

# GIVE ME SHELTER:

*Responding to Milwaukee County's  
affordable housing challenges*



## **ABOUT THE PUBLIC POLICY FORUM**

Milwaukee-based Public Policy Forum – which was established in 1913 as a local government watchdog – is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of regional public policy issues.

## **PREFACE AND ACKNOWLEDGMENTS**

This report was undertaken to provide citizens and policymakers in the Milwaukee region with a comprehensive understanding of the affordable housing landscape in Milwaukee County and the strengths and weaknesses of existing public and private sector programs, policies and activities designed to address the county's affordable housing challenges. The report also explores innovative housing program models in other jurisdictions that might be applicable to Greater Milwaukee. We hope that policymakers and community leaders will use the report's findings to inform discussions during upcoming policy debates and budget deliberations regarding housing programs and strategies in our region.

Report authors would like to thank an esteemed group of housing experts for their insights and assistance. Those individuals are listed in **Appendix A**. Special thanks goes to housing officials at Milwaukee County and the City of Milwaukee for providing information on finances and operations of existing housing programs.

Finally, we wish to thank the Local Initiatives Support Corporation (LISC) for commissioning this research, and the City of Milwaukee, Milwaukee County, the Helen Bader Foundation, the Greater Milwaukee Foundation, M&I Bank, U.S. Bank, and Select Milwaukee for providing financial support to LISC.

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May 2009

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**RESEARCH COMMISSIONED BY:  
LOCAL INITIATIVES SUPPORT CORPORATION (LISC)**

**WITH FINANCIAL SUPPORT FROM:  
CITY OF MILWAUKEE, MILWAUKEE COUNTY,  
HELEN BADER FOUNDATION, GREATER MILWAUKEE FOUNDATION,  
M&I BANK, U.S. BANK, AND SELECT MILWAUKEE**

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## EXECUTIVE SUMMARY

Few issues better capture the complex and controversial nature of urban problems facing Metropolitan Milwaukee than the issue of affordable housing. Encompassing matters of racial segregation, poverty and failed public-private partnerships, the Milwaukee metro area's struggle to provide a safe, decent and affordable supply of housing to low-income citizens has been a difficult one. Even before the national economic meltdown, countless reports documented the severe housing burden facing low-income citizens in Milwaukee County. That burden, combined with the scarcity of affordable housing in suburban parts of southeast Wisconsin, has cemented the region's place as one of the most racially segregated in the country. In today's economy, those problems have intensified.

Despite the long and troubled history of efforts to address this issue – which have included the creation and failure of several community-based organizations dedicated to developing and promoting affordable housing – positive developments have emerged in recent years. In 2006, both the City of Milwaukee and Milwaukee County created special funding sources to help finance affordable housing development. City and county leaders also have shown a willingness to work together to address this issue, creating a permanent advisory commission to coordinate efforts to develop affordable housing for those with special needs.

But are such efforts enough, and are they sustainable? Furthermore, are Milwaukee area elected officials and advocates asking the right questions when it comes to affordable housing needs and strategies, and are they pursuing policies that will provide the right answers?

In this report, commissioned by the Local Initiatives Support Corporation, the Public Policy Forum explores the affordable housing landscape in Milwaukee County, what it will take to create a sound and sustainable infrastructure to support the development of affordable housing in the county, and how existing publicly funded affordable housing programs might be coordinated more effectively. Among our key findings:

- **Milwaukee's affordability crisis is driven by low household incomes, not high rents.** When compared to other large counties in the United States, Milwaukee is not an expensive rental market. Its average household income, however, was 103<sup>rd</sup> lowest out of the country's 112 most populous counties at the time of the last Census. Median family incomes in Milwaukee County declined another 10.3% between 2002 and 2007, further exacerbating the housing cost burden among renters. Although not the focus of this study, any affordable housing strategy in Milwaukee would not be complete without a specific strategy to bolster low incomes.
- **Milwaukee's housing affordability crisis is most severe among *extremely* low income households—those households making less than 30% of the Area Median Income.** There are 47,200 extremely low-income households in Milwaukee County, but only 30,700 units that would be affordable to this rental cohort. Consequently, future comprehensive efforts to improve housing affordability in the Milwaukee area might best be aimed specifically at Milwaukee County's lowest income earners, as opposed to the general low-income population.

- **The vast majority of Milwaukee County’s low-income renters do not receive public rental subsidies.** In fact, public subsidy programs help less than one out of every three extremely low income and very low income renter households in Milwaukee County. This finding suggests either the need for new, local sources of funding aimed at providing additional rental subsidies to those who qualify, or more private investment into the production and rehabilitation of rental units that can meet the substantial private market demand at the lowest end of the county’s income scale without public subsidies.
- **The health of Milwaukee’s current private rental stock is failing.** More than 40% of renters in Milwaukee County are living in housing that is inadequate either because it is too expensive, too crowded or in fewer instances does not have adequate plumbing and kitchen facilities. Consequently, a strong rental unit rehab program likely should be a critical component of any comprehensive affordable housing strategy in Milwaukee.
- **Public efforts to address the housing needs of low-income residents in Milwaukee County are fragmented, and the multiplicity of public programs is confusing for both housing developers and investors, as well as for low-income renters.** This suggests the need for more unified governance in select programmatic areas to help increase service quality and impact.

In addition to these specific findings, the report broadly concludes that the funding needs for affordable housing production, rehabilitation and services is too large to be satisfied by public dollars alone, and that the lack of an integrated, supportive, and coordinated affordable housing strategy is hampering the region’s ability to attract more private investment. We recommend consideration of the following policy options to address these findings and conclusions:

1. **Convene a permanent intergovernmental planning committee** to identify the most immediate affordable housing needs, predict long-term needs, and establish and implement strategies for meeting those needs. This committee should build on the previous initiative by Milwaukee’s mayor and county executive to develop affordable housing for those with special needs, and should include individuals from government, non-profit community groups, financial institutions, business leaders, social service organizations, etc.
2. **Establish an infrastructure to coordinate private investment capital from local and non-local lending agencies, foundations and corporations.** The work of the planning committee must have a “home” in which policy goals are coordinated with the on-the-ground work of local Community Development Financial Institutions and Community Development Corporations. As in some other cities, a pool of “shared risk” private capital could be created, once this infrastructure is in place. The investment pool could finance rental construction or rehab projects that further the community-wide goals of the planning committee. In addition, technical assistance to build the real estate development acumen of area investor-owners and/or community development groups could be coordinated within this infrastructure.

3. **Milwaukee County should contract with the City of Milwaukee to administer the Section 8 program.** The Housing Authority of the City of Milwaukee (HACM) could manage the county's Section 8 program under a contractual agreement with the county. Rather than a full consolidation of the city's and county's Section 8 programs, which likely would have large upfront merger costs and face thorny political obstacles, this scenario offers the advantages of immediate better service for clients and optimal use of scarce federal dollars.
4. **Secure a stable public funding source for a consolidated city/county housing trust fund.** Consolidation of the city's and county's 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 the strategic goals of the planning committee. The report provides a number of potential options for dedicated funding.
5. **Create a local rental subsidy program.** Increasing access to rent subsidy programs could help the community gain traction on the income side of the housing gap. Local rent assistance programs are not uncommon, although not many provide ongoing assistance per the federal model, but provide one-time emergency assistance instead. Utilizing the consolidated housing trust fund as a funding source for a local rental subsidy program is one model that could be considered.

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). Hopefully, the data collected and analyzed in this report, and its conclusions and recommendations, will encourage policymakers to revisit the affordable housing issue with increased urgency and a greater sense of collaboration and innovation.

# INTRODUCTION

The housing industry in the United States has a considerable influence on the nation's economic health, as recent events have proved. Even before the current economic crisis, the importance of housing on the economy was difficult to understate. According to the Congressionally-appointed Millennial Housing Commission, "In 2000, investment in home building and remodeling accounted for about 4 percent of [the U.S.] Gross Domestic Product. Housing consumption, in the form of payments by renters and equivalent payments by homeowners, contributed nearly another 10 percent."<sup>1</sup>

In addition, 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. While more than a third (36%) of the variation in growth across cities can be attributed to the industry mix present in the economy of each city, the most significant additional factors were the availability of housing and the in-migration to the metro area. This analysis also found that the ability of a city to attract newcomers is inextricably linked to availability of housing, and together these factors were found to help explain 30% of the variance in job growth across the country.<sup>2</sup>

Thus, for those in the Milwaukee area interested in economic development, both in the short and long term, the extent to which our community is experiencing a housing affordability problem is necessary knowledge. And, for policymakers interested in pursuing solutions to the problem, an understanding of the current housing policies and programs in Milwaukee County is essential.

At the request of the Local Initiatives Support Corporation (LISC) and with its financial support, the Public Policy Forum has conducted an analysis of Milwaukee County's affordable housing landscape. Our analysis examines various data sources in order to define affordable housing within the context of Milwaukee County, measure the size of the market, and assess the size of the gap between the need and availability of affordable rental housing. We also investigate existing public programs that aim to meet the housing needs of low-income families in the county, and highlight some efforts of private developers and landlords at work in the local affordable housing market. Finally, we provide insights on models utilized in other metropolitan areas that have been successful in addressing various affordable housing challenges.

The housing bubble burst and subsequent foreclosure crisis have brought the need for affordable rental housing into sharp and immediate focus for many affected families locally. However, even before home prices crashed, the rental housing market in Milwaukee did not meet the needs of many households at low income levels. This report covers the Milwaukee County geographic area and analyzes rental housing units only. The data sets include varying years between 2000 and 2009. Therefore, our findings can be assumed to be conservative, as they do not encompass Milwaukee's post-bubble rental housing needs resulting from the dramatic increase in foreclosures, which added foreclosed homeowners to the rental market and placed renters living

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<sup>1</sup> Millennial Housing Commission report, <http://govinfo.library.unt.edu/mhc/MHCReport.pdf>

<sup>2</sup> Moscovitch, E., Recipe for growth: Analysis of 242 metro areas shows most common ingredients for job creation and why housing is key to Massachusetts' economic future, Jan. 2009. [http://www.mhp.net/uploads/resources/study\\_recipe\\_for\\_growth.pdf](http://www.mhp.net/uploads/resources/study_recipe_for_growth.pdf)

in foreclosed rental properties in jeopardy of losing their shelter. Nor does our analysis capture increased demand among the rising numbers of unemployed who are searching for less expensive housing options.

## DATA AND METHODOLOGY

Data analyzed in this report came from many sources, including:

- US Census Bureau, Census data on population and housing (2000)
- US Census Bureau, American Community Survey (2007)
- US Census Bureau, Housing Vacancy Survey (2003-2007)
- US Department of Housing and Urban Development (HUD), Wisconsin office, Comparison Profile of Entitlement Cities/Counties (2008)
- HUD, Fair Market Rent Areas and Income Limits Documentation (2007)
- HUD, State of the Cities Data Systems, Comprehensive Affordable Housing Strategy Data (2000)
- HUD, Economic and Market Analysis Division, Special Tabulation of Census Data (2009)
- HUD, Homeless Reports and Housing Inventories (2007)
- US Department of the Treasury, Certified Community Development Institutions (2009)
- Wisconsin Housing and Economic Development Authority (WHEDA), Multifamily Occupancy Records (2007, 2008)
- WHEDA, Low-Income Housing Tax Credit data (2008)
- National Housing Trust Data Clearinghouse (2008)
- City of South Milwaukee
- City of West Allis Community Development Authority
- Housing Authority of the City of Milwaukee
- City of Milwaukee Department of City Development
- Milwaukee County Housing Division
- Advertised rental units on March 11, 2009 as listed with Affordable Rental Associates, LLC; Craigslist; Wisconsin Front Door Housing online data base; and the *Milwaukee Journal Sentinel*

In addition, formal interviews were conducted with housing professionals, experts, and activists across Southeastern Wisconsin, in Madison, and in Chicago. For a complete list of those interviewed, please see Appendix A.

In defining the market of affordable housing in Milwaukee County and measuring need, the Forum utilized common methods in housing research. For example, the definitions of income groups used throughout this report are as follows:

- Extremely Low Income = at or below 30% of area median income (AMI)
- Very Low Income = 30.1 to 50% of AMI
- Low Income = 50.1 to 80% of AMI

To measure affordability, we used the same method as most federal housing programs: calculating the percent of household income spent on housing (defined as rent plus utilities). The following categories are used in this report:

- Moderately burdened = spending 30% to 50% of income on housing
- Severely burdened = spending more than 50% of income on housing
- Not burdened = spending less than 30% of income on housing

## SECTION I: MILWAUKEE'S AFFORDABLE HOUSING LANDSCAPE

The nation's housing landscape is in the midst of a major upheaval. After a sustained increase in homeownership rates and housing values in the United States, home prices have collapsed. Regardless of the cause of this historic collapse, the result has been a dramatic increase in home foreclosures, tightening lending standards, rising unemployment and the addition of more families to the rental market. Between 2006 and 2007, even before the upheaval began, the number of renter households in the Midwest increased by 226,000 families, while the number of homeowner households decreased by 140,000.<sup>3</sup> In Milwaukee, the rather dramatic turnover from ownership to rental has hit low-income neighborhoods particularly hard.<sup>4</sup>

However difficult the current situation may be, it is worthwhile to take a step back and view Milwaukee's housing market beyond the impact of the recent housing crisis. Without losing sight of these historic times, the ability to take the "long view" allows one to see that there is a systemic imbalance in Milwaukee's affordable housing market. Regardless of the extent to which the housing crisis may alter Milwaukee's housing landscape, the structural imbalance between supply and demand in the Milwaukee market will remain. This market imbalance will be detailed in this section.

### MILWAUKEE'S RENTAL HOUSING MARKET: A COMPARISON WITH OTHER MARKETS

When compared to other large counties in the United States, Milwaukee is not an expensive rental market. **Table 1** shows that Milwaukee County is the 92<sup>nd</sup> most expensive rental market out of the 112 largest counties in the United States. Milwaukee's comparatively modest rents indicate that its affordable housing challenges have at least as much to do with low household incomes as it does with high rental rates.

The majority of Milwaukee's peer Midwestern counties offer similarly low average rental rates. Such low rates can be attributed to the fact that most large Midwestern cities are "weak market" economies that are plagued by poor demographics and weak economic fundamentals.<sup>5</sup> Not surprisingly, Cook (Chicago) and Hennepin (Minneapolis) counties buck this trend with rates that are significantly higher than their Midwest peers.


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<sup>3</sup> US Census Bureau, Housing Vacancy Survey data

<sup>4</sup> UW-Milwaukee Employment and Training Institute, Update on the housing crisis in Zip Code 53206 <http://www4.uwm.edu/eti/2007/53206Update.pdf>

<sup>5</sup> The Brookings Institution Metropolitan Policy Program, "Revitalizing Weak Market Cities in the U.S.," Presentation by Bruce Katz to the Council on Foundations, May 8<sup>th</sup>, 2006. Accessed at [http://www.brookings.edu/metro/speeches/20060508\\_WeakMarketCities.pdf](http://www.brookings.edu/metro/speeches/20060508_WeakMarketCities.pdf)


**Table 1: Average gross monthly rent of rental units (all units), counties with population over 500,000 (year 2000)**

	County	Market	Rent	Rank
Most	San Mateo County	San Francisco	\$1,236	1
Midwest Peers 	Cook County	Chicago	\$697	54
	Hennepin County	Minneapolis - St. Paul	\$683	58
	St. Louis County	St. Louis	\$646	76
	Marion County	Indianapolis	\$588	90
	Milwaukee County	MILWAUKEE	\$579	92
	Cuyahoga County	Cleveland	\$567	95
	Jackson County	Kansas City	\$564	96
	Wayne County	Detroit	\$551	100
	Allegheny County	Pittsburgh	\$544	102
	Hamilton County	Cincinnati	\$539	104
Least	Hidalgo County	McAllen	\$428	112

Source: U.S. Census 2000 data

Ranking the same 112 counties, **Table 2** shows that Milwaukee County is 103<sup>rd</sup> in average household income. Among peer Midwestern counties, Milwaukee is last with an average household income of \$48,868. Milwaukee County’s low ranking on this measure in comparison with the rest of the nation, and especially in comparison with the rest of the Midwest, is further evidence that any affordability crisis in Milwaukee County is as much about low incomes as it is about high rents.

**Table 2: Average annual household income (all households), counties with population over 500,000 (year 2000)**

	County	Market	Income	Rank
Most	Fairfield County	Bridgeport, CT	\$103,255	1
Midwest Peers 	Hennepin County	Minneapolis - St. Paul	\$69,580	32
	St. Louis County	St. Louis	\$68,436	37
	Cook County	Chicago	\$62,488	49
	Hamilton County	Cincinnati	\$57,933	63
	Cuyahoga County	Cleveland	\$53,657	84
	Wayne County	Detroit	\$53,154	86
	Allegheny County	Pittsburgh	\$52,734	90
	Marion County	Indianapolis	\$52,505	91
	Jackson County	Kansas City	\$50,544	99
	Milwaukee County	MILWAUKEE	\$48,868	103
Least	Hidalgo County	McAllen, TX	\$35,591	112

Source: U.S. Census 2000 data


**Table 1** and **Table 2** detail the two inputs that define “housing affordability” – rental rates and incomes. The most common method for computing housing affordability is to display rent as a percentage of income.<sup>6</sup> Renters paying 30% or more of their income for housing are considered

<sup>6</sup> The UW-Milwaukee Employment and Training Institute recently employed this measure. They found that at the peak of the housing bubble in 2006, the City of Milwaukee had the second highest percentage of renters with

to have a “housing burden.”<sup>7</sup> Renters paying 50% or more of their income for housing are considered to have a “severe housing burden.” Both are conventional standards used by researchers and government agencies to measure housing affordability.

**Table 3** shows that 18.1% of renter households in Milwaukee County in 2000 can be classified as having a “severe housing burden.” Of the 112 largest counties in the United States, Milwaukee County ranked 43rd highest in the percentage of households that are severely burdened. Of Milwaukee’s ten Midwestern peers, Milwaukee County ranked fourth highest in the percent of renter households paying 50% or more of their income for rent. In short, Milwaukee County’s extremely low average household incomes clearly have a negative impact on rental affordability.

**Table 3: Percent of renter households paying 50% or more of their income for housing (year 2000)**

	County	Market	% w. severe hsg. Burden	Rank
Most	Bronx County	New York	25.5%	1
Midwest Peers 	Wayne County	Detroit	19.6%	27
	Cuyahoga County	Cleveland	19.1%	35
	Cook County	Chicago	18.8%	39
	Milwaukee County	MILWAUKEE	18.1%	43
	Allegheny County	Pittsburgh	18.1%	44
	Hamilton County	Cincinnati	17.5%	55
	Jackson County	Kansas City	16.6%	70
	Hennepin County	Minneapolis - St. Paul	16.1%	77
	Marion County	Indianapolis	16.1%	78
	St. Louis County	St. Louis	15.7%	84
Least	Fairfax County, VA		11.6%	112

Source: Census 2000 data

**Table 4** updates **Table 3** using data from the 2007 American Community Survey (ACS).<sup>8</sup> **Table 4** shows that in 2007, every large Midwest county tracked in this analysis witnessed an increase in the percentage of renters that had a severe housing burden. That includes Milwaukee County, where 26.3% of renters had a severe rent burden in 2007. Milwaukee County renters moved up from the fourth most rent burdened in 2000 to the third most burdened in 2007 amongst their Midwest peers.


unaffordable housing compared to their incomes among peer Midwestern cities.

<http://www4.uwm.edu/eti/2007/HMDACensusUpdate.pdf>

<sup>7</sup> Housing expenses are defined as rent plus utilities and do not include costs for phone, cable or satellite TV, or internet.

<sup>8</sup> Some caution should be exercised when comparing Table 4 figures which were produced using ACS data, and Table 3 figures which were produced using Census 2000 data.

**Table 4: Percent of renter households paying 50% or more of their income for housing (2007)**

	County	Market	% w/ severe hsg. burden
	Wayne County	Detroit	31.6%
	Cook County	Chicago	26.6%
	Hamilton County	Cincinnati	26.5%
	Milwaukee County	MILWAUKEE	26.3%
	Cuyahoga County	Cleveland	26.0%
	Jackson County	Kansas City	24.6%
	Allegheny County	Pittsburgh	23.4%
	Hennepin County	Minneapolis - St. Paul	23.3%
	St. Louis County	St. Louis	23.3%
	Marion County	Indianapolis	22.3%

Source: 2007 American Community Survey

The rather dramatic increase in severe housing cost burden appears to be primarily driven by falling incomes. National-level data compiled by the Joint Center for Housing shows that monthly income among renters fell 6.8% between 2000 and 2007. During this same period, gross rent (defined as rent plus fuel and utilities) increased 7%.<sup>9</sup> Although this is national-level data, there is every indication that this national trend holds for the Milwaukee market, as Milwaukee County has experienced a more sizable decrease in median family incomes: 10.3% between 2002 and 2007.<sup>10</sup>

In summary, the comparative data highlighted in **Tables 1-4** are helpful because they paint a picture of Milwaukee’s affordable housing landscape as a market that is unique in its combination of modest rents and extremely low household incomes. Extremely low average household incomes appear to be the primary driver behind Milwaukee’s relatively high ranking in severe housing cost burden. Making matters worse, incomes have declined between 2000 and 2007, further exacerbating the housing cost burden among renters.

