

Minutes of the Tenth Meeting of the

REGIONAL HOUSING PLAN ADVISORY COMMITTEE

DATE: January 26, 2011

TIME: 1:30 p.m.

PLACE: Tommy G. Thompson Youth Center, Banquet Room 2
State Fair Park
640 S. 84th Street
Milwaukee, Wisconsin

Members Present

William R. Drew Executive Director, Milwaukee County Research Park,
Chairman Commissioner, Southeastern Wisconsin Regional Planning Commission
Julie Anderson Director, Racine County Planning and Development
Michael Cotter Director, Walworth County
Land Use and Resource Management Department
Joe Heck Assistant Director, Racine Department of City Development
Jeff Labahn Director of City Development, City of Kenosha
J. Scott Mathie Director of Government Affairs, Metropolitan Builders Association
George Melcher Director of Planning and Development, Kenosha County
Michael Murphy Alderman, City of Milwaukee
Linda Olson Director of the Aging and Disability Resource Center, Washington County
Antonio M. Pérez Executive Director, City of Milwaukee Housing Authority
Brian Peters Housing Policy Advocate, IndependenceFirst
Kim Plache Senior Community Relations Officer, Milwaukee Office of WHEDA
Maria Prioletta Housing Development Director,
Milwaukee Department of City Development
Kori Schneider-Peragine Senior Administrator, Inclusive Communities Program,
Metropolitan Milwaukee Fair Housing Council
Dale R. Shaver Director, Waukesha County Department of Parks and Land Use
Michael J. Soika Executive Director, YMCA Urban Campus, Milwaukee
Andrew Struck Director, Ozaukee County Planning and Parks Department
Marne Stück Government Affairs Director, Greater Milwaukee Association of Realtors

Guests and Staff Present

Stephen P. Adams Public Involvement and Outreach Manager, SEWRPC
Nancy M. Anderson Chief Community Assistance Planner, SEWRPC
Damon M. Dorsy Director of Economic Development, Milwaukee County
Gary K. Korb Regional Planning Educator, UW-Extension/SEWRPC
Cathie Madden Milwaukee Housing Trust Fund and Local Initiatives Support Corporation
Benjamin R. McKay Principal Planner, SEWRPC
Tom Nelson Fair Housing Director, Milwaukee Office of HUD
Christopher D. Parisey Planner, SEWRPC
Karyn Rotker Senior Staff Attorney, ACLU of Wisconsin
George Sanders Citizen
Monica Wauck Urban and Regional Planner, Wisconsin Department of Transportation
Kenneth R. Yunker Executive Director, SEWRPC

CALL TO ORDER

Mr. Drew called the meeting of the Regional Housing Plan Advisory Committee to order at 1:35 p.m., welcoming those in attendance. He introduced Marne Stück, Government Affairs Director for the Greater Milwaukee Association of Realtors, who will be representing the real estate community on the Committee. Mr. Drew then introduced Tom Nelson, Fair Housing Director for the Milwaukee Field Office of HUD. Mr. Nelson explained that he will be attending Committee meetings to answer questions and present information about HUD programs and policies. He stated that HUD did not accept an offer to serve on the Regional Housing Plan Advisory Committee because HUD provides funding to local governments within the Region and his membership on the Committee could potentially create a conflict of interest.

APPROVAL OF MEETING MINUTES OF DECEMBER 1, 2010

Mr. Drew asked if there were any questions or comments on the December 1, 2010, meeting minutes. There were none. Hearing no comments, Mr. Drew asked for a motion to approve the meeting minutes. Mr. Struck made a motion to approve the minutes from the December 1, 2010, meeting. Ms. Schneider-Peragine seconded the motion. There being no further discussion, the minutes were approved unanimously by the Committee.

