritize sites that will be developed with projects that:

- Are consistent with the housing goals and needs identified in recent planning efforts, including mixed income and affordable housing (including the preservation of naturally occurring affordable housing), and preventing the displacement of existing neighborhood residents.
- Can be catalytic to encouraging additional development and improvement in the neighborhood.
- Will leverage other financial and neighborhood support.

Borrowers

Likely borrowers for the loan Fund:

- Non-profit and for profit housing developers that have the capacity to undertake affordable and mixed income projects.
- Established rental property owners with a proven track record of responsible property ownership and management.

Structure

A multi-investor Fund will help disperse the risk perceived in "pre-development" lending. The City will work to assemble a number of investment partners for the Fund, which could include the City, as well as local philanthropic organizations, lenders and investors. The array of partners will allow the risk associated with acquisition financing to be stratified to meet both the needs and limitations of the participants and the goals of the Fund, with the City of Milwaukee accepting a greater level of risk to encourage a broad array of investors.

In general, the Fund will be:

- Revolving, with the anticipation of payback. Loan terms will generally be between 2-5 years, with competitive interest rates and repayment when a project has been structured, financing commitments have been obtained and the project has been closed.
- Responsive, with an expedited underwriting and decision making processes built in so as to be able to quickly react to changing real estate market conditions and acquisition and preservation opportunities.
- Mission driven, in that projects utilizing the Fund will comply with restrictions to ensure long-term affordability. The Fund will have the ability to serve projects that target multiple levels of affordability and could finance the acquisition of sites for development models that maximize the term of affordability including limited equity cooperatives or land trusts.

The Fund will collaborate with local financing and resource partners, as well as technical assistance providers to insure successful outcomes for applicants and users.

Administration of Loan Fund

The City will identify a Fund manager with experience in underwriting and lending for real estate development transactions. The Fund manager would collaborate on implementing the Fund, including developing operating procedures and underwriting and application guidelines for projects which would include criteria to qualify both applicants and projects. Once established, the Fund manager would administer applications and service loans.

In addition, an oversight structure (committee) will be established to guide the operation and mission of the Fund.

Initially, a Funding source will be identified to cover the costs of the Fund administrator. Once implemented, operating costs will be covered by loan fees.

Next Steps

- Finalize detailed plan for the Fund
- Identification of preliminary financial commitments for the Fund
- Identify a source of "startup" support for the Fund administrator
- Obtain preliminary commitments from Fund participants
- Identify Fund manager
- Work with Fund manager to develop oversight structure, operating procedures, applications process and underwriting guidelines
- Finalize financial commitments with participants and close
- Launch Fund and begin accepting applications