Who exactly are these extremely low income households? How big is the affordability problem and for whom? How many households are currently being aided by public subsidy? Are there any yawning gaps in coverage? To answer these questions, the remainder of this section provides a more in-depth analysis of Milwaukee’s affordable housing landscape.

<sup>9</sup> “America’s Rental Housing: The Key to a Balanced National Policy,” Table A-2, The Joint Center for Housing Studies, Harvard University. Accessed at [www.jchs.harvard.edu/publications/rental/rh08\\_americas\\_rental\\_housing/index.html](http://www.jchs.harvard.edu/publications/rental/rh08_americas_rental_housing/index.html)

<sup>10</sup> American Community Survey data from 2002 and 2007.

## AN ANALYSIS OF SUPPLY AND DEMAND IN MILWAUKEE’S LOW-INCOME RENTAL MARKET

Most cities need to work to improve the affordability of quality housing units across a wide range of incomes. However, as discussed above, each city is unique in the specific affordability challenges it faces. The housing issues in San Francisco, for example, are far different from the challenges faced in Milwaukee.

Milwaukee’s challenges need to be viewed in the context of the specific gap that currently exists between housing supply and housing demand. This is commonly called a “mismatch analysis.” A mismatch analysis looks at both the need and availability of affordable housing across a range of income levels and determines if deficits or excesses exist in the availability of housing units at each level.

Our analysis uses standards defined by the federal Department of Housing and Urban Development (HUD) to categorize income levels. To determine eligibility for various housing assistance programs, HUD sets income guidelines for each metropolitan area in the United States based on a region’s Area Median Income (AMI).<sup>11</sup> **Table 5** displays the Milwaukee region’s 2008 HUD income guidelines, which are based on a median income of \$67,700 for a household of four people.<sup>12</sup> **Chart 1** provides the number of households in the Milwaukee region within each income range.

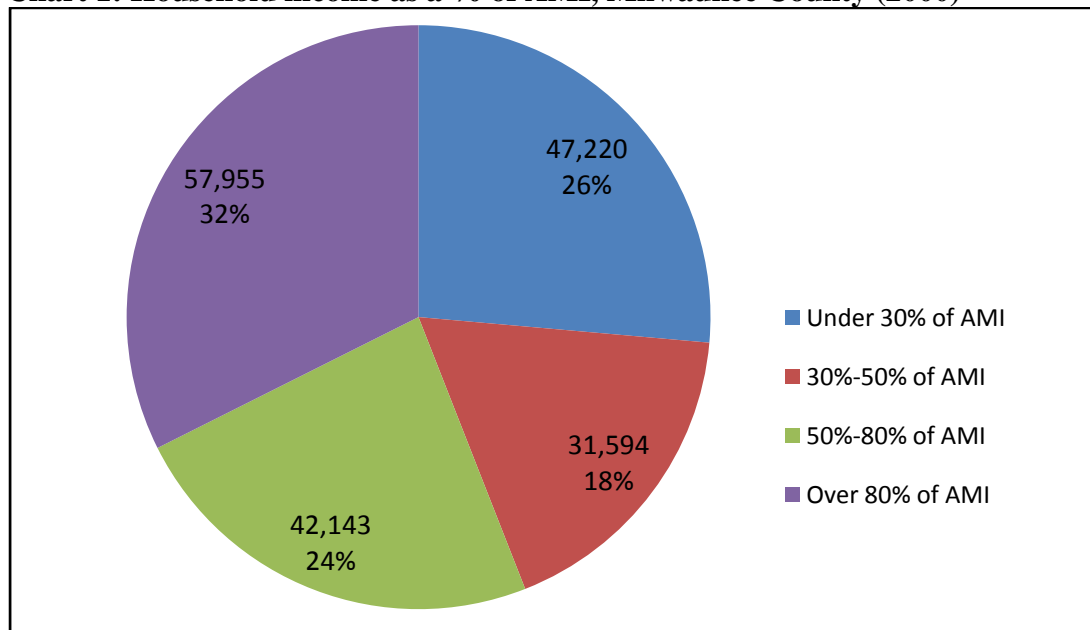
**Table 5: HUD income guidelines for a four-person household in the Milwaukee region (2008)**

Criteria	Category	Income range	Examples of eligibility
Under 30% AMI	Extremely Low Income	Below \$20,300	Public Housing and Section 8 HUD rental programs typically serve households under 30% AMI
30% to 50% AMI	Very Low Income	\$20,300 to \$33,850	Maximum eligibility for most HUD rental programs (LIHTC is 60% of AMI)
50% to 80% AMI	Low Income	\$33,850 to \$54,150	Maximum eligibility for most CDBG and HOME programs
Over 80% AMI	Moderate income and above	\$54,150 and above	Typically not eligible for HUD programs

<sup>11</sup> AMI is interchangeable with MFI (Median Family Income) and CMI (County Median Income)

<sup>12</sup> The Milwaukee region is comprised of Milwaukee, Ozaukee, Washington and Waukesha counties.

**Chart 1: Household income as a % of AMI, Milwaukee County (2000)**



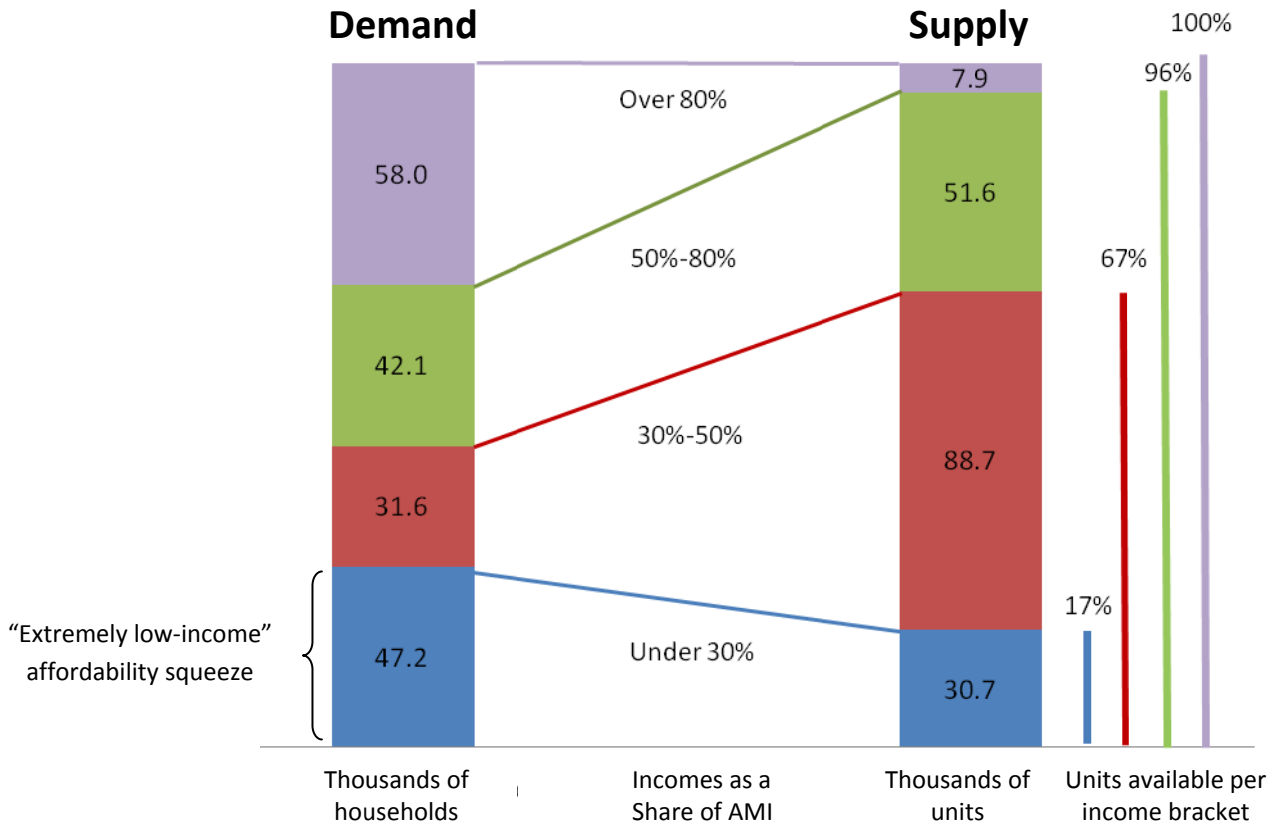
Source: State of the Cities Data Systems: Comprehensive Housing Affordability Strategy (CHAS) Data

**Chart 2** is a comparison of Milwaukee County renter households by income level (those in demand of affordable housing) and the stock of units they could afford (the affordable housing supply). The chart clearly shows a “mismatch” in the extremely low income category: demand of more than 47,000 households vs. supply of about 31,000 rental units. Because the 47,200 extremely low income households cannot squeeze into the 30,700 apartment units, this mismatch is also called an “affordability squeeze.” The result is a critical shortage of 16,500 units for extremely low income renter households.

The squeeze is made worse by the fact that households of higher incomes often “rent down” by renting units that could be affordable to lower income households, further tightening the lower end of the market. The vertical bars on the far right side of **Chart 2** measure the potential for renting down. For example, those earning less than 30% of AMI can only afford 17% of all units in the market, yet those earning between 30% and 50% of AMI can afford 67% of all units in Milwaukee County. It should be noted that those making 80% and over can choose from 100% of the rental units in Milwaukee County and in theory also can more easily afford the purchase of a home.<sup>13</sup> The bottom line in this analysis should not be a surprise to anyone: more income, more choice.

<sup>13</sup> Homeownership figures are not included in this chart.

**Chart 2: A comparison of rental housing supply and demand by income group in Milwaukee County (2000)**



Source: State of the Cities Data Systems: CHAS Data

The housing market is a free market where higher income households have the ability to outbid lower income households for cheaper rental units in an effort to reduce their housing expenses. Further enabling this trend are landlords who typically are more inclined to rent to higher income households as a way to protect themselves against potential loss.

**Table 6** shows that of all rental units in Milwaukee County that are affordable to extremely low income renters, 48% are rented by households that are renting down. Particularly susceptible to being squeezed out are families in need of larger 3+ bedroom units in the lowest affordability bracket, where 62% of units are occupied by households that could afford more expensive arrangements. Although renting down negatively impacted households in each affordability bracket, those classified as extremely low income are most impacted because of the fact that they can only afford 17% of units (**Chart 2**). In summary, the renting down phenomenon appears to play a critical role in ongoing shortages of affordable units for extremely low income households in Milwaukee County.

**Table 6: Percentage of Milwaukee County rental units occupied by households with higher incomes than necessary, by affordability and unit size (2000)**

	% 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%

Source: State of the Cities Data Systems: CHAS Data

Despite the tendency of households to rent down and the critical shortage of affordable apartments for extremely low-income households, vacancy rates for units that are affordable to those making less than 30% AMI are high. **Table 7** shows a vacancy rate of 10.3% for units affordable to extremely low income renters, but a 2.6% vacancy rate for units available to low-income renters making between 50% and 80% of the AMI. This appears to contradict earlier findings that indicated an affordability squeeze on extremely low income households. How can there simultaneously be a high vacancy rate *and* a lack of affordable units at the lowest end of the affordability scale?

Plausible explanations for the high vacancy rate within Milwaukee’s least expensive rental stock include the following:

- Units are of such poor quality or are in such undesirable neighborhoods that they are un-rentable or unattractive to prospective renters.
- Landlords purposely are not renting out units to avoid maintenance costs, higher income taxes, and a perceived lack of qualified tenants.
- The building would not bring in enough rental income to justify the investment needed to bring the units into code compliance.

In the end, the high vacancy rate within Milwaukee’s cheapest rental stock likely means that many of the county’s poorest households are pushed into more expensive units where they either must “double up” with another family or choose to live alone and risk becoming rent burdened.

**Table 7** also shows a 3.3% vacancy rate for units that are affordable to extremely low income renters in Milwaukee County’s suburban communities. Rental vacancy rates registering under 5% generally are considered to be low, reflecting a tight supply of rental units. The tight supply of suburban units at the lowest end of the affordability spectrum may indicate strong demand from families who are seeking better quality units and/or more attractive neighborhoods perceived as being safer, with better access to healthier job markets and better schools. This also could demonstrate a need to increase affordable housing opportunities in Milwaukee’s suburban communities.

The data in **Table 7** also reveal a 2.6% vacancy rate for units in the City of Milwaukee affordable to those making between 50% and 80% of AMI. In recent years, the lack of supply within this specific affordability range appears to have stimulated the development of a significant number of multifamily projects financed with Low-Income Housing Tax Credits.

**Table 7: Milwaukee County rental vacancy rates in city and suburbs, by affordability (2000)**

	Total # of rental units	Occupied units	Vacant units	Vacancy rate
<b>City of Milwaukee</b>				
Units affordable to those making under 30% AMI	27,900	25,020	2,880	10.3%
Units affordable to those making between 30% and 50% AMI	74,670	70,250	4,420	5.9%
Units affordable to those making between 50% and 80% AMI	28,295	27,550	745	2.6%
<b>Milwaukee county suburban communities</b>				
Units affordable to those making under 30% AMI	5,920	5,725	195	3.3%
Units affordable to those making between 30% and 50% AMI	19,505	18,425	1,080	5.5%
Units affordable to those making between 50% and 80% AMI	25,310	24,060	1,250	4.9%

Source: State of the Cities Data Systems: CHAS Data

The affordability squeeze (**Table 5**), the renting down phenomenon (**Table 6**), and the high vacancy rates (**Table 7**) all work in tandem to push extremely low income renters into poor quality, crowded or more expensive units that are outside of their affordability range. In addition, it is important to note that a portion of Milwaukee County households are pushed out of housing altogether. In fact, 1,644 adults and children are homeless in Milwaukee County, as documented by the Milwaukee Continuum of Care’s “Point in Time Survey” conducted on January 28, 2009. The preliminary data show an almost 12% increase in our community’s homeless population since the 2007 count was conducted.<sup>14</sup>

The result of the affordability squeeze is a much higher housing burden for Milwaukee’s lowest income cohort. Deploying the conventional HUD affordability standards described previously, **Table 8** shows that three of every four extremely low income renter households are considered housing burdened (devoting more than 30% of their income to rent). For this same income cohort, 56.6% of households are considered severely housing burdened (devoting more than 50% of their income to rent).

Not surprisingly, the percentage of renter households devoting more than 30% of their income to rent drops considerably among higher incomes households. These low- and moderate-income households clearly benefit from having more options (**Chart 2**) and the ability to rent cheaper units (**Table 6**).

**Table 8: Housing burden among Milwaukee County renters, by income category (2000)**

Renters	Number	Share	% cost burden >30%	% cost burden >50%
Extremely low income	47,220	26%	75.9%	56.6%
Very low income	31,594	18%	59.3%	12.3%
Low income	43,143	24%	18.3%	2.0%
Moderate income	57,955	32%	2.2%	0.3%
<b>All</b>	<b>178,912</b>	<b>100%</b>	<b>35.4%</b>	<b>17.7%</b>

Source: State of the Cities Data Systems: CHAS Data

<sup>14</sup> Homeless persons are defined as individuals or families living in emergency shelters, transitional housing, or on the street or places uninhabitable by people. The survey did not capture households living with family or friends or doubling up to avoid living on the street.

Closer analysis provides a snapshot of the groups most likely to be among the extreme poor. Both whites (40.6%) and blacks (45.1%) make up substantial portions of Milwaukee County's extremely low income population. When viewed across the income spectrum by ethnicity, blacks are more likely to be extremely low income at 41% when compared to Hispanics (32%) and whites (18%). Families make up a sizeable portion of the community's very poor at 42.9%, with elderly households and other households (individuals and households of unrelated individuals) contributing 23% and 34% respectively. Hispanic and blacks are more likely to experience extreme poverty as a family at 65.3% and 61.6% than whites (16.5%). Households that face mobility challenges also make up a significant portion (28.1%) of Milwaukee's extremely low income population.

Despite the troublesome rental market conditions depicted thus far, extremely low income households are not without help. Numerous federal programs assist income-qualified renters to find and afford rental units in Milwaukee County. **Table 9** lists current major federal programs that provide subsidized rental units in Milwaukee County.<sup>15</sup>

Of the 30,811 total units of federally-subsidized housing in Milwaukee County, only 14% are located in buildings owned by the government—what is typically referred to as public housing. The majority of units, or 60% of federally-subsidized units in Milwaukee County, are located in privately-owned buildings that offer subsidized rents to income-qualified households (called project-based assistance). The remaining 26% of federally-subsidized units in Milwaukee County are in the form of Section 8 vouchers, which are not attached to any given housing project, but travel with the household (also known as tenant-based assistance). These vouchers can be used to receive subsidized rents at units qualified to receive Section 8 renters located throughout the United States. Regardless of program particulars, the end result of these programs is the same: low-income households paying lower rents due to federal government subsidies.

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<sup>15</sup> The federal assistance rental units listed in Table 9 may also serve renters in higher income categories. Therefore, this table overestimates the impact that such units could potentially have on assisting extremely low income households.

**Table 9: Stock of federally assisted rental units in Milwaukee County (2008)<sup>16</sup>**

Program	Unit ownership	Type of Assistance	Units in Milwaukee county		
			City	Suburbs	Total
Public Housing	Public	Project-based	4,300	60	4,360
Section 8 New Construction	Private	Project-based	7,166	2,964	10,130
Section 8 Vouchers	Private	Tenant-based	5,616	2,471	8,087
Section 42 Low-Income Housing Tax Credits	Private	Project-based	3,726	2,383	6,109
Section 202 Supportive Housing for the Elderly	Private	Project-based	980	1,145	2,125
<b>Total</b>			<b>21,788</b>	<b>9,023</b>	<b>30,811</b>

Source: Public Policy Forum

The level of federal rental assistance in Milwaukee County is not enough to meet demand, especially among the lowest income category. Even if all 30,811 subsidized units depicted in **Table 9** were rented solely by extremely low-income households, the needs of just 65 % of the 47,220 extremely low income households depicted in **Chart 2** would be met. As it is, more than 56 % of the county’s low-income population remains severely burdened by housing costs (**Table 8**).

What level of federal subsidies would be necessary to meet the need for affordable rental housing in Milwaukee County? To determine the gap, we first estimate the demand for federal aid by calculating the number of county households with annual incomes below 50% of AMI (households that make under \$33,850 per HUD guidelines detailed in **Table 5**). We then match the estimated demand against the total supply of federally subsidized rental units in Milwaukee County (**Table 9**).

The results, displayed in **Chart 3**, show a total of 166,031 renter households in Milwaukee County in 2007, 63% of which earned annual incomes below the \$35,000 threshold.<sup>17</sup> Of the estimated 104,185 households that therefore would qualify for federal rental assistance, only 30% currently benefit from such assistance. That means that two out of every three very low income and extremely low income renter households in Milwaukee County must turn to the private market without government-provided rental assistance. In other words, the amount of

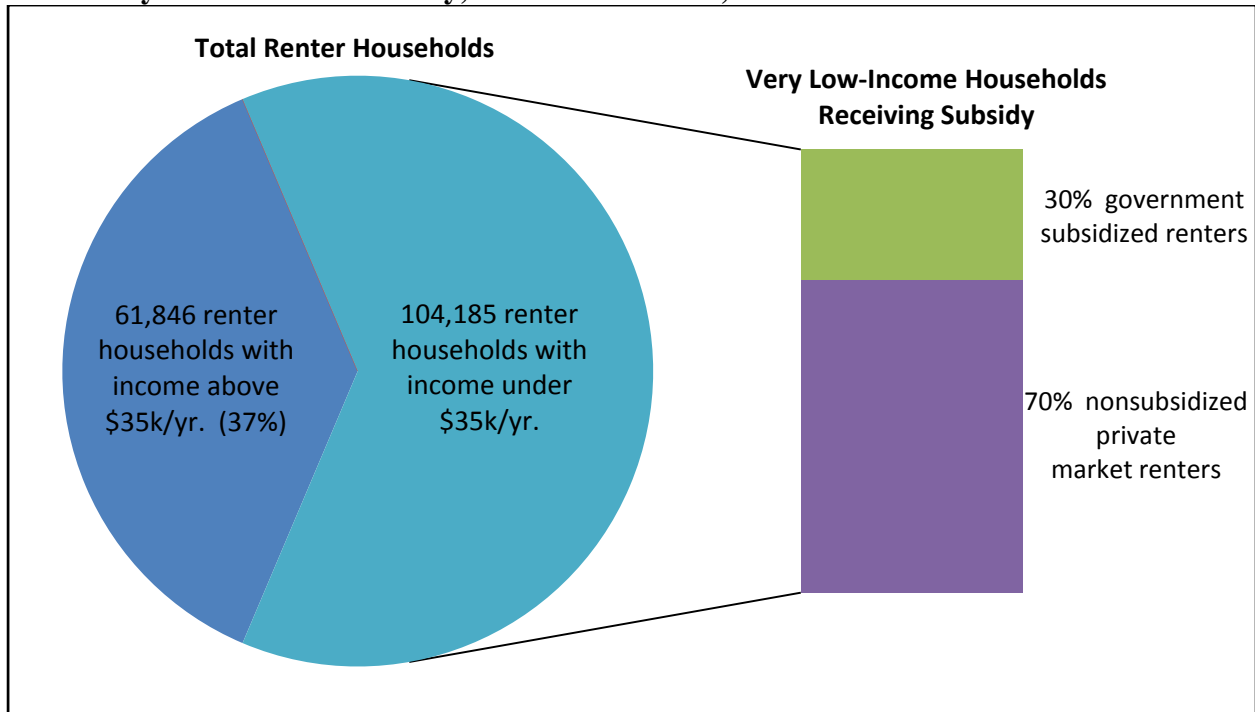
<sup>16</sup> Table 9 does not include HOME funded rental properties due to issues with data tracking. Review of HUD snapshot reports of HOME activity (available at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/snapshot/index.cfm?st=wi>) show the city obligating HOME funds to 2,367 rental units and the county consortium to 194 rental units since 1992. However, it is difficult to determine how many of these units continue to serve low-income households. HOME funds require that units remain affordable for a set period, but the period varies by property from 5 to 20 years based on the percentage of project funding provided by HOME. Further complicating an accurate count is the tracking of units requiring fund repayment or recapture.

<sup>17</sup> The HUD threshold for very low income households in Milwaukee County is \$33,850. In Chart 3, a threshold of \$35,000 was used because data was only available by increments of \$5,000. In this case, the \$33,850 HUD threshold was rounded up to conform to data restrictions.

federal rental assistance would have to triple in size to assist every Milwaukee County household that qualifies for assistance.

The federal housing assistance shortfall depicted in **Chart 3** is not unique to Milwaukee and is very much in line with national averages. A 2008 report from the National Multi Housing Council finds that only one quarter of eligible renter households receive housing subsidies.<sup>18</sup> This finding is further corroborated by the non-partisan Brookings Institution, which finds that "no more than one-quarter of renter households with federally-defined worst-case needs (very low-income households spending more than half of their income on rent or living in severely inadequate or crowded conditions) receives a subsidy."<sup>19</sup> The data for Milwaukee County echo that of the rest of the nation: a majority of eligible low-income renters do not receive any form of federal housing aid.

**Chart 3: Affordable housing demand and the availability of federal rental subsidies availability in Milwaukee County, renter households, 2007**



Source: Household and income data from American Community Survey. Number of subsidized renters from Table 9 (various sources)

<sup>18</sup> National Multi Housing Council, "2008 State of Nation's Housing," accessed from <http://www.nmhc.org/Content/ServeContent.cfm?ContentItemID=4804>

<sup>19</sup> "Revisiting Rental Housing: Policies, Programs, and Priorities" by Nicolas P. Retsinas & Eric S. Belsky, editors; Joint Center for Housing Studies; Brookings Institute Press, 2008, p. 15.

One result of the excess demand depicted in **Chart 3** is long waiting lists for federal rental assistance. **Table 10** shows that the current waiting lists for public housing in Milwaukee County exceed 2,000 names. **Table 11** shows that the current waiting lists for Section 8 rental vouchers in Milwaukee County exceed 10,000 names. By this measure, we see that demand for public rental assistance in Milwaukee County currently outweighs federal funding for such assistance.

**Table 10: Waiting list status for public housing units located in Milwaukee County (2008)**

	Unit type	# of units	Wait list	Wait list status
South Milwaukee CDA	Family	52	23	Closed October 2008, 4 bdrm. list is open
South Milwaukee CDA	Elderly, disabled and singles	8	10	Closed October 2009
Housing Authority City of Milwaukee	Family	2,300	500	Opened November 2008. To close May 30, 2009
Housing Authority City of Milwaukee	Elderly, disabled and singles	2,000	1,500	Always open
<b>TOTAL</b>		<b>4,360</b>	<b>2,033</b>	

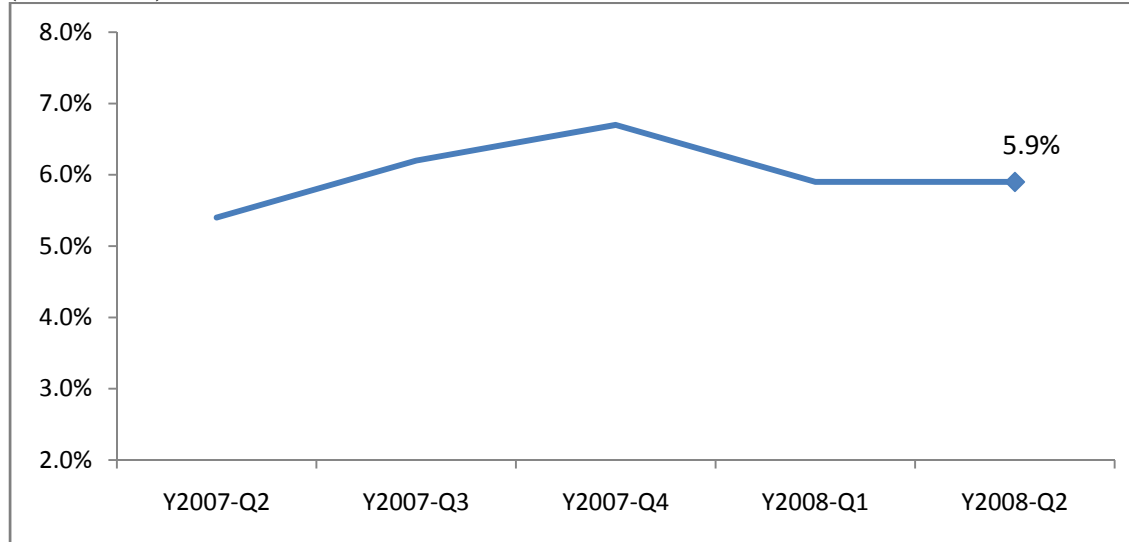
**Table 11: Waiting list status for Section 8 vouchers in Milwaukee County (2008)**

	# of vouchers	Wait list	Wait list status
Housing Authority City of Milwaukee	5,616	3,500	Closed 2006 until 2010
Milwaukee County Housing Division	2,014	5,923	Closed 2001
West Allis Housing Authority	457	900	Closed 2005
<b>TOTAL</b>	<b>8,087</b>	<b>10,323</b>	

It is highly likely that the wait list figures in **Table 10** and **Table 11** are understated, reflecting only a portion of those seeking placement on the waiting list. For example, the City of West Allis opened its Section 8 voucher waiting list in 2005 for the first time in six years. In the two days the list was open, 5,000 applications were received by the city. Of those applicants, 1,500 families were chosen in a random drawing to be placed on the city's Section 8 waiting list. Three years later, 900 of these families remain on that waiting list.

Aside from long waiting lists for Public Housing and Section 8 Vouchers, qualified low-income renters in Milwaukee County also face a relatively tight rental market for project-based assistance such as Tax Credit and HUD Section 8 project-based units. **Chart 4** shows the rental vacancy rate for Tax Credit and HUD contract units in Milwaukee County is just under 6% and remained relatively flat between the middle of 2007 and mid-year 2008. This segment of Milwaukee's subsidized apartment market appears to be bumping up against full capacity, with vacancy rates projected to drop in the near future as former homeowners turn to renting in the wake of the nation's foreclosure crisis. The story is much the same throughout the region, with Waukesha, Washington and Ozaukee counties all reporting rental vacancy rates under 5% for all Tax Credit and HUD contract units in the most recent quarter.

**Chart 4: Vacancy rate for government-financed apartments in Milwaukee County (2007-2008)**



Source: WHEDA

**Chart 3** demonstrated that the vast majority of renters do not receive direct rental subsidies and must rent in the non-government subsidized private market. However, the private market housing stock (both rental and owner-occupied housing) is relatively old, is overcrowded in some neighborhoods and has a large percentage of absentee landlords. **Table 12** shows the health of housing units in the City and County of Milwaukee based on four common measures: age, overcrowding, landlord absenteeism and vacancy. Not surprisingly, the city’s housing stock fares poorly when compared to the county as a whole. In particular, housing units showing signs of decay are highly concentrated in inner city zip codes on the city’s near north and near south sides.

**Table 12: The health of Milwaukee’s private housing stock (2000)**

	Measure	Zip Code*	City	County
<b>Age</b>	Percentage of units built prior to 1950	73.2% (53204)	46.7%	40.9%
<b>Overcrowding</b>	Percentage of housing units with more than 1 occupant per room	20.4% (53204)	5.9%	4.2%
<b>Absenteeism<sup>20</sup></b>	Percentage of owner-occupied units	3.2% (53233)	45.3%	52.6%
<b>Vacancy</b>	Percentage of vacant rental units	11.2% (53205)	6.2%	5.9%

Source: 2000 Decennial Census

\*Data for this column reflects the most negatively impacted city zip code

<sup>20</sup> Generally, high rates of absenteeism or lack of owner-occupied units is viewed as an indicator of declining neighborhood health, but low rates of owner-occupied units also may be interpreted as an indication of rental stock concentration rather than rental stock quality. In this case, the abundance of rental units in the 53202 zip code is skewed by the location of Marquette University and surrounding demand for student rental housing.

**Table 13** shows that poor housing conditions detailed in the prior chart clearly are an issue for a large percentage of low-income Milwaukee County renters, with 40.5% of all renters in Milwaukee County renting with one or more of the following negative conditions:

- Lack of complete plumbing facilities
- Lack of complete kitchen facilities
- More than one occupant per room
- Gross rent greater than 30% of household income (1999)

**Table 13: Percentage of Milwaukee County renters with negative renting conditions (2000)**

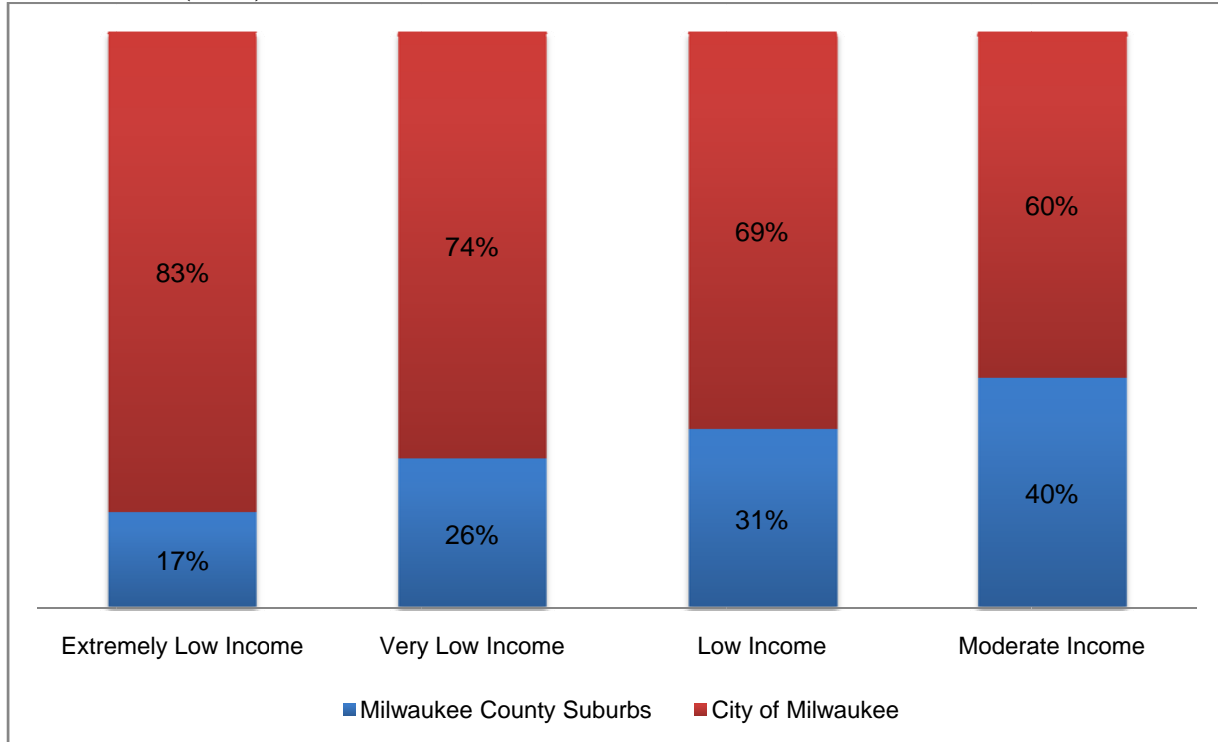
	City	Suburbs	County total
All renters	126,937	52,008	178,945
Renters "with conditions"	55,237	17,220	72,457
<b>Percentage of renters "with conditions"</b>	<b>43.5%</b>	<b>33.1%</b>	<b>40.5%</b>

Source: HUD's EMAD special Tabulations database on HUDUSER.org, using 2000 U.S. Census Data

Regionally, low-income households in the area's private rental market are not only limited in *what* they can rent, but also are limited by *where* they can rent. Renter location decisions are affected by a mix of factors, including income level, personal choice and racial considerations. In terms of income level, outside of a small pocket of low-priced rental properties in the City of Waukesha, the region's lowest-priced rental properties are heavily concentrated in the near-south and near-north side neighborhoods in the City of Milwaukee. In fact, of the 50 census tracts with the lowest average rents in Milwaukee County, only one tract was located outside the City of Milwaukee—tract 1804 in the City of Cudahy.<sup>21</sup> Due to the extremely concentrated nature of low-priced apartments within the Milwaukee region, income level is a likely determinate of where households locate (**Chart 5**).

<sup>21</sup> This ranking was made with Summary File 3 sample data from the U.S. Census Bureau's Decennial Census.

**Chart 5: Proportion of Milwaukee County renters located in the city vs. the suburbs, by income level (2000)**



Source: CHAS data

Although not the focus of this report, it is important to acknowledge the impact of the current housing and economic crisis on Milwaukee’s rental market. **Table 14** shows that one in ten residential mortgages have been foreclosed upon in the City of Milwaukee in just the 18 months leading up to June 2008. It is projected that the dramatic recent increase in foreclosure activity will add a significant number of new renters to the Milwaukee housing market and further tighten the affordability squeeze on extremely low income renters. This trend is recognized by the City of Milwaukee in its recent Neighborhood Stabilization Plan submitted to the federal government. The city states that “the foreclosure crisis is resulting in a loss of affordable rental housing in city neighborhoods” and that “over the past 24 months, evictions are up significantly and an increasing numbers of evictions are foreclosure related.”<sup>22</sup>

**Table 14: Milwaukee county residential mortgage foreclosure rates as of June 2008**

	City	Suburbs	County total
Number of mortgages	118,905	85,803	204,708
Foreclosed in last 18 months	11,753	3,296	15,049
<b>Foreclosure rate</b>	<b>9.9%</b>	<b>3.8%</b>	<b>7.4%</b>

Source: HUD Neighborhood Stabilization Program Data, Mortgage Bankers Association National Delinquency Survey

<sup>22</sup> The City of Milwaukee’s Proposed Neighborhood Stabilization Program Substantial Amendment accessed from [http://www.city.milwaukee.gov/ImageLibrary/User/jsteve/NSP\\_PROPOSED.pdf](http://www.city.milwaukee.gov/ImageLibrary/User/jsteve/NSP_PROPOSED.pdf)

## SUMMARY OF KEY FINDINGS

The preceding analysis and discussion indicates that Milwaukee suffers from an affordable housing supply and demand mismatch. The supply of units affordable to Milwaukee's lowest income households is not enough to meet demand. While some of these households are being aided by public subsidy, most are not.

This analysis reveals the following key findings:

***Key finding #1 – Milwaukee's affordability crisis is driven by low household incomes, not high rents.***

Milwaukee's affordability crisis is related to extremely low average household incomes. In 2000, Milwaukee County had the 103<sup>rd</sup> 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.

*Implication: Although not the focus of this study, any affordable housing strategy in Milwaukee would not be complete without a specific strategy to bolster low incomes. Economic and workforce development efforts as well as increased utilization of federal and state Earned Income Tax Credits should be considered when debating affordable housing policy.*

***Key finding #2 – Milwaukee's housing affordability crisis is most severe among extremely low income households—those households making less than 30% of the Area Median Income.***

There are 47,200 extremely low income households in Milwaukee County, but only 30,700 units that would be affordable to this rental cohort. Unfortunately for these households, half of those units are rented by wealthier households that choose to rent down and lease cheaper apartments than they can actually afford. The end result is a severe affordability squeeze for Milwaukee's poorest and most vulnerable households.

*Implication: Aiming future comprehensive efforts to improve housing affordability in the Milwaukee area at the needs of Milwaukee County's lowest income earners would be the most impactful policy. Targeting public and private resources to those households making less than \$20,000 per year could prove most effective in addressing living conditions.*

***Key finding #3 – The vast majority of Milwaukee County's low-income renters do not receive public rental subsidies.***

Public subsidy programs help less than one out of every three extremely low income and very low income renter households in Milwaukee County. The vast majority of households in Milwaukee County are renting in the private market without any direct government housing assistance.

*Implication: The shortfall in federal government rental subsidies is so pronounced that reorganization or incremental increases in funding for these programs will not be enough to provide a sufficient number of affordable housing units for Milwaukee's neediest households. More private investment in the production and rehabilitation of quality rental units is needed to meet the substantial private market demand at the lowest end of the county's income scale.*

***Key finding #4 – 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.

*Implication: More investment in the rehabilitation of privately-owned duplex and multifamily rental units affordable to those families at the lowest end of the income spectrum is needed. The federal aid intended to alleviate the impacts of the foreclosure crisis may be one source of this investment and could be leveraged to attract private investment. A strong rental unit rehab program is likely to be a critical component to any comprehensive affordable housing strategy in Milwaukee.*

## **SECTION II: AN ASSESSMENT OF MILWAUKEE'S EFFORTS AND CAPACITY TO ADDRESS ITS HOUSING AFFORDABILITY CHALLENGES**

This section reviews the current scope of public and private market interventions that attempt to address the housing gaps identified in Section I. The first part of this analysis looks at the largest public funding streams aimed at providing affordable rental housing for Milwaukee's lowest income households. Each public funding source will be evaluated in terms of the following:

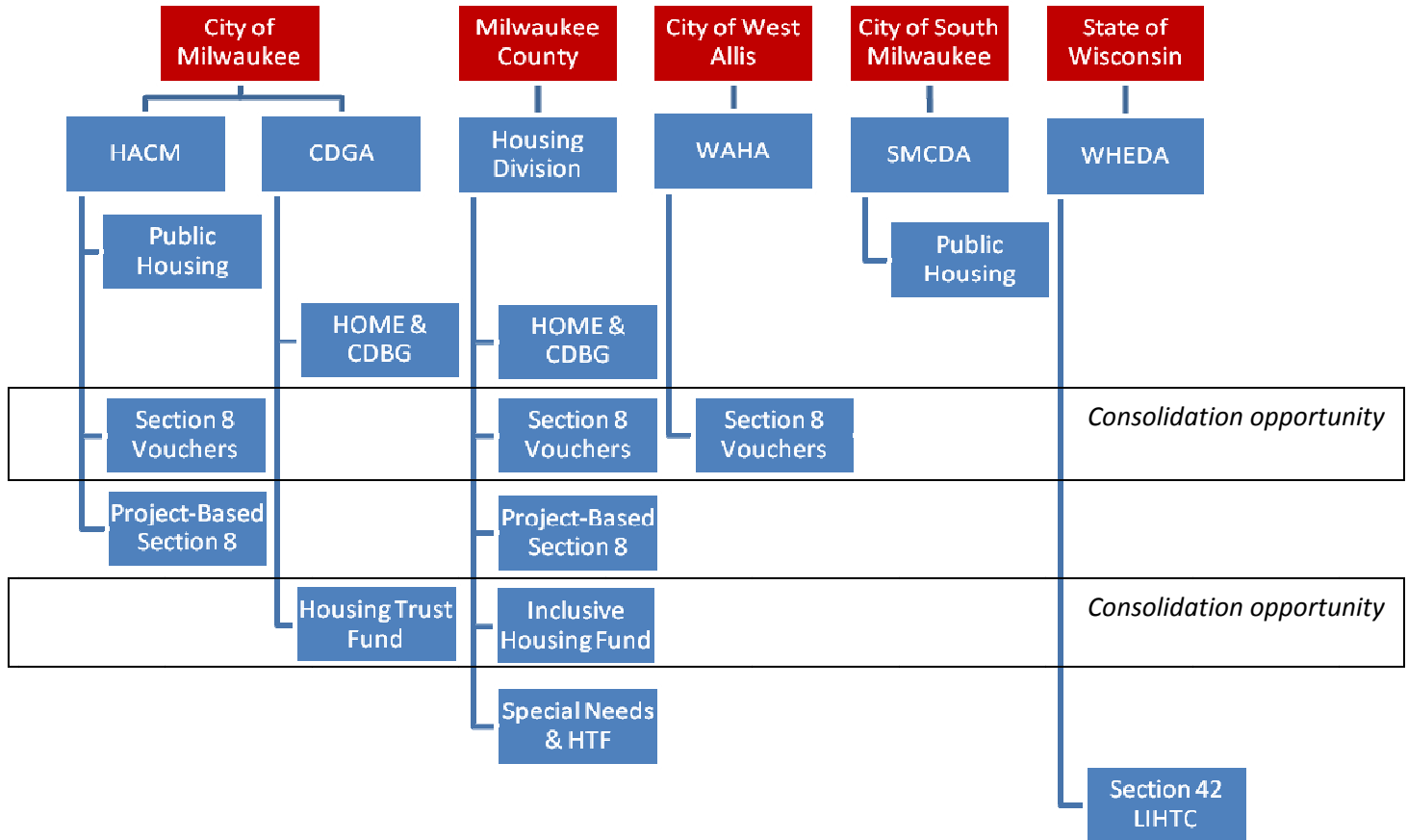
- Current organization within Milwaukee County
- Capacity to address problems and gaps outlined in Section I

The second half of the section provides details about the private market providers of affordable rental housing, including for-profit and non-profit developers and landlords.

### **PUBLIC INFRASTRUCTURE**

Milwaukee's public infrastructure to administer affordable housing subsidies largely flows through the City of Milwaukee and Milwaukee County. **Chart 6** shows the organization of housing subsidy programs in the City and County and in the municipalities of South Milwaukee and West Allis. These two suburban communities were included because of their public housing and Section 8 programs. Note that while there are several other local governments within suburban Milwaukee County that receive CDBG funds, HOME dollars, or both, for the sake of simplicity these municipalities were not included in this chart.

**Chart 6: The organization of major public subsidy programs for affordable rental housing in metro Milwaukee**



**Chart 6** highlights two programmatic areas that, based on our research, may benefit from increased cooperation or potential consolidation. While a complete cost-benefit analysis of consolidation in these areas is beyond the scope of this report, later in this section we provide an initial look at some of the questions that would need to be addressed if greater coordination or consolidation is pursued.

## *Federal Aid for Public Housing*

*What is it?*

As described by the U.S. Department of Housing and Urban Development (HUD):

“Public housing was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. Public housing comes in all sizes and types, from scattered single family houses to high-rise apartments for elderly families. HUD administers Federal aid to local housing agencies that manage the housing for low-income residents at rents they can afford. In general, you may stay in public housing as long as you comply with the lease.”

*Organization within metro Milwaukee*

The Housing Authority of the City of Milwaukee (HACM) and South Milwaukee Community Development Authority (SMCDA) are the only two municipal entities within Milwaukee County that own and operate public housing. HACM operates 4,300 units and SMCDA operates 60 units. While consolidation may be an option, because of the small scale of SMCDA’s public housing portfolio, any potential cooperative arrangement between SMCDA and HACM likely would yield limited financial savings and/or service gains.

*Capacity to impact problems and gaps outlined in Section I*

Public housing plays a critical role in providing housing for those at the lowest end of the income spectrum. In recent years, HACM has redeveloped several of its public housing projects into mixed income communities through the use of federal Hope VI funds (see Glossary for a description of these funds). Those funds have been transformative investments that have turned once neglected eyesores into sought-after housing with long waiting lists.

Despite these successes, the ability of public housing to play a larger role in addressing the needs of extremely low income households appears to be limited due to a shift of federal priorities away from the public housing model. Nationally, a reduction in federal operating subsidies in recent years has resulted in the deterioration, sale, or demolition of many public housing units, resulting in a 13 percent decrease in public housing units between 1995 and 2007.<sup>23</sup> Furthermore, decreases in operating subsidies have compelled housing authorities to shift housing units to higher income tenants to whom higher rents can be charged, further reducing public housing’s ability to address the existing affordability gap among extremely low income renters. Although priorities could change with the new presidential administration, a continued movement away from the public housing model appears likely.

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<sup>23</sup> Center on Budget and Policy Priorities, “HUD Budget contains major funding shortfalls,” 3/5/2008. <http://www.cbpp.org/3-5-08hou.pdf>

Despite these federal fiscal constraints, one way to creatively grow the program at the local level would be to encourage the graduation of tenants out of public housing and into non-government subsidized private market units, thereby opening spots for lower income households. Such a transition program may be beneficial because, unlike those who receive Section 8 vouchers, public housing residents are not necessarily required to move as their income increases. Although families must be recertified every year, in most cases an increase in household income will not result in a denial of eligibility. Even though the rent will increase as income increases, the savings on rent for a household in public housing can still be substantial, thereby encouraging tenants to stay in public housing once a unit is secured, despite a family's improving financial condition.

Nationally, the average length of stay for a household in public housing is 8.5 years, compared to 4.75 years for the Section 8 voucher program.<sup>24</sup> Currently, most former residents of public housing in Milwaukee move out due to homeownership or because they are removed for bad behavior. Increasing investment in transition programs to help families graduate from public housing into the private rental market could result in more opportunities for the lowest income households to move into public housing units.

### ***Federal HOME Investment Partnership***

*What is it?*

According to HUD:

“HOME provides formula grants to states and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people.”

### *Organization within metro Milwaukee*

The vast majority of HOME funds (\$6.2 million in 2008) in Milwaukee County flow directly to the City of Milwaukee. The funds that Milwaukee County government receives (\$1.2 million in 2008) support affordable housing development in all areas of the county except for the City of Milwaukee. In addition, Wauwatosa and West Allis contract with Milwaukee County to administer their HOME program funds.

### *Capacity to impact problems and gaps outlined in Section I*

The size of the HOME program is relatively modest when compared to the dimension of Milwaukee County's housing affordability challenges. With funding of just more than \$7

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<sup>24</sup> Lubell, Shroder, and Steffen, “Work Participation and Length of Stay in HUD-Assisted Housing,” *Cityscape: A Journal of Policy Development and Research*, Volume 6, Number 2, 2003, U.S. Department of Housing and Urban Development Office of Policy Development and Research. Accessed from [www.huduser.org/periodicals/cityscpe/vol6num2/work\\_particip.pdf](http://www.huduser.org/periodicals/cityscpe/vol6num2/work_particip.pdf)

million annually, which is slowly declining, it is hard to imagine a scenario where HOME funds could play an integral role in producing affordable rental units at a significant scale. Further hindering the potential impact of HOME funds is their greater administrative burden as compared to the Community Development Block Grant program.

It is possible that combining City of Milwaukee and Milwaukee County HOME allocations could produce some administrative efficiencies; however, due to limited funding, such a change would not result in a significant increase in the number of low-income households served by these funds. Furthermore, the county allocation is primarily divided between West Allis and Wauwatosa with no overlap into the City of Milwaukee.

### ***Federal Community Development Block Grants (CDBG)***

*What is it?*

As described by HUD:

“HUD awards grants to entitlement community grantees to carry out a wide range of community development activities directed toward revitalizing neighborhoods, economic development, and providing improved community facilities and services. Entitlement communities develop their own programs and funding priorities. However, grantees must give maximum feasible priority to activities which benefit low- and moderate-income persons.”

*Organization within metro Milwaukee*

CDBG funding is awarded annually to all HUD entitlement communities (see Glossary). The following awards were granted to local governments in 2007:<sup>25</sup>

- The City of Milwaukee, administered by the Community Development Grants Administration: \$17.7 million
- City of West Allis, administered by the Department of Development: \$1.4 million
- City of Wauwatosa, administered by the Department of Community Development: \$1.2 million
- Milwaukee County,\* administered by the Housing Division: \$1.7 million

*\*Milwaukee County's allocation can be used throughout the county. The county's CDBG allocation traditionally has been split in half, with 50% of the funds allocated to projects submitted by municipalities within the county, and 50% allocated to “at-large” community development projects under \$40,000 selected by the county. This 50/50 split is based on an allocation agreement negotiated by the county and its municipalities every three years.*

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<sup>25</sup> Milwaukee HUD Field Office Annual Report, accessed from <http://www.hud.gov/local/wi/news/07annualreport.pdf>

## *Capacity to impact problems and gaps outlined in Section I*

Governments in Milwaukee County receive a total annual CDBG allocation of slightly more than \$20 million. This pool of community development dollars is significant not only because of its size, but also because of its flexibility. CDBG funds have very few strings attached by the federal government, allowing localities great discretion in prioritizing use of the funds. Despite its flexibility, the capacity of CDBG funding to address Milwaukee's affordable housing needs has been limited. In part, this results from the many competing demands for these dollars. On average, approximately one out of every five CDBG dollars in the City of Milwaukee is allocated to housing.<sup>26</sup> There would be considerable political and policy hurdles to overcome in any attempt to significantly increase that percentage and decrease allocations to other eligible CDBG uses.

In addition, at the federal level, the pool of CDBG funds has been shrinking, at least until recently (the federal stimulus package contains a one-time allocation of approximately \$1 billion in CDBG funds nationwide, of which the City of Milwaukee is estimated to receive \$4.5 million). As recently as 2002, the City of Milwaukee was granted \$22.6 million in CDBG funds. In 2008, this figure was down to \$16.6 million, reflecting a 26% reduction in funds in just six years without adjusting for inflation. (During the same period, the County's allocation was relatively steady, registering a slight decrease from \$1.8 million to \$1.7 million.) Despite these challenges, CDBG is a significant source of public funds that could, in theory, be better used to address Milwaukee's most pressing housing needs. Specifically, funds can be used for affordable housing activities related to property acquisition, site clearance, site preparation, and rehabilitation of single and multifamily units. Use of CDBG funds for new construction is precluded except under specific conditions.

**Chart 6** groups CDBG and HOME funds together because of their many similarities. Both can be targeted for housing, both typically are administered by the same local authority, and both typically are provided in the form of grants or direct subsidies to qualified organizations and developments. When we discussed the use of CDBG and HOME funds in the Milwaukee metro area with local housing experts (see *Appendix A* for a list of expert interviewees), their concerns regarding local allocation policies included the following:

- Whether the dollars are being spread too thin, across too many non-profit organizations.
- Whether housing projects are too scattered and lacking critical mass.
- Whether local housing policies align with market conditions.
- Whether local policies maximize leverage of private dollars.

These questions point to concern about a potential lack of focus regarding allocation of federal housing funds in Milwaukee County's entitlement communities. Interviewees singled out recent projects that had received federal grant allocations but either had not been successful or had not been particularly impactful. In fairness, examples also exist of successful projects that would not

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<sup>26</sup> "Growing up: Analysis of City of Milwaukee economic development efforts," Public Policy Forum, November 2006.

have occurred without the investment of federal grant dollars. It is clear, however, that skepticism exists regarding government efforts to appropriately allocate CDBG and HOME funds.

Any discussion of reallocating CDBG and HOME funds in Milwaukee County must acknowledge the highly competitive environment for such dollars. A more realistic and effective reform may be the reprioritization of federal funds as part of a larger comprehensive housing strategy. In Louisville, Kentucky, the Metro Comprehensive Housing Strategy issued by a mayor-appointed task force called for the newly combined city and county Metro Government to pursue five key reforms to improve Louisville's housing finance system. These reforms included the following five objectives:<sup>27</sup>

1. *Louisville Metro will create a Community Development Fund to provide gap financing and funding to both for-profit and not-for-profit developers in first and second ring neighborhoods.*
2. *Louisville Metro will create a local Affordable Housing Trust Fund from a dedicated, renewable source of public revenue to provide housing opportunities for households under 50% AMI in all three rings of the city.*
3. *Louisville Metro will facilitate down payment assistance programs and mortgage products for the 80% – 110% median market in order to create and support mixed-income neighborhoods in all rings of the city.*
4. *Louisville Metro will target a rental rehabilitation program that provides incentives to current landlords to invest in properties and deliver affordable units in all three rings of the city.*
5. *Louisville Metro will implement a tax-based incentive to encourage middle-income homeownership in target neighborhoods in the first and second rings.*

While there are currently pieces of the Louisville agenda in place in Milwaukee County, and particularly in the City of Milwaukee, there is no countywide strategy in place to govern the strategic use of federal dollars to address housing needs. While even the suggestion of reallocating CDBG resources would be controversial, doing so within the context of a countywide action plan may produce more political support.

### ***Federal Housing Choice Voucher Program (Section 8 Vouchers)***

*What is it?*

According to HUD:

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<sup>27</sup> A Comprehensive Housing Strategy for Louisville Metro, Louisville Jefferson County Metro, March 2006. Accessed at <http://www.louisvilleky.gov/NR/rdonlyres/C19BF4CB-E559-47E7-AA3A-B39F9124D45D/0/ComprehensiveHousingStrategyFINAL.pdf>

“The housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects. Vouchers are administered locally by public housing agencies (PHAs). The PHAs receive federal funds from HUD to administer the voucher program. A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. Units must meet minimum standards of health and safety, as determined by the PHA.”

*Organization within metro Milwaukee*

The federal Section 8 voucher program is administered by three public housing agencies in Milwaukee County. These are listed in **Table 15** along with their revenue and expenditure data for 2008, current staffing levels, and efficiency measures. The service area for Milwaukee County vouchers is the entire county, including the City of Milwaukee. The service areas for the City of Milwaukee and City of West Allis programs reflect their municipal boundaries.

**Table 15: Administration of the Section 8 voucher program in Milwaukee County, 2008**

	Housing Authority City of Milwaukee	Milwaukee County Housing Division	City of West Allis Community Development Authority
Program costs (Vouchers)	\$27,000,000	\$10,792,548	\$2,300,000
Admin costs	\$2,960,000	\$1,231,698	\$286,000
<b>Total Costs</b>	<b>\$29,960,000</b>	<b>\$12,024,246</b>	<b>\$2,586,000</b>
Housing Assistance Payments	\$27,000,000	\$10,792,548	\$2,300,000
Admin fees	\$2,800,000	\$1,050,000	\$256,000
Tax levy funding	\$0	\$181,698	\$0
Program fees	\$45,000	\$0	\$0
Interest income	\$115,000	\$0	\$0
Operating reserve	\$0	\$0	\$30,000
<b>Total Revenue</b>	<b>\$29,960,000</b>	<b>\$12,024,246</b>	<b>\$2,586,000</b>
<b>Total number served</b>	<b>5,616</b>	<b>2,014</b>	<b>457</b>
<b>Total number of staff</b>	<b>33</b>	<b>12</b>	<b>4</b>
Program manager(s)	4	1	1
Office support	8	2	1
Program assistants/specialists	17	7	2
Number of inspectors	5	2	1
<b>Efficiency measures</b>			
Admin costs as % of program costs	11.0%	11.4%	12.4%
Number served per employee	170	168	114

*Capacity to impact problems and gaps outlined in Section I*

The Section 8 program provides a critical link in helping very low and extremely low income renter households connect with affordable housing. In Milwaukee, this program takes on extra significance due to the fact that the county's affordability crisis is driven predominately by low household incomes, not high housing costs (see Section I). Milwaukee County's extremely low average household incomes are directly targeted by the Section 8 voucher program, which can produce significant reductions in monthly rents for poor families.

While public subsidies to developers for affordable housing production and rehab (CDBG, Housing Trust Fund, Tax Credits) often receive more attention, the Section 8 voucher program quietly serves more than 8,000 households in Milwaukee County every year, playing a pivotal role in addressing Milwaukee's affordability crisis. In 2008, rent assistance payments totaled \$40.1 million, making it Milwaukee County's single largest housing program targeted at very low income and extremely low income renter households.

This outlay, however, does not come close to meeting the demand for Section 8 vouchers. The current combined waiting list for Section 8 vouchers in Milwaukee County exceeds 10,000 names. Furthermore, this figure only reflects those families fortunate enough to acquire a spot on the waiting list in the first place. Once on the list it may take several years before a household secures a voucher.

Beyond long waiting lists, the Section 8 voucher program has other limitations, both in Milwaukee and nationally. Successfully addressing these issues, which are summarized below, likely will entail policy intervention at the local, regional, and national levels.

- **Fragmentation** – In the vast majority of metro areas in the United States, including the Milwaukee region, there is a mismatch between the local administration of housing vouchers and the regional nature of housing markets. The result is a hodgepodge of housing authorities with overlapping jurisdictions. In Milwaukee, for example, the City of Milwaukee, Milwaukee County, and West Allis have overlapping jurisdictions. This leads to confusion for both renters and landlords. Renters, for example, need to make separate applications and go through separate eligibility reviews, while landlords are forced to deal with multiple housing authorities with different regulations and procedures for unit inspections.
- **Concentration** – Vouchers only can be used with landlords that accept them. In Milwaukee County and many other urban areas, several factors contribute to the concentration of these landlords in the major city (83% of Milwaukee County Section 8 vouchers are currently used within city limits). These factors include:<sup>28</sup>
  - Lack of moderately priced rental housing
  - Tight market conditions
  - Racial and ethnic discrimination

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<sup>28</sup> Turner, Margery Austin. 2003. "Strengths and Weaknesses of the Housing Voucher Program," Washington D.C., The Urban Institute. Accessed at <http://www.urban.org/publications/900635.html>

- Landlords who are unwilling to accept voucher payments or are unfamiliar with the program
- Ineffective local administration
- **Limited funding** – Because of funding limitations, the Section 8 program operates similar to a lottery, with only 25% of vouchers being distributed based solely on need.<sup>29</sup> Otherwise, applicants must wait until their name is next on the waiting list. Consequently, households that are lucky enough to be chosen to receive a voucher get needed help, while those on the waiting list get nothing. In contrast, many other federal programs for the extremely low income are eligibility-based; food stamps and Medicaid, for example, provide help to all who meet eligibility criteria. According to the Urban Institute, “The single biggest limitation of the current housing voucher program is that federal spending for affordable housing is woefully inadequate. Only about one in every three eligible families gets assistance. Thus, even though vouchers work well for those lucky enough to receive them, 6.1 million low-income renters still face severe housing hardship.”<sup>30</sup> The end result is long waiting lists for Section 8 vouchers in Milwaukee and nationwide.

It is possible that some of the administration-related problems cited above could be addressed by consolidating the various Section 8 voucher programs within Milwaukee County. A 2001 study published in *Housing Policy Debate* argues for regional entities to administer the Section 8 voucher program, stating “the current balkanized system undermines the potential of the program to promote mixed-income communities and the de-concentration of poverty.”<sup>31</sup> Regional collaboration and/or regional administration of the voucher program potentially could help address the administrative barriers to portability across jurisdictions, and make the program more transparent to both landlords and participants.<sup>32</sup> A 1997 HUD study finds that regionally administered Section 8 programs:

- allow participants to move with fewer complications;
- offer participants far easier access to a wider range of housing choices; and
- make landlord participation easier by making procedures and standards consistent across separate jurisdictions.

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<sup>29</sup> These are the Section 8 vouchers distributed for emergency situations, which move specified participants (homeless, displaced, etc.) to the top of the list. Housing Authority City of Milwaukee Rent Assistance Administrative Plan, revised Sept. 2003. Accessed at [www.hacm.org/agency%2520plan%2520and%2520annual%2520reports/Section%25208%2520Admin%2520Plan%2520Rev%252009-2003.pdf](http://www.hacm.org/agency%2520plan%2520and%2520annual%2520reports/Section%25208%2520Admin%2520Plan%2520Rev%252009-2003.pdf)

<sup>30</sup> Turner. 2003.

<sup>31</sup> Katz, Bruce and Margery Turner. “Who Should Run the Housing Voucher Program? A Reform Proposal” *Housing Policy Debate*, Vol. 12, Issue 2, 2001.

<sup>32</sup> Turner. 2003.

## ***Federal Project-Based Section 8 Subsidies***

*What is it?*

As described by the federal Government Accountability Office:

“Under the project-based Section 8 program, HUD contracts with property owners that receive rental subsidies for units rented to low-income tenants. These tenants pay a portion of the rent, generally 30 percent of their adjusted income, and the subsidies make up the rest. In exchange for guaranteed rent payments from HUD, owners commit to restricting their units to low-income tenants for 15 to 40 years under contracts written or renewed since the program’s inception in 1974.”

*Organization within metro Milwaukee*

There are currently 10,130 project-based Section 8 units in Milwaukee County. While new funds are no longer appropriated for this program, public housing agencies may use up to 20% of the funds in their annual Section 8 voucher program block grants to provide project-based assistance. These project-based subsidies can be attached to the development or rehab of new or existing rental units. They typically are used in tandem with other public grants (CDBG, HOME, or Housing Trust Fund allocations) to rehab and develop new rental housing units.

Milwaukee County currently plans to “project-base” a portion of its tenant-based Section 8 voucher allotment to attract developers to build supportive housing units targeted at very low and extremely low income individuals and families with mental illness. The City of Milwaukee also has “project-based” a portion of its voucher allotment to redevelop public housing projects into mixed income communities. Cherry Court and Convent Hill are examples of two public housing developments that have benefited from project-based Section 8 support.

*Capacity to impact problems and gaps outlined in Section I*

In the absence of new HUD funding for project-based Section 8, housing authorities risk losing Section 8 subsidized units as contracts with property owners expire. Owners of apartment buildings with subsidized project-based units are susceptible to opting out of the program at the end of their contract period. According to the GAO researchers, “The properties most likely to leave the program were those with few Section 8 units, family-occupied units, those in poor physical condition, and those located in markets with rapidly escalating housing values.” The propensity for owners of units in poor condition to opt out is troubling for Milwaukee, as most of the area’s current project-based units were constructed in the late 1970’s and were only built to last 40 years.

In the future, a concerted effort may be required to rehab or redevelop these units with Section 42 Tax Credits (see Glossary) and other public subsidies to ensure that they remain available for low-income consumers. While Section 8 preservation efforts in Wisconsin and across the

country are ongoing, according to a recently published GAO report, the upper Midwest had the highest opt-out rate in the country at just over 7% of eligible units. Between 2001 and 2005, the report counted 26 of 373 eligible properties in Wisconsin opting out of the program, resulting in a total loss of 871 units. Eleven of those 26 properties were in the four-county Milwaukee region with a total regional loss of 422 units.<sup>33</sup>

### ***Local Housing Trust Funds***

*What are they?*

According to the national Housing Trust Fund Project:

“Housing trust funds are distinct funds established by city, county or state governments that receive ongoing dedicated sources of public funding to support the preservation and production of affordable housing and increase opportunities for families and individuals to access decent affordable homes. Housing trust funds systemically shift affordable housing funding from annual budget allocations to the commitment of dedicated public revenue. While housing trust funds can also be a repository for private donations, they are not public/private partnerships, nor are they endowed funds operating from interest and other earnings.”

*Organization within metro Milwaukee*

There are currently three housing trust funds in Milwaukee County. They are:

- **Milwaukee County Special Needs Housing Trust Fund** – Operated by the Milwaukee County Housing Division, this fund provides grants to developers of supportive housing developments. The grants include a requirement that a minimum of 40% of the units produced by the developer be made available to individuals with special needs served by the county’s Behavioral Health Division. The fund originated in 2007 and was funded with separate \$1 million loans from the State Trust Fund Loan Program in both 2007 and 2008. Another \$1 million loan is authorized in the county’s 2009 budget. The county will be required to pay back these loans (with interest) with property tax levy resources over a multi-year period. The county recently allocated just over \$1.5 million from this fund to three supportive housing developments totaling 149 units. In all, five projects with 225 units have been approved since the fund’s inception.
- **Milwaukee County Inclusive Housing Fund** – This fund was created by Milwaukee County in 2005 in conjunction with the effort to sell and develop land in the Park East Corridor. 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.

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<sup>33</sup> Government Accountability Office, Report # GAO-07-290, “Project-Based Rental Assistance: HUD Should Update Its Policies and Procedures to Keep Pace with the Changing Housing Market,” April 12, 2007. Accessed on 12/15/2008 at <http://www.gao.gov/products/GAO-07-290>

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.

- **City of Milwaukee Housing Trust Fund** – Administered by the City of Milwaukee Community Block Grant Office, the fund grants gap financing (see glossary) to developers of rental housing, owner-occupied housing, and housing and services for the homeless. It was capitalized with \$2.5 million in general tax revenue in 2007, and \$400,000 in general tax revenue in both 2008 and 2009. Early in 2008, the fund awarded \$1.4 million to five affordable housing projects to produce 142 rental units. In February 2009, an additional nearly \$1 million was allocated to nine projects that were expected to produce 133 affordable units.

### *Capacity to impact problems and gaps outlined in Section I*

The capacity of Milwaukee’s three separate housing trust funds to impact affordable housing needs is currently limited due to their lack of stable public funding sources. Our review of funding mechanisms for local and state housing trust funds throughout the United States reveals that the vast majority of trust funds receive revenues from dedicated taxes or fees.<sup>34</sup> Thus far, the Milwaukee experience with housing trust funds is literally to beg (city trust fund), borrow (county special needs fund) or hope for the best (county inclusive housing fund). Absent stable and/or dedicated funding sources, the county’s three housing trust funds can have only a limited impact on affordable housing challenges and may be unsustainable in light of worsening budgetary pressures at both the city and county.

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. According to recent research by the Center for Community Change, “Counties seem particularly well-positioned to participate in regional efforts to broaden involvement in addressing critical housing needs by other governments. County housing trust funds have been creative in identifying local revenue sources and in challenging the private sector to be involved.”<sup>35</sup> Although consolidation brings forth a myriad of questions, including governance structure and funding streams, cooperative efforts such as those undertaken in King County, WA and Franklin County/Columbus, OH (see section III for more discussion) provide models for further exploration. Groundwork for such a collaboration between the city and county on affordable housing matters has been laid by the joint Supportive Housing Commission (see Special Needs section on page 43).

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<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

## *Local Tax Increment Financing (TIF)*

### *What is it?*

TIF is a public finance tool that villages and cities use to spur economic growth. It captures the increase in property tax proceeds generated by new real estate development within a particular district and uses the proceeds to pay for public improvements in the district. Once the improvements are fully paid off, the district is retired and the increased property value is added to the tax base.

### *Organization within metro Milwaukee*

As of 2007, a total of 77 active TIF districts existed in 14 of Milwaukee County's 19 municipalities. The amount of property value contained within those districts totaled \$3.8 billion, of which 18% was residential.

### *Capacity to impact problems and gaps outlined in Section I*

The capacity of TIF to significantly impact affordable housing rehabilitation and production is limited by Milwaukee's relatively modest use of the tool, while any increase in the use of TIF in the near-term is very much in doubt due to declining property values. Although no comprehensive data exists to detail the extent of the Milwaukee region's use of TIF for affordable rental housing, it may be safe to assume that no other municipality outside of the City of Milwaukee embraces affordable rental housing enough to actually use TIF to finance its development.

The City of Milwaukee does have some experience using TIF to finance affordable rental apartments. In 1990, the city used TIF to help finance the redevelopment of the former Home Bank Building into the Historic King Place Apartments. The property contains street-level retail and 41 apartments targeted at "low and moderate-income families."<sup>36</sup> The apartments are reported to have a high occupancy rate and this successful TIF district was retired in 2008, with \$2.2 million added to the city's property tax base at that time.<sup>37</sup> Despite this modest success, using TIF to finance affordable rental housing in Milwaukee is not widespread.

Some jurisdictions in other parts of the country have utilized TIF more aggressively to address affordable housing challenges. The BeltLine Affordable Housing Trust Fund in Atlanta, for example, is projected to raise \$120 million for affordable housing rehab and production over the next 25 years by capturing 15% of the revenues of the large Beltline TIF district.<sup>38</sup> While the

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<sup>36</sup> TID 14 Periodic Project Summary Report, City of Milwaukee Department of City Development, 6/30/08. Accessed at [www.mkedcd.org/business/TIF/projects.html](http://www.mkedcd.org/business/TIF/projects.html)

<sup>37</sup> BizTimes.com, "Milwaukee TIF close-outs could add \$36.5 million to tax base," 6/27/08. Accessed at [www.biztimes.com/news/2008/6/27/milwaukee-tif-close-outs-could-add-365-million-to-tax-base](http://www.biztimes.com/news/2008/6/27/milwaukee-tif-close-outs-could-add-365-million-to-tax-base)

<sup>38</sup> Beltline Affordable Housing Advisory Board, Affordable Housing Trust Fund Recommendations, accessed from [www.beltline.org/Portals/26/PDF/BAHAB/9BAHAB%20Recs%20Final%2010%2024%2008%20For%20web.pdf](http://www.beltline.org/Portals/26/PDF/BAHAB/9BAHAB%20Recs%20Final%2010%2024%2008%20For%20web.pdf)

Atlanta BeltLine project has yet to break ground, its plan to use TIF to build a pool of funds for the purposes of affordable housing production is both innovative and instructive.

Meanwhile, in 2007, the city of Portland, Oregon passed a TIF set-aside requirement that requires using 30% of the tax increment in designated urban renewal zones to fund affordable housing. By 2011, Portland expects to set aside \$120 million for homes and rental units in these areas.

### ***Federal Section 42 Low-Income Housing Tax Credits (LIHTC)***

*What is it?*

According to HUD:

“Federal housing tax credits are awarded to developers of qualified projects. Developers then sell these credits to investors to raise capital for their projects, which reduces the debt that the developer would otherwise have to borrow. Because the debt is lower, a tax credit property can in turn offer lower, more affordable rents. The LIHTC program requires a minimum affordability period of 30 years.”

### *Organization within metro Milwaukee*

In Wisconsin, the LIHTC program is administered by the State of Wisconsin Housing and Economic Development Authority (WHEDA). WHEDA provides tax credits to housing projects statewide through an annual competitive process. There are currently 6,109 subsidized Section 42 LIHTC units in Milwaukee County.

### *Capacity to impact problems and gaps outlined in Section I*

The importance of the LIHTC program to affordable rental rehab and development in Milwaukee cannot be overstated. Without this credit, there would be little new affordable rental housing built in the city. As one interviewee stated, “They own the affordable rental development game. Heck, a few years ago even market rate rental developments weren’t feasible to build without a subsidy.”

Despite being “the only game in town,” the LIHTC program plays a limited role with regard to Milwaukee’s extremely low-income households, as the program is not targeted at the lowest income earners. According to program rules, “at minimum, either 20% of units must be rented to tenants with incomes not exceeding 50% CMI or, 40% of the units must be rented to tenants with incomes not exceeding 60% of CMI.”<sup>39</sup> Either way, the program is targeted at low- and moderate-income renters, not extremely low-income renters (those under 30% CMI).

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<sup>39</sup> County Median Income (CMI) is \$39,481 in Milwaukee County).

The capacity of the LIHTC program is also impacted by the fact that tax credits are harder to sell in recessionary environments. Developers that receive the credits are having a difficult time selling them on the investment market due to a scarcity of buyers.<sup>40</sup> Even developers that find investors to purchase credits are receiving less money due to low prices. Ironically, tax credits are more available now than ever, but their potential usage has been curbed significantly by the economic downturn.<sup>41</sup>

With limited buyers for tax credits, developers must tap other funding streams to complete financing for their projects. TIF, CDBG and HOME dollars are all increasingly being relied upon to fill gaps left by low credit prices. Of course, as explained above, those funding sources have limits as well.

### *Special Needs*

*What is it?*

Federal, state, county and city-funded services and development assistance dollars targeted at addressing the quality and quantity of housing for people with disabilities and other special needs. While HUD regulations define “special needs” programs in varied ways, in the case of Milwaukee County, the focus of special needs housing programs is individuals with severe and persistent mental illness. The county’s overriding goal has been to provide persons with mental illness who are currently served by its Behavioral Health Division with decent, safe and affordable housing accompanied by support services that cover a broad continuum of care.

### *Organization within Milwaukee County*

Although many agencies and levels of governments are involved in funding and administering special needs housing in Milwaukee County, perhaps the key player is the recently reorganized Milwaukee County Housing Division. This function was moved out of the Department of Administrative Services and created as a separate division within the Department of Health and Human Services in 2008 with the express purpose of prioritizing Milwaukee County housing efforts on those receiving social services from the county. The Milwaukee County Housing Division administers the following programs pertaining to special needs housing (including funding source):

- Shelter+Care – Federal
- Safe Haven – Federal
- HOME – Federal
- Mental Health Housing Initiative – County
- Project-Based Section 8 – Federal
- Milwaukee County Special Needs Housing Trust Fund – Funds borrowed from the State

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<sup>40</sup> The Daily Reporter, “Weak tax credits stifle developments: Analysts predict tough year for affordable housing,” 1/7/2009. Accessed at [www.dailyreporter.com/item.cfm?recid=20050420&snippet=f](http://www.dailyreporter.com/item.cfm?recid=20050420&snippet=f)

<sup>41</sup> Ibid.

Additional government agencies involved in the development and servicing of special needs housing in Milwaukee County include the City of Milwaukee Department of City Development and the City of Milwaukee Housing Authority. The Milwaukee Continuum of Care (CoC) also plays a significant role in allocating HUD dollars to homeless and special needs populations. The Milwaukee CoC is designated by HUD as the entity responsible for coordinating the homeless services system in Milwaukee and consists of representatives from government, non-profit organizations, advocacy groups, foundations, consumers and other interested parties.

### *Capacity to impact problems and gaps outlined in Section I*

In recognition of the large unmet needs for housing within the special needs community and in response to a series of Milwaukee Journal Sentinel newspaper articles describing the squalid housing conditions experienced by poor persons with mental illness, a Special Needs Housing Action Team was appointed by Mayor Tom Barrett and County Executive Scott Walker in late 2006 to “coordinate their policies, priorities and resources to provide adequate housing and services in the community.”<sup>42</sup> Soon thereafter, as recommended by the Action Team, a permanent 16-member City-County Commission on Supportive Housing was created. The Commission has played an important role thus far in coordinating city and county resources and planning, assisting the CoC to draw down additional federal dollars, and encouraging the development of several new housing projects to serve the special needs population.<sup>43</sup>

Interviewees lauded the efforts of the Commission, and some suggested that those looking to tackle Milwaukee’s larger affordable housing challenges have a unique opportunity to build off the Commission’s successes. Specifically, the joint sense of trust and purpose that has been built between city and county housing officials, and the coordination of resources and strategies that has been engendered with regard to the development of supportive housing units in Milwaukee County, could serve as a foundation for expanded cooperative efforts between the city and county to address the gaps outlined in Section I of this report.

Another effort that is underway to specifically address the needs of the homeless or near-homeless populations is the CoC’s development of a 10-Year Plan to End Homelessness in Milwaukee County, funded in part by the city, county and the Greater Milwaukee Foundation. Similar to other 10-Year Homeless Plans developed by jurisdictions across the country, the plan’s focus is on ending, rather than managing, homelessness. According to a project overview, the plan will include strategies on homeless prevention, rapid re-housing/housing first (see Glossary) of homeless households, and developing mainstream solutions to end homelessness. The 10-Year Plan is expected to be released in August 2009 and could play a prominent role in tackling Milwaukee’s affordable housing gap, especially given that there is likely overlap in those populations defined as extremely low income and homeless individuals or those living on the edge of homelessness.

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<sup>42</sup> Special Needs Housing Action Team, Final Report, June, 2007.

<sup>43</sup> “Panel to tackle housing: City, County team up to help the homeless, mentally ill,” Milwaukee Journal Sentinel, 1/16/2008. Accessed at <http://www.jsonline.com/business/29485939.html>

## CONCLUSION

The funding needs for affordable housing production, rehab, and services in Milwaukee County are too extensive to be accommodated with current public programs and funding sources. While there are a wide variety of funding streams, each is limited in size and scope and many are inflexible. In addition, this multiplicity of public programs is confusing both for housing developers and investors, as well as for low-income renters. The fragmentation and arbitrary jurisdictional boundaries of these programs also hinder systemic planning and policymaking. Better coordination, and perhaps consolidation, among local governments could help address some gaps identified in Section I; but, as the data in that section indicated, the private market is where most of the county's lowest income earners will seek housing. It is evident, therefore, that the ability and willingness of the private market to address the need for affordable housing for extremely low income households is as important as the public infrastructure.

## PRIVATE AND NONPROFIT MARKET RESPONSE

With tight state and local government budgets and uncertainty regarding long-term availability of increased federal dollars, the role for private investors in the affordable housing market may gain stature, as may that of community development corporations (CDCs) and other non-profits. In the remainder of this section, we evaluate the private response to Milwaukee's rental housing affordability problems. We focus on three particular private market entities that were identified in our interviews as areas in which Milwaukee was lacking capacity. These entities are:

- Community Development Financial Institutions (CDFIs)
- CDCs and Community-Based Housing Development Organizations (CHDOs)
- Private investor-owners (landlords)

For each, we attempt to answer the following:

- What is the entity's current capacity to address the affordability challenges facing extremely low income renters in Milwaukee County?
- What are the major issues and opportunities in expanding the role of each entity?

### ***Community Development Financial Institutions (CDFI)***

*What are they?*

A CDFI is a regulated private sector financial intermediary that serves economically disadvantaged communities and customers for whom finding traditional financing is difficult. Unlike conventional financial institutions, CDFIs provide lending services along with financial education and technical assistance. CDFIs also work to provide alternatives to subprime lending by providing necessary financial services at a low cost to the borrower.

The U.S. Department of the Treasury's CDFI Fund is one source of initial funding for CDFIs. The CDFI Fund "administers a competitive grant program that provides capital grants, loans, and

equity investments to support the community development finance activity of CDFIs. CDFIs leverage this federal investment on average 27 times over with private money, using these funds to revitalize communities through investment in affordable housing, small businesses, and community facilities and by providing retail financial services to low-income populations.”<sup>44</sup>

CDFIs attract much of their investment from regulated financial institutions that are seeking to satisfy requirements of the Community Reinvestment Act (CRA). The CRA, which was designed to address discriminatory lending, requires certain categories of commercial banks and savings associations to make loans or investments to meet the needs of borrowers in all segments of their communities, including low- and moderate-income neighborhoods. Banks can meet their CRA requirement by loaning directly to the targeted borrowers, but loaning instead to a CDFI can optimize those dollars, which the CDFI will utilize to leverage other public or private funds. Also, when banks invest their CRA dollars in a competent CDFI, they are not only fulfilling their CRA obligations and maximizing the impact of those dollars, but in some cases they can consider their loan as an investment through an instrument called an equity equivalent investment (EQ2).<sup>45</sup>

### *Operations within metro Milwaukee*

While all the CDFIs currently serving the City of Milwaukee are investing in economic development strategies to help low-income neighborhoods, very few CDFIs are focusing on affordable housing. The most recent data from the CDFI Fund indicates that only the North Milwaukee State Bank has funds awarded for support of affordable rental housing. The Legacy Bank Redevelopment Corporation has targeted a distressed neighborhood near 20<sup>th</sup> street and Fond du Lac Avenue, but its targeted program is for new market rate homes, not rental housing. Local Initiatives Support Corporation (LISC) also is a CDFI and its Milwaukee office (which opened in 1995) has used its resources to help finance numerous affordable housing projects in the Milwaukee area. LISC’s focus, however, is on neighborhood revitalization as opposed to solely affordable housing. That broader mission, combined with staff capacity and funding limitations (related to availability and funder requirements), prevents the Milwaukee LISC office from significantly expanding its housing investment activity.

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<sup>44</sup> Zeytoonjian, Fred and Alejandra Lopez-Fernandini. “Community Development Financial Institutions Fund, National Low-Income Housing Coalition’s 2008 Advocates Guide to Housing and Community Development Policy. Accessed at <http://www.nlihc.org/doc/AdvocacyGuide2008-web.pdf>.

<sup>45</sup> The equity equivalent is carried as an investment on the investor’s balance sheet in accordance with Generally Accepted Accounting Principles (GAAP) 2. It is a general obligation of the CDFI that is not secured by any of the CDFI’s assets 3. It is fully subordinated to the right of repayment of all of the CDFI’s other creditors 4. It does not give the investor the right to accelerate payment unless the CDFI ceases its normal operations (i.e., changes its line of business) 5. It carries an interest rate that is not tied to any income received by the CDFI 6. It has a rolling term and therefore, an indeterminate maturity. Like permanent capital, EQ2 enhances a CDFI’s lending flexibility and increases its debt capacity by protecting senior lenders from losses. Unlike permanent capital, the investment must eventually be repaid and requires interest payments during its term, although at a rate that is often well below market. The equity equivalent is very attractive because of its “equity like” character, but it does not replace true equity or permanent capital as a source of financial strength and independence. In for-profit finance, a similar investment might be structured as a form of convertible preferred stock with a coupon. Source: Sparks, Laura “An Equity Equivalent Primer,” Technical Assistance Memo, National Community Capital Association. March 2001.

### *Capacity to impact problems and gaps outlined in Section I*

In contrast to other major urban areas, Milwaukee lacks a strong CDFI devoted to affordable housing-related initiatives that has the necessary infrastructure and capacity to inspire the confidence of private investors. IFF, formerly the Illinois Facilities Fund, is a CDFI that recently opened an office in Milwaukee. The fund, which touts itself as being the largest CDFI in the Midwest, serves Illinois, Missouri, Iowa, Indiana and Wisconsin, making loans to nonprofits developing community facilities, affordable housing, and physical infrastructure. IFF's entrance into the market helps to fill the gap for CDFI services. However, given its broad focus and service area, IFF may be best viewed as one contributor to increasing investment for area affordable housing, rather than a focused strategy for increasing Milwaukee's affordable housing investment.

Another CDFI, also from Chicago, provides an alternate model. Community Investment Corporation in Chicago specializes in assisting owners of four-family and larger units with rehabilitation, acquisition, and new construction projects. The agency currently is funded by 47 banks and financial institutions with a loan volume of \$68 million in FY2000 (see section III for more information). Milwaukee has a slightly different housing stock than Chicago, with a preponderance of duplexes and fewer large apartment buildings; however, it stands to reason that Milwaukee would benefit from developing a similar large-scale loan pool that targets resources to address the needs of its affordable rental housing stock.

### ***Community Development Corporations (CDCs) and Community-Based Housing Development Organizations (CHDOs)***

#### *What are they?*

Community development corporations (CDCs) are usually neighborhood-based non-profit organizations operated by a volunteer board of residents and community activists and/or leaders. CDCs promote the improvement of the physical and social infrastructures in neighborhoods by producing affordable housing, planning and supporting commercial/retail developments, creating jobs, and providing social services and community improvement opportunities to low-income communities. Another equally important role of CDCs is that of a conduit of information regarding city programs, such as the City of Milwaukee's Targeted Investment Neighborhoods (TIN). CDCs connect their neighborhoods with city programs and assist residents and investor-owners with knowledge regarding how to access neighborhood and housing improvement resources. Nationally, CDCs have become significant players in improving the quality of life and economic opportunities in many of the country's most distressed communities.

Community-based housing development organization (CHDO) is a designation created by HUD and required for the HOME program for nonprofit, community organizations providing affordable housing for low-income individuals and families. CHDOs are eligible for special HOME set asides (a minimum of 15% of the participating jurisdiction's HOME allocation) for

housing developed, sponsored and owned by CHDOs, including new construction, acquisition, and rehabilitation of rental housing.

### *Operations within metro Milwaukee*

Across Milwaukee, numerous CDCs undertake projects and initiatives to improve area neighborhoods. Housing is usually one among a long list of organizational priorities, competing for limited staff time, attention, and funding. Little recent analysis exists on Milwaukee CDCs engaging in housing, but there is a feeling among local experts that few CDCs and CHDOs have sufficient capacity to undertake affordable housing development. The most recent formal analysis to shed light on CDC efforts was a 1999 study conducted by the University of Wisconsin-Milwaukee's Center for Economic Development, which looked at Milwaukee's CDCs' activities, budgets, and staffing with an eye to organization involvement in economic development. Interpolation of the research reveals 16 of the 49 CDCs profiled indicating some level of program or activity related to housing. Activities included rental rehabilitation, promotion of home improvement programs available through the City of Milwaukee, and transitional housing.<sup>46</sup>

While CHDOs have a narrower focus on housing, Milwaukee's pool of CHDOs is limited. There are nine certified CHDOs in the city and one CHDO in the county that qualify for HOME funds. A further sign of the limits of local nonprofit housing developers is the recent designation by Milwaukee County of a Madison nonprofit, Movin' Out Inc., as its certified housing contractor to manage and develop low-income housing for people with disabilities in the county.<sup>47</sup>

### *Capacity to impact problems and gaps outlined in Section I*

CDCs across the nation have made a significant contribution to increasing the number of affordable housing units over the past 30 years, either through new construction or rehabilitation,<sup>48</sup> but Milwaukee-area CDCs that have attempted to focus on affordable housing have struggled. One potential explanation is that while many CDCs that work on social programs (homebuyer education, GED assistance, career assistance, etc.) and neighborhood improvements (streetscaping, lighting, trash removal, graffiti abatement, etc.) have low costs and government-subsidized budgets, and require modest staff expertise, CDCs focused on developing affordable housing require extraordinary upfront (predevelopment) cost outlays and highly specialized staff.

The upfront money needed to acquire and rehab housing units can severely challenge a small (or even a large) CDC, especially if the neighborhood cannot attract qualified buyers or the market

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<sup>46</sup> It is important to note that the study assessed Milwaukee's CDCs economic development capacity and not housing. Any indications of a CDCs housing activity or mission were secondary. No similar study has considered Milwaukee's CDCs housing activities.

<sup>47</sup> "Madison Firm Could Develop Low-Income Housing in County," Milwaukee Journal Sentinel. March 9, 2009. Accessed from <http://www.jsonline.com/news/milwaukee/40986332.html>.

<sup>48</sup> National Congress for Community Economic Development. [Reaching New Heights: Trends and Achievements of Community-Based Development Organizations, 2005 NCCED Census.](#)

has an unexpected downturn. Also, the expertise needed to put together the planning and financing for new construction projects often is beyond the scope and far above the resources of most local CDCs. Some local CDCs that have collapsed under the weight of unsuccessful affordable housing projects include: Community Development Corporation of Wisconsin (1989 - 1999); Walkers Point Development Corporation (1980 - 2002); Neighborhood Housing Services (1979 - 2005); and, most recently, West End Development Corporation (1972 - 2008), which had to dissolve when it was unable to sell and lease the units and space in its latest project, the West Point condominium and retail project. These CDCs were all respected players who provided needed services and affordable housing units to their low-income communities, and their demise has left many civic leaders disenchanted with the concept of the CDC as a viable solution to community revitalization.

A 1999 study<sup>49</sup> of Milwaukee's affordable housing challenges issued three recommendations, which have yet to be heeded:

- Civic leadership emphasizing the importance of community development's role as neighborhood problem-solver.
- More attention and resources devoted to building organizational capacity among the community-based development organizations of Milwaukee.
- Key funders and financing sources must develop a more systematic approach to supporting projects, so that all organizations know how to access needed capital in a timely and cost-effective manner.

Lack of nonprofit capacity prevents Milwaukee from accessing Federal dollars and leveraging private investment. For example, two supportive housing programs administered by HUD—Section 811: Supportive Housing for Persons with Disabilities and Section 202: Supportive Housing for the Elderly—provide assistance to nonprofits to construct, rehab, or acquire properties to provide supportive rental housing for very low-income adults with disabilities and very low-income elderly. Interviewees note that the scarcity of CDCs and CHDOs with housing development and management experience has negatively impacted efforts to draw down these dollars, leaving resources on the table that could provide affordable housing to persons with special needs and other low-income populations.

On a more positive note, some local CDCs are undertaking strategies to boost affordable housing efforts without overextending organizational capacity. Several local CDCs have partnered with for-profit developers (e.g. Gorman & Company, Cardinal Capital, Commonwealth Development) and non-profit developers (e.g. CommonBond Communities, Heartland Alliance, Mercy Housing) to successfully develop and/or launch projects consistent with their mission. This approach takes advantage of the CDC's local ties to garner political support as well as public and philanthropic funding for the project, while utilizing the housing developer's financial capacity, infrastructure, and expertise to implement the project plan. Most important, the CDC is able to focus its efforts on service delivery rather than getting bogged down in the complex details of housing construction. Additionally, CDCs have been successful recently in reaching out to

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<sup>49</sup> Weinheimer & Associates. "Overview of Milwaukee Community Development: Building Systemwide Solutions."

corporate sponsors (such as Harley Davidson and Wheaton Franciscan Health Care-St. Josephs Hospital) to revitalize the neighborhoods adjacent to the corporations.

In light of recently decreasing federal dollars for building new affordable housing and maintaining the existing stock, as well as the aging stock of affordable units in the private market, innovation has been a necessity. A report issued by the Brookings Institution<sup>50</sup> recommends that in addition to partnering with for-profit and non-profit developers and corporations, housing organizations need to “cultivate alliances with religious congregations, labor unions, environmental organizations, and others interested in smart growth.” This advice may be useful to Milwaukee housing organizations, some of whom have begun to build such alliances, including partnering with religious organizations.

### *Investor-Owners (landlords)*

*What are they?*

Investor-owners range in size from small “mom and pop” landlords who own one or two duplexes or four-family units to larger private investors who own dozens of small and/or large multi-unit buildings.

### *Operations in metro Milwaukee*

As in most cities, the majority of housing for low-income families and individuals in Milwaukee is provided through private landlords. Yet the ability of the private housing market to serve those individuals is called into question by the fact that Milwaukee continues to have a high vacancy rate—almost 10 percent—despite persistent overcrowding and homelessness among lowest income renters, and despite data revealing that Milwaukee rents are more affordable than many comparable cities.

As discussed in Section I, one answer may be the disconnect between federal affordability standards and the incomes of Milwaukee’s lowest income residents. The HUD Fair Market Rent for Milwaukee County is \$839 for a 2-bedroom unit with all utilities (excluding phone). However, the average unit of these “most affordable low-end” units is only affordable to a full-time (2000 hours per year) worker earning \$9.50 per hour and spending 50% of his/her income on rent and utilities (as shown in **Table 16**).

Analysis of advertised rental units shows a substantial number of 2- and 3-bedroom units on the market (an average of 191 2-bedroom and 73 3-bedroom units) with far fewer 4-bedroom units (nine) available at or below Fair Market Rent.<sup>51</sup> Rents and utility costs for two-bedroom units

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<sup>50</sup> Salamon, Lester M., ed. *State of Nonprofit America*. Washington: The Brookings Institution Press, 2002.

<sup>51</sup> Analysis looked at three sources, Craigslist, *Milwaukee Journal Sentinel*, and Wisconsin Front Door Housing, online on March 11, 2009. It should be noted that the movement of apartment listings to the internet hinders low-income families, who often do not have internet access, in finding suitable housing.

average \$610 to \$670 monthly for a duplex and \$635 for an apartment.<sup>52</sup> Despite availability of rents below HUD FMR, our analysis reveals that very few advertised units are affordable to low-income workers earning \$6.50, \$8.00 or even \$9.50 per hour. **Table 16** presents what the advertised rent for a two-bedroom unit would have to be in order for a low-income worker to be able to afford it at either 30%, 40% or 50% of his/her monthly income, after factoring in an estimated energy assistance subsidy.

**Table 16: What a low-income household can afford for a two-bedroom unit**

Hourly Wage	\$6.50	What Listed Rent would have to be B4 subsidized budget energy bill of \$100* <sup>53</sup>	\$8.00	What Listed Rent would have to be B4 subsidized budget energy bill of \$115*	\$9.50	What Listed Rent would have to be B4 subsidized budget energy bill of \$135*
x 2,000 hrs yr	\$13,000		\$16,000		\$19,000	
30%	\$325	<b>\$225</b>	\$400	<b>\$285</b>	\$475	<b>\$340</b>
40%	\$433	<b>\$333</b>	\$533	<b>\$418</b>	\$633	<b>\$498</b>
50%	\$542	<b>\$442</b>	\$667	<b>\$552</b>	\$792	<b>\$657</b>

*Capacity to impact problems and gaps outlined in Section I*

When we talked to property managers and representatives from property management firms about vacancy issues, they underscored what they believe to be two main issues: First, the City of Milwaukee already has enough housing for low-income families—the need is not for more rental units, but for higher family incomes. Second, an abundance of renters in this category are simply unqualified due to past evictions, extremely poor credit, or criminal histories including drug convictions. Another issue raised by property managers is the city’s reluctance to hold tenants accountable for nuisance-related violations (noise, trash, abandoned vehicles, loitering, drugs, etc.).

These issues seem to be reinforced by one large property management firm that advertizes many units that offer only a \$100 security deposit “to qualified tenants with documented 3 year good rental history.” Others offer the first month’s rent free to “qualified” tenants. Currently, landlords are held accountable and fined for the behavior of their tenants, which is standard procedure in most cities because the landlord holds the power to screen tenants and evict those who are non-compliant.

Local programs could impact the vacancy rate by attempting to increase the number of qualified tenants. For example, a “certified renter” program could educate potential tenants about their responsibilities, teaching them to become better tenants. “Certified renters” could produce

<sup>52</sup> The lowest-cost duplexes had a monthly cost of \$525 to \$560 and the lowest cost apartment had a monthly outlay of \$555.

<sup>53</sup> Estimated balance of energy assistance is based on conversations with WE-Energies. The lower the income, the greater the assistance would be. These are rough estimate, as the formulas change based on the individual unit’s energy usage history.

decreased operating costs for property owners and more choices available to tenants with good rental histories.

Other policies could be aimed at assisting low-income families with rent in the private market. The City of Chicago has its own rental subsidy program to assist those earning below 30% of area median income. The program works much like the federally-funded Section 8 voucher program; however, it is funded at the local and state level through a Low-Income Housing Trust Fund. In 2007, the Trust Fund supported more than 2,800 affordable rental housing units, with more than 1,500 of those units rented to those earning below 15 percent of area median income. On average, the cost comes to about \$254 a month per unit – a cost that some argue is “a small price to pay to keep these families off of the streets and into decent housing.”<sup>54</sup> For more information, see section III.

In Milwaukee, while programs have been established to preserve current subsidized affordable housing (e.g. initiatives to avert expiring tax credit properties from going to market rate and use of HOPE VI funds to build or rehab new or existing units to replace aging public housing units), three quarters of the low-income families are served in the private sector in units with no housing subsidies. Thus, as funding for new affordable housing becomes more difficult to access, there is a risk that the affordable housing gap will be exacerbated if a significant portion of private-sector affordable housing is lost to disinvestment, demolition or abandonment. Although much of Milwaukee’s older housing stock is not in sufficient condition to adequately serve poor families, losing this stock in the absence of replacement units would result in increased overcrowding and homelessness issues, just as the tear-down of inadequate single-room occupancy units years ago contributed to greater homelessness.

One way to improve the current housing stock is to encourage private investor-owners to maintain and upgrade their rental properties through low-interest loans and forgivable grants to those who agree to rent to low-income families. This is a strategy for sustaining aging affordable rental housing stock, which would otherwise be lost to deterioration, abandonment, and disinvestment if investor-owners do not have access to capital. Also, with the increasingly high cost of energy—a burden often passed entirely to the renter—an emphasis could be on making units more energy efficient.

In Milwaukee, the Redevelopment Authority of the City of Milwaukee (RACM) has a Targeted Investment Neighborhood (TIN) program that encourages landlords to invest in their rental property through the Rental Rehabilitation Loan Program, which offers forgivable loans of up to \$10,000 for improvements to rental properties.<sup>55</sup> A shortage of funding prevents this well-intentioned program from meeting the enormous needs of the city’s aging rental housing stock.

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<sup>54</sup> John Petro, “Progressive Urban Model Policies: Chicago’s Rental Housing Fix,” DMIBLOG, 9/29/2008. Accessed at [www.dmiblog.com/archives/2008/09/progressive\\_urban\\_model\\_police\\_1.html](http://www.dmiblog.com/archives/2008/09/progressive_urban_model_police_1.html)

<sup>55</sup> The Rental Rehab Loan Program offers forgivable loans for rehabilitating rental properties located in a TIN. Generally units must have at least 2 bedrooms to qualify. Provided they meet other program requirements, landlords are eligible for forgivable loans of up to \$10,000 per unit. The loans bear no interest rate, and after 5 years they are forgiven. The owner must provide at least one matching dollar for each Rental Rehab dollar received. For example, a 2/2 duplex would be eligible for up to \$20,000 of Rental Rehab dollars if the landlord

## SUMMARY OF KEY FINDINGS

Milwaukee's community development organizations lack the capacity to play a large role in the creation of affordable housing solutions. Without a strategy to coordinate, increase and target private investment in affordable housing, development will continue to be ad hoc. Meanwhile, without stable sources of financing, affordable housing projects will be deemed too uncertain or risky for most private developers. As discussed in the first half of this section, unless more public financing somehow is made available to create this stability, additional private investments will be needed. To attract private investors, an integrated housing strategy and streamlined governance would be helpful.

The following summarizes key findings from this section:

**Key finding #1 – Public efforts are fragmented.** The multiplicity of public programs is confusing for both housing developers and investors, as well as for low-income renters. The fragmentation and arbitrary jurisdictional boundaries of these programs negatively impact regional systemic planning and policymaking.

*Implication: There is a need for more unified governance in select programmatic areas such as Section 8 vouchers to help increase service quality and impact.*

**Key finding #2 – The funding needs for affordable housing production, rehab and services is too large to be satisfied by public dollars alone.** While private donations in the form of corporate giving and foundation grants could help fill this need, these dollars also likely will not be nearly enough.

*Implication: To build a sizeable pool of private capital to fund affordable housing in the Milwaukee market, investment (as opposed to donations) is needed. Without a CDFI or pooled investment fund channeling private finance and making focused investments in affordable rental housing, development will continue to be ad hoc, unpredictable and insufficient.*

**Key finding #3 – There appears to be little stability, capacity or predictability in Milwaukee's current community development system.** The result is a multiplicity of housing entities and funding streams but limited capacity to respond to Milwaukee's affordable housing dilemma.

*Implication: The region might be able to attract more private and public investment if Milwaukee had a more coordinated and integrated affordable housing strategy. To this end, there appears to be a unique window of opportunity to build off the successes of the City-County Commission on Supportive Housing.*

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spends at least \$20,000 of his or her own (bank loan, cash, etc) funds. The landlord is required to spend his/her money first. Exterior code-related repairs such as roofing, siding, porch repairs; lead paint abatement including replacement windows; energy conservations; plumbing, electrical, heating; kitchen, bath, and other remodeling are possible.

## SECTION III: PROMISING PRACTICES

In this section, we highlight some programs employed by other cities and regions to make housing more affordable for low-income citizens. Although none offer an all-encompassing solution to Milwaukee's housing challenges, these practices might be applicable to those seeking solutions to Milwaukee's affordable housing needs. We describe five categories of promising practices: financing, capacity building, housing trust funds, special needs, and innovative ideas.

### FINANCING

Cities that possess a Community Development Financial Institution (CDFI) with the infrastructure, expertise and capacity to attract private investment have a sharp tool in their affordable housing toolbox. Milwaukee currently lacks a CDFI that focuses a significant portion of its time and resources on affordable housing, and thus misses out on opportunities to leverage investments from banks and other institutions that need to comply with federal Community Reinvestment Act requirements. While many CDFIs focus more holistically on community development projects (affordable housing, day care centers, small business development, schools, etc.), we feature two CDFIs that focus solely on creation of new and rehabbed affordable housing: Chicago's Community Investment Corporation (CIC), which serves the City of Chicago and surrounding areas; and the Community Preservation Corporation (CPC), which serves New York, New Jersey and Connecticut.

#### *Chicago's Community Investment Corporation (CIC)*

CIC is a "pooled-risk mortgage lender specializing in multi-family rehab in lower-income neighborhoods" that caters to "hands-on, cost-effective rehabbers/owners who are able to operate in low-income areas with little or no subsidy." CIC services include: standard loan products (80% of appraised value, 25- and 30-year loans and 20-year ARMs); fixed-rate loan products (10-, 15-, 20- and 30-year terms); a flex-fund program (liberal underwriting in areas with low appraisals despite reasonable cash flow and debt coverage); a controlled-subsidy program (small subsidies of up to \$5,000 per unit for rehabs); and working capital loans (for small contractors and owners acting as general contractors). Additionally, CIC runs a property management training program, a "troubled buildings initiative" (receivership of the worst buildings to provide rehab and management expertise), and an energy savers fund (for owners who make capital improvements to save on energy costs).<sup>56</sup>

Incorporated in 1984, CIC has expanded from an initial \$17 million operation from 14 investor banks to a \$556 million revolving loan pool with 50 investors in 2007. According to its web site, "CIC has made 1,405 loans resulting in the rehab of 39,000 units, and \$820 million in loans to about 110,000 Chicago area residents" since its founding. Projects receiving CIC funding are targeted to serve Chicago's low-income families. In 2007, the rent for 100% of the units receiving CIC loans was affordable to renters earning below 60% of the area's median-income, and 88% of the units were affordable to renters earning below 50% of the area's median income.

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<sup>56</sup> CIC 2008 Fact Sheet. Accessed at <http://www.cicchicago.com/htdocs/about/documents/2008FactSheet.pdf>

## *New York's Community Preservation Corporation (CPC)*

CPC makes construction, rehab, and refinancing loans in New York, New Jersey and Connecticut. It provides start-to-finish support and technical assistance for public, private and non-profit developer-borrowers, with “no deal too large, small or ‘unconventional’ for consideration.”<sup>57</sup> CPC’s structure as a CDFI allows it to provide loans for difficult-to-finance properties that might not otherwise qualify for standard bank financing, including very small properties and properties that may need subsidies.

The organization began as the non-profit New York City Community Preservation Corporation in 1974 to address problems with housing abandonment and deterioration in two city neighborhoods. The project expanded to 19 Neighborhood Preservation Areas by 1978 and “financed the rehabilitation of thousands of deteriorated and dilapidated apartments in uptown Manhattan, the Bronx, and central Brooklyn, and worked with government to reclaim devastated neighborhoods in Harlem, the South Bronx, and East New York.” Throughout the 1980s and 1990s, CPC expanded its service area to include other underserved areas of New York City and the states of New York, New Jersey and Connecticut. CPC works with local communities to build and preserve affordable housing, as well as to redevelop deteriorated downtown areas to create new housing opportunities.

Initially formed by an alliance of New York City's leading commercial banks and later savings banks, CPC was capitalized via two subscription agreements (a revolving credit agreement and a collateral trust note purchase agreement from its member banks), providing predictable and stable, yet flexible, funding. CPC has been self-sufficient since 1979 and has attracted other investors beyond the traditional banking community, including pension funds and secondary market institutions. As of 2007, CPC was supported by 80 member banks and insurance companies. Since 1974, CPC has made almost \$7 billion in loans and financed 150,000 affordable housing units.

## **CAPACITY BUILDING**

Community development corporations (CDC) play an important role in preserving existing and creating new affordable housing in Milwaukee; however, because Milwaukee’s CDCs are small, they have had limited success in taking on large real estate transactions or even piecemeal acquisition and rehabilitation projects. In addition, CDCs often lack the technical expertise and capacity of for-profit developers. Notes one researcher, “The specialized skills required to develop and manage assisted housing developments make these nonprofits hard organizations to staff and put them at constant risk of becoming alienated from the communities they are seeking to serve.”<sup>58</sup>

Strengthening the capacity of CDCs has yielded results in other cities, but because 75-80% of the low-income housing needs are met in the private market in Milwaukee, training and technical

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<sup>57</sup> [www.communitypc.com](http://www.communitypc.com)

<sup>58</sup> Salamon, Lester M., ed. *State of Nonprofit America*. 2002. P. 220.

assistance that assists small private investors also is needed. Other cities have found that a “one-stop” technical assistance agency can be an effective capacity-building tool for CDCs and investor-owners. Below we discuss the Chicago Rehab Network’s efforts to provide technical assistance and training to build CDC capacity. We also highlight two efforts that encourage private investment. The first is a program sponsored by New York’s Community Preservation Corporation that targets competent building superintendents and assists them in purchasing the buildings they supervise or other for-sale properties, and the second is a local program that encourages homeowners to invest in rental properties in their own neighborhoods.

### ***Chicago Rehab Network (CRN)***

CRN is a nationally recognized organization<sup>59</sup> that provides training and technical assistance for Chicago’s established and emerging community-based housing developers and CHDOs so that they can increase the supply of affordable housing. The organization also is leading an effort to prevent the loss of Chicago’s existing affordable housing stock through its Section 8 preservation initiative. To further support affordable housing efforts, CRN conducts research on affordable housing needs and advocates for housing policy on the city, state and federal level.

CRN’s web site characterizes it as a “citywide coalition of neighborhood and community based development organizations. Founded in 1977 by community groups seeking to pool expertise and share information, the coalition membership consists of over 40 housing organizations representing over 60 city neighborhoods. Over the years CRN’s members have created tens of thousands of affordable housing units and made a visible impact on some of Chicago’s most disinvested communities, while preserving affordable housing in some of its most rapidly gentrifying ones.”<sup>60</sup> The CRN is currently funded by a consortium of more than 20 banks, foundations, and public funding sources. The current coalition membership ranges from small, one-person offices to large citywide service providers.

### ***Community Preservation Corporation***

As discussed above, the CPC provides construction, rehab and refinancing loans in New York, New Jersey and Connecticut and various support and technical assistance for borrowers. The CPC also has implemented a unique marketing tool designed to attract and persuade building superintendents and property managers to become owners of multi-family buildings. Because many typical investors often have no real first-hand experience with the responsibilities that come with managing multi-family properties, and little ability to perform standard maintenance tasks, the CPC seeks out existing building superintendents and property managers who have that knowledge and experience and seeks to teach them the finance end of the business. The program is good business for the lender, because it not only draws new investors into the affordable housing market, but brings in investors whose hands-on property management experience gives them the best chance of success.

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<sup>59</sup> 2006: When the John D. and Catherine T. MacArthur Foundation decided to honor nine organizations with its new "Creative and Effective Institutions" awards, only two U.S.-based groups were chosen. The Chicago Rehab Network was one of those groups.

<sup>60</sup> [www.chicagorehab.org](http://www.chicagorehab.org)

## *City of Milwaukee*

The City of Milwaukee has a “Buy in Your Own Neighborhood” program that attempts to entice homeowners to buy a rental property within three blocks of their (owner-occupied) home. The city helps finance up to 20% of the buyer’s down payment, requiring only a 10% downpayment by the purchaser on an investment property that typically requires a 25 to 30% downpayment. Program participants also have access to landlord training and forgivable loans for eligible rehab repairs. The idea is to attract investors who are committed to a neighborhood with the hope they will be better landlords than absentee property investors. The program is available in target neighborhoods that lack sufficient private investment. The city provides landlord training to help ensure the investor’s success. The major disadvantage to this program is that there are limited funds and the program is available in only a small number of Targeted Investment Neighborhoods (TINs). Also, the city’s landlord training program only addresses landlord-tenant issues, and the training component could be enhanced to provide assistance to small landlords in other aspects of the business such as accounting, property management, property maintenance and financing.

## **HOUSING TRUST FUNDS**

According to the 2007 Housing Trust Fund Progress Report from the Housing Trust Fund Project, conducted by the Center for Community Change, “nearly 600 housing trust funds in cities, counties and states generate more than \$1.6 billion a year to support critical housing needs...They exist because community organizers, housing advocates and elected officials alike have agreed that a permanent stream of revenues for affordable housing should be a public priority.” Greater Milwaukee has made significant progress in this regard in recent years with creation of the City of Milwaukee’s Housing Trust Fund and two similar funds at the county level, but none of those efforts has been accompanied by predictable and secure funding sources, as we discussed in Section II. In addition, the dollar amounts that have been appropriated so far, while impressive in light of overall city and county budget challenges, pale in comparison to the county’s affordable housing needs. Below we highlight four housing trust funds operating in metro areas comparable to Milwaukee that have achieved the stability and scale desired by advocates of these efforts.

## *Indianapolis, Indiana*

The Indianapolis Housing Trust Fund is administered by Indianapolis’ Department of Metropolitan Development. According to Housing Trust Fund Progress Report, the fund “provides assistance in the form of low interest loans, loan guarantees, and grants to improve housing access and affordability, as well as improve neighborhoods by preserving and revitalizing existing housing and developing new housing.”

The Indianapolis Housing Trust Fund offers a flexible funding source to support the metropolitan area’s need for affordable housing. Like Milwaukee, Indianapolis has an available housing stock, but gaps exist in serving very low-income households. The housing trust fund’s structure allows the Trust Fund Advisory Board to target assistance to programs serving those at 80% of

Median Family Income (MFI), with at least 50% of the funding serving those below 50% of MFI.

A variety of projects including rental supports, development or acquisition of rental units, and homeownership programs have received grants through the fund's RFP process. Through the end of 2008, the Indianapolis Housing Trust Fund had allocated almost \$3.6 million, with 31% going to rent assistance projects. The form in which rental assistance is delivered varies based on project provider. However, assistance usually takes the form of one-time or short-term emergency assistance coupled with supportive services such as focused case management. Some programs offer longer-term rent assistance to target specific populations, such as women exiting the corrections system and pregnant or new mothers living on the edge of homelessness.

While the fund was formed in 2002, it was not funded until 2005 with \$300,000 from the city. In 2006, the city council approved an ordinance that provided the first permanent and regular funding source for the trust fund by allocating revenues associated with the electronic filing of property sales disclosure forms. That revenue source is expected to generate up to \$300,000 per year. In 2007, the Health and Hospital Corporation of Marion County, a municipal corporation that runs the county's health services department as well as a hospital, agreed to invest \$1 million per year in the housing trust fund, bringing the total to an estimated \$1.3 million per year.<sup>61</sup>

### *Chicago, Illinois*

Started in 1990, Chicago's Low-Income Housing Trust Fund focuses on increasing affordable rental housing for the city's lowest income households by providing rent subsidies, targeted developer financing and a supportive housing program. A combination of sources capitalize the fund, including discretionary monies from the City of Chicago's corporate fund, HOME and other federal assistance, developer fees, and proceeds from the privatization of the Skyway toll road connecting Illinois and Indiana.<sup>62</sup>

The Housing Trust Fund's primary focus is providing rental subsidies directly to landlords. The Rental Assistance Program allocates at least 50% of its rental subsidies to serve households earning less than 15% (\$11,310) of AMI and the remainder to households earning between 16 and 30% of AMI (\$22,600). In this place-based strategy, tenants pay a flat rent to the landlord. The city then pays the landlord (either nonprofit or for-profit) a subsidy equal to the difference between the flat rent and agreed-to market rent for the occupied unit.<sup>63</sup> To prevent landlord reliance on the housing trust fund for income, properties are limited to receiving rental assistance for no more than one third of a property's units.

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<sup>61</sup> *Indianapolis Housing Trust Fund Gets \$1 million Annual Boost*, press release, March 23, 2007.

<sup>62</sup> *Case Study: Chicago's Low-Income Housing Trust Fund*, HousingPolicy.org, [http://www.housingpolicy.org/toolbox/strategy/policies/housing\\_trust\\_funds.html?tierid=165](http://www.housingpolicy.org/toolbox/strategy/policies/housing_trust_funds.html?tierid=165).

<sup>63</sup> 2007 Rental Subsidy Application, [http://egov.cityofchicago.org/webportal/COCWebPortal/COC\\_ATTACH/2007RSPApplicationNov2006.pdf](http://egov.cityofchicago.org/webportal/COCWebPortal/COC_ATTACH/2007RSPApplicationNov2006.pdf).

During 2007, 2,548 units received rental assistance at a subsidy of \$11,297,262, or approximately \$370 per month per unit. The application process for new landlords has been closed since 2007 with all current funds being allocated for existing landlord agreements. Additional units were added in 2008 when additional funds were awarded through the State of Illinois Rental Housing Support Program.<sup>64</sup>

To further increase the supply of affordable rental housing, the Affordable Rents for Chicago (ARC) program, using a portion of HOME Investment Partnership money, awards developers “non-interest bearing loans on multi-unit rental buildings acquired or rehabilitated for low and moderate income housing.”<sup>65</sup> This forgivable loan can replace up to 50% of a developer’s first mortgage. Cost savings are to be used to reduce rents for low-income tenants earning no more than 30% of AMI.

Chicago’s Housing Trust Fund also supports a continuum of care strategy to provide supportive housing and efforts to reduce developers’ cost to provide affordable rental housing. The fund’s Supportive Housing Program combines rental subsidies and services to assist individuals and families in transition from homelessness to permanent housing.

### *Columbus/Franklin County, Ohio*

Established as an independent, nonprofit corporation in 2001, the Columbus/Franklin County Affordable Housing Trust Fund provides low-cost loans to for-profit and nonprofit housing developers who create rental and homeownership opportunities for low-income families. Projects include new construction and rehabilitation with the goal of serving “older and overlooked” areas of the city and county and stimulating housing development near employment centers. The Housing Trust reports it has spurred the development and redevelopment of 1,772 homes and apartments in the City of Columbus and Franklin County since it began.

The Housing Trust is particularly noteworthy because of the joint support provided by the City of Columbus and Franklin County. According to the fund’s president, Steve Gladman, creation of the fund started with the city of Columbus with full backing of the mayor. Franklin County support followed with initial funding from the county’s general fund. In an effort to minimize fluctuation in the county’s contribution due to changing budgetary constraints, Franklin County has since committed a portion of real estate transfer fees to capitalize the fund. Currently, Franklin County dedicates half of a \$1.00 increased real estate transfer fee to the fund while the City of Columbus provides a portion of hotel/motel taxes annually to maintain the fund’s capitalization.

Having a stable dedicated funding source and flexibility in loan underwriting enables the Housing Trust to serve a wider population and target its loan support, according to Gladman. Housing Trust staff work with developers to help make their projects viable. The fund offers

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<sup>64</sup> Accepting the Challenge: Chicago’s 5 Year Affordable Housing Plan for 2009-2013.

<sup>65</sup> Chicago Low-Income Housing Trust Fund: Affordable Rents for Chicago Program Description and Application, February 2005.

construction, acquisition, and bridge loans as well as gap financing and technical assistance. The Housing Trust's board of directors, made up of retired bankers, developers, and housing advocates who are jointly appointed and approved by the city and county, review and approve projects that meet basic lending and affordability requirements. Financing generally supports projects serving families up to 80% of AMI (\$51,000).

In 2007, the fund made \$7.3 million in loans. While the fund does not receive private investment (outside of some grants), it leveraged \$36.1 million in outside investment in 2007.<sup>66</sup> As a revolving loan fund, the Housing Trust Fund is growing each year. Last year was the first that the fund was self-supporting in that it was able to cover all of its administrative costs without tapping into funds from the city or county.

### ***King County, Washington***

One of the most commonly cited housing trust funds is a fund administered by King County, Washington's "A Regional Coalition for Housing (ARCH)." Located in the Seattle region, ARCH is an organization created and funded by 15 cities and King County "to preserve and increase the supply of housing for low and moderate income households in Eastside King County."<sup>67</sup> It seeks to accomplish that mission by coordinating resources and technical assistance for affordable housing developers throughout the region.

One of ARCH's primary functions is to administer the ARCH Housing Trust Fund, which has made more than \$23 million available to fund more than 2,300 units of affordable housing in East King County since 1993. These funds have been made available as both grants and low-interest contingent loans. Trust fund revenues are derived primarily from general fund and CDBG contributions from member municipalities.<sup>68</sup> The fund also is capitalized by payments by developers, loan repayments, interest earnings, and in-kind contributions from member municipalities such as fee waivers, infrastructure improvements, and contributions of land.

ARCH serves as the coordinator for the housing trust fund, assisting member jurisdictions in developing coordinated housing policy and matching prospective affordable housing developers with available funding. ARCH accepts financing applications and works with developers as they prepare applications and monitor awards. However, projects receiving funding are under contract with individual jurisdictions, which provide funding through a request for proposal process. Projects generally are matched with funding sources based on jurisdictional location, thus ensuring equitable distribution of funding and housing units between member jurisdictions. Parity formulas help guide municipal contribution to the trust fund based on city size and expected job and housing growth. According to ARCH's program manager, the parity goals coupled with yearly updates on municipalities' progress in meeting these goals "helps to create a spirit of the municipalities wanting to do their share in providing affordable housing to serve the region."

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<sup>66</sup> The Housing Trust, 2008 Annual Report, <http://www.thehousingtrust.org/2008AnnualReport.pdf>.

<sup>67</sup> ARCH website 3/18/2009.

<sup>68</sup> ARCH website 1/28/2009.

Grants and loans are distributed through a twice yearly request for proposals process, which emphasizes awarding applications that meet duration of affordability standards; serve low-income (50% of AMI) and moderate-income (80% of AMI) households; and address housing needs of targeted populations (56% families, 13% homeless, 19% elderly, and 12% special needs). Previous applicants include nonprofits, private for-profit developers, PHAs, and public development authorities, with partnerships strongly encouraged. Eligible activities include acquisition, pre-development costs, rehab, new construction, site development, direct tenant assistance programs and mixed income developments. Developers working with ARCH also may receive assistance through Impact Capital, a Washington State CDFI that also provides technical assistance.

ARCH's success has been attributed by outsiders to four key strategies: 1) Coordination and Leveraging (coordinating public resources and attracting private and non-profit investment); 2) Information Sharing (pooling technical resources and information across jurisdictions); 3) Technical Assistance; and 4) Community Participation and Leadership (promoting community involvement, information gathering and sharing and strengthening leadership).<sup>69</sup>

ARCH, meanwhile, attributes its accomplishments to its success in engaging a wide variety of diverse stakeholders to shape its direction. According to the organization's program manager, "The most important players are the community members who now sit on the advisory board, because they decide where the money goes. The next most important players are the business communities and local business chambers because they have a unique opportunity to share resources. Third, we build relationships with our grantees and support their housing projects beyond the funding allocation. The success of our housing trust fund lies in the participation of all these players."<sup>70</sup>

## **OTHER INNOVATIVE IDEAS**

### ***Corporate Neighborhood-focused Investments***

The City of Milwaukee Targeted Investment Neighborhood (TIN) program has been successful in bringing much-needed resources to areas in need. A model corporate partnership is the Harley Davidson TIN, centered in the eight-block neighborhood encompassing the Harley Davidson Corporate Headquarters. Since 2005, with substantial grants from the Harley Davidson Foundation, more than \$2 million in public and private resources have been invested in the Harley-Davidson TIN, paying for rehabilitation, home improvement, and neighborhood improvement projects.

On a larger scale, the Phillips Partnership in Minneapolis is spurring investment in the neighborhood surrounding Abbott Northwestern Hospital. The initiative was created in 1997 to "improve the long-term livability and health of the Phillips neighborhood." The Partnership includes Abbott Northwestern Hospital, Wells Fargo Bank, Hennepin County, the City of

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<sup>69</sup> [www.policylink.org/EDTK/HTF/action.html](http://www.policylink.org/EDTK/HTF/action.html)

<sup>70</sup> *Ibid.*

Minneapolis, the Metropolitan Council, Children’s Hospitals and Clinics – Minneapolis, the Minneapolis Foundation and Fannie Mae.<sup>71</sup>

According to the hospital website, the Phillips Partnership has mobilized more than \$30 million for investment in four core strategies: Public Safety, Jobs, Housing and Infrastructure. The housing strategies have included raising \$7.5 million for single-family and multiple-family housing improvements in an eight-block area west of Abbott Northwestern Hospital; rehabilitating 24 affordable apartments and funding exterior improvements on 69 other homes; and creating 360 new units of mostly affordable housing. Other initiatives include building 52 new owner-occupied homes to replace substandard rental housing.<sup>72</sup>

### ***Foundation-based Housing Initiatives***

The Fairfield County Collaborative Fund for Affordable Housing was created in 2006 by a consortium of mostly foundations and a few banks with a goal of increasing “the production of quality, affordable housing in Fairfield County [Connecticut] as well as preserve existing housing stock” by providing nonprofit housing developers with “general operating support grants, technical assistance, and organizational development services.”

After pooling their collective resources, the consortium selected the Local Initiatives Support Corporation-Connecticut (LISC) to manage the fund. The local consortium of private funders “have specifically developed this Collaborative Fund to support nonprofit housing developers, assisting them to increase housing production, preserve existing affordable housing stock, and develop community partnerships in support of affordable housing throughout Fairfield County.” LISC is responsible for managing the grants and grant-making process, providing technical assistance to grantees, managing funder relations, and identifying new funding opportunities. All funders actively participate in the grant making process.

### ***Section 8 Voucher Homeownership and Family Self-Sufficiency Programs***

Helping families achieve economic self-sufficiency is one way to encourage families to graduate from the Section 8 voucher program. HUD sponsors two initiatives connected with Section 8 that are designed to promote economic self-sufficiency for program recipients. The underutilized 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, while the family self-sufficiency program encourages communities to develop local strategies to help voucher families obtain employment that will lead to economic independence and self-sufficiency.

Local variations on these programs include the DuPage Housing Choice Homeownership Program in DuPage County, Illinois, and the Massachusetts Family Self-Sufficiency Program. The DuPage Housing Choice program provides low-cost home mortgages to current voucher (or

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<sup>71</sup> [www.abbottnorthwestern.com/ahs/anw.nsf/page/community\\_phillips](http://www.abbottnorthwestern.com/ahs/anw.nsf/page/community_phillips)

<sup>72</sup> [www.phillipspartnership.org/housing.html](http://www.phillipspartnership.org/housing.html)

eligible) families who earn 30 to 50 percent of the area AMI, or a maximum of \$35,500 per family. The minimum family income is \$10,300. The program relies heavily on pre- and post-purchase counseling as well as an emergency fund that allows homeowners to apply for a grant of one mortgage payment for repairs up to \$1,000. Additionally, the Robert Christ Fund allows eligible clients to apply for an emergency, no-limit loan to cover emergencies such as a furnace replacement.

The Massachusetts Family Self-Sufficiency Program (FSS) is a voluntary five-year program for families receiving Section 8 vouchers. The program helps families become financially independent by assisting them in obtaining employment designed to eliminate their need for public assistance. The PHA case managers work with local agencies to help FSS families define their goals and set up a plan to achieve them. Goals may include a good job, homeownership, college, and/or starting a business. An important component of this plan is to remove the disincentives to increasing income – when a family's income goes up, the PHA puts the money that is supposed to go to added rent payments into a special FSS bank account. The family receives the money when it completes the program.

## SECTION IV: POLICY OPTIONS

### KEY FINDINGS FROM SECTION I

- 1. Milwaukee's affordability crisis is driven by low household incomes, not high rents.**  
*Implication: Although not the focus of this study, any affordable housing strategy in Milwaukee would not be complete without a specific strategy to bolster low incomes.*
- 2. Milwaukee's housing affordability crisis is most severe among extremely low income households—those households making less than 30% of the Area Median Income.**  
*Implication: Aiming future comprehensive efforts to improve housing affordability in the Milwaukee area at the needs of Milwaukee County's lowest income earners would be the most impactful policy.*
- 3. The vast majority of Milwaukee County's low-income renters do not receive public rental subsidies or live in public housing.** *Implication: The private rental market must meet the needs of this population, likely requiring more investment into the production and rehabilitation of quality rental units for the lowest end of the income scale.*
- 4. The health of Milwaukee's current private rental stock is failing.** *Implication: More investment into the rehabilitation of privately-owned duplex and multifamily rental units affordable to those families at the lowest end of the income spectrum is needed.*

### KEY FINDINGS FROM SECTION II

- 1. Public efforts are fragmented. The diversity of public programs is confusing for both housing developers and investors, as well as for low-income renters.**  
*Implication: There is a need for more unified governance in select programmatic areas to help increase service quality and effectiveness.*
- 2. The funding needs for affordable housing production, rehab and services is too large to be satisfied by public dollars alone.** *Implication: Without a CDFI or pooled investment fund channeling private finance and making focused investments into affordable rental housing, development will continue to be ad hoc, unpredictable and insufficient.*
- 3. There appears to be little stability, capacity or predictability in Milwaukee's current community development system.** *Implication: The region might be able to attract more private and public investment if Milwaukee had a more coordinated and integrated affordable housing strategy.*

The key findings from our analysis of the current state of affordable rental housing in Milwaukee County and current efforts to improve housing affordability present two fundamental challenges to policymakers: 1) Reaching those most in need of affordable housing – the extremely poor; and 2) Maximizing the effectiveness of current public investments.

The overarching conclusion from Section I is that Milwaukee’s extremely poor households have significant difficulty accessing adequate housing not because rents are inordinately high, but because their incomes are so low. How to improve wages is an issue beyond the scope of this report, but obviously should be debated as part of any comprehensive effort to increase housing affordability. Meanwhile, until or unless incomes can be increased, improved access to rental subsidies for the extremely low income may need to be considered.

We also have found that there is a lack of units available to the extremely poor, which results primarily from two factors: the “squeeze” that results from families with slightly higher incomes renting units that would have been affordable to the extremely low-income; and the poor condition of many of the units on the private market. It is also worth noting that the squeeze documented in Section I undoubtedly has been exacerbated by the recent foreclosure crisis, which has caused large numbers of former homeowners to enter the rental market and some renters to be displaced because of foreclosed rental properties. Increased unemployment also adds to the pressures as households look for lower-cost housing to make ends meet.

Because most low-income families do not receive rental subsidies nor live in public housing units, maintaining and improving the condition of the current stock of affordable private rental units is paramount. Also, despite our finding that a sufficient number of units do exist, there may be a need for some new construction, either to replace deteriorated stock or to serve underserved areas. New construction, and rehabilitation of existing units, raises the question of funding: How can private investment best be maximized and leveraged? How can the community keep the private sector engaged in affordable housing during an economic downturn?

Notwithstanding the need to address issues of private sector participation, another critical step in increasing housing affordability is to ensure effective use of the public resources that are available for that purpose. Maximizing effectiveness will necessitate maximizing efficiency. In Section II we find there may be opportunities for consolidation among the public housing programs at work in Milwaukee County.

But perhaps more imperative than streamlining program administration is optimizing the use of public dollars by ensuring they are linked to an integrated, comprehensive affordable housing strategy. We suggest that such a strategy should be designed to provide additional affordable housing capacity and to specifically focus on the needs of extremely low income residents who are not being served by current public programs and the private market.

## POLICY OPTIONS

The following policy options are not mutually exclusive and, in fact, might work best if implemented in conjunction with one another. Some are similar to prior policy efforts in Milwaukee and some have yet to be tried here.

- 1. Convene a permanent affordable housing planning committee** made up of a vast range of stakeholders – city, county, non-profit community groups, financial institutions, business leaders, social service organizations, local HUD office representative, etc. Modeled after the 1987 Low Income Housing Task Force (see below), the 2006-07 Special Needs Committee, or even the Joint Review Board that screens planned tax-increment districts, this could be a permanent committee of people willing to work together to achieve a common policy goal, despite, or in conjunction with, whatever individual goals they or their employers may have. The foundation for this permanent committee might be found in the permanent Special Needs Housing Commission, or it could be created from scratch. However it is formed, the function of this committee would be to identify the most immediate affordable housing needs, predict long-term needs, and set common policy goals for meeting those needs.

The county planning committee also could work collaboratively with a newly formed committee overseeing development of a regional housing plan by the Southeast Wisconsin Regional Planning Commission, with a focus on establishing county-specific policy goals that will help achieve the goals of the regional plan.

### **History of similar efforts in Milwaukee:**

*The Low Income Housing Task Force (1987)* – The Task Force and corresponding report had four sponsors: the City of Milwaukee, the Greater Milwaukee Committee, the Task Force on Emergency Shelter and Relocation, and the Greater Milwaukee Conference on Religion and Urban Affairs. The Task Force was a seven-month initiative that functioned as a comprehensive planning and governing body and charged other entities with implementing the recommended action plan. The Task Force identified three priorities:

1. Family housing (low-income single parents with children)
2. Single room occupancy housing (low-income single adults)
3. Chronic mental illness (social service and housing needs)

The Task Force served as a convener of public, private and nonprofits on ways to coordinate public and private resources to address affordable housing needs. The committee's findings helped spur creation of the Milwaukee Neighborhood Partnership Initiative and the Milwaukee Housing Assistance Corporation that focused on city-wide housing development. In addition, the recommendations of the Task Force included the formation of a state-wide Housing Trust Fund, the endorsement of the Wisconsin Partnership for Housing Development (see

recommendation #2 below), and further coordination in the area of housing for the chronically mentally ill.

- 2. Establish an infrastructure (either built on existing agency capacity or new) to coordinate private investment capital from local and non-local lending agencies, foundations and corporations as they work with existing CDFI and CDC agencies.**  
The agency providing this infrastructure is most often a large CDFI focused on housing in other cities. It may or may not need to be a CDFI, or even one agency, in Milwaukee. The main requirement is that the work of the planning committee have a “home” in which common broad policy goals are coordinated with the more local or niche work of existing CDFI and CDC organizations. If the planning committee is to be tasked with developing policy, there must be a system in place for implementing the policy recommendations by structuring financing deals, coordinating projects, and streamlining governmental relations.

As in some other cities, a pool of “shared risk” private capital could be created, once this infrastructure is in place, to finance rental construction or rehab projects that further the community-wide goals established by the planning committee. In addition, technical assistance to build the real estate development acumen of area investor-owners and/or community development groups could be coordinated within this infrastructure.

While the planning committee’s goals could be implemented without one large CDFI as the lead organization, financial stability and predictability, like that found in the Chicago CIC, seem key to attracting private investment and financing long-term housing solutions. A combination of city, county and private components leverage private, foundation, and government monies. Because only CDFIs are eligible for some types of federal dollars, coherence among CDFI agencies is needed in Milwaukee to provide financing that covers the entire market, both geographically and functionally. In addition, the coordinated technical expertise and support that could be hosted in a broad-based CDFI would be important in order to link the focused work of specialty agencies with the county-wide goals of the planning committee.

#### **History of similar efforts in Milwaukee:**

*Housing Partnership Corporation (HPC)* – Operating from 1987 to 1999, the HPC was a lending consortium that secured initial commitments of \$7 million from 13 private corporations and public agencies to capitalize a Milwaukee-based revolving loan fund. It subsequently recruited new participants and secured additional commitments totaling another \$15 million. The HPC coordinated underwriting and closing of \$18 million in loans on 1,000 homes and apartments.

*Housing Equity Fund, Inc. (1989-1999)* – This was a partnership of Milwaukee corporations who committed more than \$20 million over nine years to make equity investments in housing projects under the federal Low-Income Housing Tax Credit program.

HPC and the Housing Equity Fund provided targeted funding for affordable housing. While both funds have ceased operation, the substantial private and public contributions amassed illustrate a community commitment to affordable housing. The partnerships broke new ground in Milwaukee, spurring collaboration between private investors and subsequent investment in Milwaukee's neighborhoods, creating safe and affordable housing. Despite these successes, the effort disbanded as a result of waning investor confidence and loan losses as many nonprofit housing developers failed in the 1990s. In developing a new or building on existing financial intermediaries to meet broad-based affordable housing goals, leaders must be cognizant of the disillusionment that accompanied the termination of these and other past initiatives. This will mean re-engaging private investors and other stakeholders and creating confidence in the system or entity taking on this task.

**3. County contract with City to administer Section 8.** The Housing Authority of the City of Milwaukee (HACM) could manage the county's Section 8 program under a contractual agreement with the county. Rather than a full consolidation of the city's and county's Section 8 programs, which would most likely have large upfront merger costs and would face thorny logistical obstacles, this scenario offers the following advantages:

- Quality of service: Because HACM can offer more “wrap-around” support service for clients, housing problems could be treated more holistically.
- Optimal use of federal money: By taking advantage of economies of scale, administrative efficiencies could be realized and more money could be available for vouchers.

Because the county has experience contracting out other services, this would not be breaking new ground and could be modeled after the most successful county service contracts. By utilizing HACM as a vendor, the county would retain authority and accountability for its Section 8 funds while realizing administrative efficiencies.

Whether or not this type of collaboration would result in greater access to affordable housing is not certain and should be studied further. However, a similar partnership is being explored between the city of Madison and Dane County and could have lessons for Milwaukee.

**4. Secure stable public funding source for a consolidated city/county housing trust fund.** 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. Most private capital contributions to housing trust funds have been either in the form of one-time donations or tied to the workforce housing needs of large suburban employers in fast growing ex-urban areas (i.e. Silicon Valley). Thus, housing trust funds do not appear to be an effective mechanism for eliciting private investment in affordable housing initiatives and must be capitalized with public resources.

There are many models for dedicated public funding for housing trust funds, some of which have been debated in Milwaukee, such as a real estate transfer fee, which is the most common funding source for housing trust funds elsewhere. Other models include developer impact fees on new commercial developments (called linkage fees), utility user fees for property owners, developer fees in lieu of inclusionary residential zoning requirements, demolition fees, hotel/motel taxes, and dedicated portions of the increment resulting from a tax increment district. While housing trust funds that do not have dedicated funding sources are not uncommon, they usually are seen as precursors to the establishment of a fund with a dedicated revenue stream.

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 ensuring that the dedicated funding source would be used in a coordinated manner to further the broad policy goals of the planning committee. A consolidated fund also would have more flexibility to respond to emergency situations, such as the foreclosure crisis or a natural disaster, by reducing the red tape that 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. One caution, however, would be the need to ensure that any consolidation effort not negatively impact the need to sustain the significant progress that has been made in addressing supportive housing for persons with mental illness.

- 5. Addressing the need for additional rent assistance.** Increasing access to rent subsidy programs could help the community gain traction on the income side of the housing gap. Coordinated administration of the city and county Section 8 voucher programs may help to some extent, but clearly will not come remotely close to providing access to Section 8 vouchers for all eligible individuals who are seeking them. Another option is to create access by increasing the monies available to subsidize rents. As there is little indication that more federal money will be made available for this purpose, state, local or private funds would be needed.

Local rent assistance programs are not uncommon, although not many seem to imitate the federal mode of ongoing assistance, but instead provide assistance on an emergency basis. The Department of Neighborhood Development of the City of Kalamazoo, Michigan, grants short-term rent assistance to households at risk of becoming homeless, for example. This type of short-term assistance is more often funded with private dollars and is nearly always aimed at specific constituencies, such as those facing eviction, people with disabilities, or the elderly. However, federal HOME monies can be used to fund a local rent subsidy program under federal rules and are a source to investigate further.

Utilizing a housing trust fund that has a dedicated revenue stream as a funding source for a local rental subsidy program is another model. A trust fund rental subsidy could

operate on an emergency basis or, depending on the fiscal capacity of the fund, could provide ongoing support similar to the city of Chicago or the federal model.

Some unique opportunities can arise from a local rent subsidy program, including an opportunity for the program administrator to collaborate and connect with individual landlords, to work directly with tenants who may need education regarding their responsibilities, and to coordinate with other state and local benefit programs serving the same population.

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). Hopefully, the data collected and analyzed in this report, and its conclusions and recommendations, will encourage policymakers to revisit the affordable housing issue with increased urgency and a greater sense of collaboration and innovation.

## **APPENDIX A: COMPLETED INTERVIEWS**

Bob Berlan, Retired Director, Community Planning and Development, U.S. Department of Housing and Urban Development, Milwaukee Office

Lynnell Carleton, Director of Compliance and Affordable Housing, Ogden & Co.

Marty Collins, Former City of Milwaukee Department of Neighborhood Services Commissioner

Steve Falek, Associate Director, Housing Authority City of Milwaukee

Steve Gladman, President, The Affordable Housing Trust for Columbus and Franklin County

Jesse Greenlee, WHEDA, Milwaukee County WHEDA Representative

Jim Hill, Administrator, Milwaukee County Housing Division

Susan Lloyd, Senior Advisor, Zilber Family Foundation

Vincent Lyles, President, M&I Community Development

Cathie Madden, Board Member, Housing Trust Fund

Richard Manson, Vice President of Northeast Region, Local Initiatives Support Corporation

Rocky Marcoux, Commissioner, Department of City Development

John G. Markowski, President, Community Investment Corporation (Chicago, IL) and former City of Chicago Housing Commissioner

Bobbi Marsells, Assistant Secretary, Housing Authority City of Milwaukee

Michael Martin, Senior Community Planning and Development Representative, U.S. Department of Housing and Urban Development, Milwaukee Office

Gené Moreno, Chicago Rehab Network

Jim Naremore, Grants Manager, Indianapolis Department of Metropolitan Development

Tony Perez, Executive Director, Housing Authority City of Milwaukee

William Perkins, Executive Director, Wisconsin Partnership for Housing Development

Maria Prioletta, Program Director, Department of City Development

Kim Queen, Field Coordinator for MPI Property Management and Board Member of the Apartment Association of Wisconsin

Leo Ries, Executive Director, LISC Milwaukee

Noraen Saldivar, Chicago Department of Community Development

Patrick Schloss, Community Development Manager, City of West Allis

Mike Schubert, Consultant, Greater Milwaukee Foundation (Healthy Neighborhoods Initiative)

Arthur Sullivan, Program Manager, ARCH

Blair Williams, President, Wired Properties

## **APPENDIX B: GLOSSARY OF TERMS AND ABBREVIATIONS**

ACS – American Community Survey (ACS). This annual survey conducted by the U.S. Census Bureau provides data based on a sample of the U.S. population. The results are designed to “tell us what the population looks like and how it lives [and] helps communities determine where to locate services and allocate resources.”

AMI – Area Median Income. HUD currently defines Milwaukee County’s AMI to include Milwaukee, Waukesha, Ozaukee and Washington Counties. HUD sets the 2008 AMI at \$67,700.

CBO – Community Based Organization. Local non-profit organizations that seek to address social issues in a particular neighborhood or community.

CDBG – Community Development Block Grant. HUD monies awarded to entitlement community grantees to carry out a wide range of eligible activities including those related to housing, neighborhood revitalization, economic development, and improving community facilities and services with the principal intent of serving low- and moderate-income households or eliminating blight.

CDC – Community Development Corporation. CDC’s are local, non-profit, community-based organizations that engage in a range of activities including community building, housing development, and business development, in an effort to revitalize and/or stabilize communities.

CDFI – Community Development Financial Institution. CDFIs are financial institutions that provide credit, capital and financial services to small businesses, nonprofits, low-income individuals, and others underserved by mainstream financial institutions. CDFIs take a variety of forms including banks, loan funds, and venture capital funds.

CHAS – Comprehensive Housing Affordability Strategy. The CHAS is a requirement of the National Affordability Housing Act of 1991 and a component of a municipality’s Consolidated Plan, which must be filed in order to receive HUD block grants, including CDBG and HOME . The CHAS data file is a HUD sponsored data system, which includes extensive data on a variety of physical and financial housing characteristics and needs categorized by HUD-defined income limits (30, 50, and 80 percent of AMI) and HUD-specified household types.

CHDO – Community-Based Housing Development Organizations. A CHDO is a private nonprofit, community-based service organization whose primary purpose is to provide and develop decent, affordable housing for the community it serves. A portion of HOME funds are set aside for exclusive use by certified CHDOs.

CIC – Chicago Investment Corporation. A Chicago area Community Development Financial Institution.

CMI – County Median Income. HUD sets the Milwaukee County 2004 CMI (by household) at \$39,481.

CoC – Continuum of Care. The Continuum of Care is a collaboration of local community-based organizations in Milwaukee that plans, organizes and delivers housing and services to meet the specific needs of people who are homeless as they move to stable housing and maximum self-sufficiency. It also is the entity that applies for and distributes certain HUD homeless assistance funds in Milwaukee and conducts long-range planning designed to end homelessness and prevent a return to homelessness.

CPC – Community Preservation Corporation. CPC is a private, not-for-profit corporation sponsored by more than 90 commercial banks, savings institutions and insurance companies, who contribute capital and participate in lending activities to stabilize, strengthen and sustain low- and mixed-income communities in the Greater New York area.

CRA – Community Reinvestment Act. The CRA, established by Congress in 1977, requires that deposit-taking financial institutions offer equal access to lending, investment and services to all those in an institution's geographic assessment area—at least three to five miles from each branch.

CRN – Chicago Rehab Network. A citywide coalition of neighborhood and community based development organizations developed to pool expertise and share information.

EQ2 – Equity Equivalent Investment. An EQ2 is a loan to nonprofit community development and lending organizations that behaves like equity but is actually deeply subordinated debt.

FSS – Family Self-Sufficiency Program. A HUD program that encourages communities to develop local strategies to help Section 8 voucher families obtain employment that will lead to economic independence and self-sufficiency.

GAO – Government Accountability Office

Gap Financing – Subsidies needed to make an affordable housing project break even.

HACM – Housing Authority City of Milwaukee

HOME – Home Investment Partnership Program. HOME is the largest Federal block grant to State and local governments designed exclusively to create affordable housing for low-income households. HOME provides housing funds that are distributed from HUD to units of general local governments and States. Funds may be used for new construction, rehabilitation, acquisition of standard housing, assistance to homebuyers, and tenant-based rental assistance.

HOPE VI – Program for Revitalization of Severely Distressed Public Housing, focusing on three general areas: physical improvements, management improvements, and social and community services to address resident needs.

Housing First – A strategy to provide homeless households quick access to housing and provide services as needed. The emphasis is on providing permanent housing rather than service delivery.

HTF – Housing Trust Fund. Housing trust funds are distinct funds established by city, county or state governments that typically receive ongoing dedicated sources of public funding (and sometimes private) to support the preservation and production of affordable housing and increase opportunities for families and individuals to access decent affordable homes.

HUD – U.S. Department of Housing and Urban Development

HUD Entitlement Communities – Principal cities of Metropolitan Statistical Areas (MSAs), other metropolitan cities with populations of at least 50,000, and qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities). HUD determines the amount of each entitlement grant by a statutory dual formula which uses several objective measures of community needs, including the extent of poverty, population, housing overcrowding, age of housing and population growth lag in relationship to other metropolitan areas.

LIHTC – Low-Income Housing Tax Credits. A provision in Section 42 of the IRS Code that allows investors to receive a credit against Federal tax owed in return for providing funds to developers to help build or renovate housing that will be rented only to lower-income households for a minimum period of years.

LISC – Local Initiatives Support Corporation. LISC is a national organization that also has local offices, including one in Milwaukee. LISC’s mission is to mobilize corporate, government and philanthropic support to provide community development organizations with loans, grants and equity investments; and to provide local, statewide and national policy support, and technical and management assistance (LISC).

MCHD – Milwaukee County Housing Division

Moving to Opportunities Program – A HUD 10-year research demonstration that combines tenant-based rental assistance with housing counseling to help very low-income families move from poverty-stricken urban areas to low-poverty neighborhoods (HUD).

PHA – Public Housing Authority. A PHA is an entity responsible for the management and operation of a local public housing program. Other responsibilities may include homeownership opportunities for qualified families; employment training opportunities, and other special training and employment programs for residents; and support programs for the elderly.

Public Housing – Subsidized rental units that are owned and operated by local public housing agencies and are leased to low-income and very low-income persons and families. Utilities are included in the rent.

RACM – Redevelopment Authority City of Milwaukee. RACM is an independent corporation created by state statute in 1958 to eliminate blighting conditions that inhibit neighborhood

reinvestment, to foster and promote business expansion and job creation, and to facilitate new business and housing development.

**Safe Haven** – A HUD term used to describe a residential treatment facility that provides housing, services, and treatment over an extended period of time to a maximum of 25 tenants. The purpose of the Safe Havens is to provide individuals who have been homeless and who have mental illnesses with a safe place to live, while the staff build relationships with residents, encouraging them to accept treatment, obtain medical care, and, once the resident is ready for mainstream services, place them into a more permanent housing and treatment program.

**Section 42 Low-Income Housing Tax Credit** – See LIHTC

**Section 202: Supportive Housing for Elderly** – A HUD sponsored program that provides financing to nonprofit entities to develop affordable housing for the elderly. Units developed with these funds are restricted to persons who are at least 62 years of age and have incomes below 50 percent of their area’s median income. Section 202 units, typically one-bedroom apartments with kitchens and baths, include special features such as nonskid flooring, grab bars, and ramps to help older persons remain safer and more independent as they age. Many Section 202 facilities provide access to supportive services such as home-delivered meals, housekeeping, and transportation to community health providers.

**Section 811: Supportive Housing for Persons with Disabilities**—A HUD sponsored program that provides financing to nonprofit entities to develop affordable housing for persons with disabilities. HUD also provides rental assistance under this program to cover operating costs of the project. Resident eligibility is restricted to households making less than 50% of AMI and having at least one member (18-years or older) with a physical or developmental disability or chronic mental illness.

**SMCDA** – South Milwaukee Community Development Authority

**Shelter+Care** – A HUD program designed to provide housing and supportive services on a long-term basis for homeless persons with disabilities, (primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS) or related diseases) and their families who are living in places not intended for human habitation (e.g., streets) or in emergency shelters. The program allows for a variety of housing choices, and a range of supportive services funded by other sources, in response to the needs of the hard-to-reach homeless population with disabilities.

**TIF** – Tax Incremental Financing. TIF is designed to channel funding toward improvements in distressed or underdeveloped areas where development would not otherwise occur. TIF creates funding for public projects that may otherwise be unaffordable to localities. Increment Financing dedicates tax increments within a certain defined district to finance debt issued to pay for the project. Once the debt is paid, the district is retired and goes back on the tax rolls.

**TIN** – Targeted Investment Neighborhood. TIN focuses resources on a small neighborhood (six to twelve block area) for three years and is designed to sustain and increase owner-occupancy;

provide high quality affordable rental housing; strengthen property values; and improve the physical appearance and quality of life of neighborhoods through low interest and/or forgivable loan products (City of Milwaukee DCD).

WAHA – West Allis Housing Authority

WHEDA – Wisconsin Housing and Economic Development Authority