DISCUSSION OF THE PRELIMINARY DRAFT OF CHAPTER IV, PART 3, “HOUSING FORECLOSURE ACTIVITY IN THE REGION,” OF THE REGIONAL HOUSING PLAN

Mr. Drew asked Mr. McKay of the Commission staff to review the preliminary draft of Chapter IV, Part 3, “*Housing Foreclosure Activity in the Region*,” of the regional housing plan. The following discussion points and comments were made during the review:

1. Mr. Peters asked if it is more profitable for a lender to go through the foreclosure process instead of re-negotiating mortgage loan terms for a household that cannot afford to make its mortgage payments. Ms. Prioletta responded that foreclosed properties often sell for 30 to 40 percent of the assessed value and that it is typically more profitable for a lender to work with the existing homeowner to re-negotiate more affordable mortgage terms. Mr. Nelson noted that if a lender goes through the foreclosure process they may be able to collect mortgage insurance based on the value of a home when it was purchased, which may be more than the current value. He also noted that some lenders consider allowing a household to live in a home they cannot afford a “moral hazard” that may encourage risky borrowing by others.
2. Mr. Murphy noted that the City of Milwaukee will be publishing a report that provides a snapshot of the foreclosure situation within the City. He suggested that detailed charts from the City’s report could be added to the foreclosure section of the regional housing plan. He noted that there are currently 6,400 homes in the City in pre-foreclosure and 10,000 homes in the City entered the foreclosure process in the last two years. The recent foreclosure activity has cost the City \$16.4 million in lost property taxes. He also noted that 2,000 homes are anticipated to begin foreclosure following a settlement in a lawsuit involving the Bank of America. He stated that the City’s report will include strategies to mitigate the foreclosure crisis and expressed interest in strategies other communities may have regarding the foreclosure crisis.
3. Mr. Drew noted that there is no incentive for lenders to re-negotiate mortgage terms with homeowners if they can receive more money through mortgage insurance. Mr. Murphy noted

that foreclosed properties typically sold for 70 percent of their assessed value four years ago and now they are selling at 50 percent of their assessed value. Sale values could drop to 20 percent of assessed value before the end of the foreclosure crisis.

4. Ms. Plache noted that the foreclosure crisis and other factors are creating a large supply of homes without market demand. She noted that a third wave of homes owned by baby boomers who are waiting until values recover to put their homes on the market may add to the oversupply of homes that includes the first wave of foreclosed homes caused by unsustainable mortgages and the second wave of foreclosed homes caused by job losses during the economic recession.
5. Mr. McKay noted that the Foreclosure Process in Wisconsin section will be revised to include information regarding the Federal Protecting Tenants at Foreclosure Act. He noted that Mr. Peters had provided staff with information regarding the Act, including the provision that allows tenants to remain in their homes for 90 days after confirmation of a sheriff's sale. Ms. Prioletta noted that there is a similar State law that allows tenants to remain in a foreclosed home for 60 days.
6. Mr. Pérez asked if the last sentence on page IV-20 reading "This is a concern because renters residing in foreclosed homes often have to move quickly to housing situations that may be less favorable" is anecdotal. Mr. McKay responded that the sentence was intended to be a restatement of the findings from the Urban Institute study titled, *Impacts of Foreclosures on Families and Communities*, which is referenced in the Negative Impacts of Foreclosures and Abandoned Homes section of the Chapter. Mr. Peters suggested removing the word "quickly" from the sentence.
7. Mr. Peters asked if Map IV-22 is showing detached single-family homes or residential structures with one to four units. Ms. N. Anderson responded that the Map shows single-family home data from the 2000 Census, which will be confirmed by staff. Mr. Pérez noted that the percentage of single-family homes seems too high in the census tract in the Northwest corner of the City of Milwaukee. Mr. McKay responded that the map is showing the percentage of single-family homes that are rented, so that percentage could still be high in a census tract that contains mostly multi-family housing. Mr. Cotter noted that the foreclosure cases as a percent of total housing units shown in the Town of Linn in Walworth County on Map IV-20 seems too high. Ms. N. Anderson noted that the Town of Linn is included in the same census tract as the Village of Genoa City and the Towns of Bloomfield and Walworth, so while the foreclosure rate may not be high in the Town of Linn, it is high in the entire census tract.
8. Mr. Mathie suggested adding information regarding unintended consequences of the Dodd-Frank Act in the Dodd-Frank Wall Street Reform and Consumer Protection Act section. He noted that new requirements for appraisals should be included in the discussion. Mr. Murphy noted that many of the problems experienced in the City of Milwaukee were related to people who had 30-year fixed loans falling victim to predatory refinancing loans. Ms. Prioletta noted that many of these homes are now falling into foreclosure. Mr. Murphy noted that this type of predatory lending has caused many stable homeowners in the City of Milwaukee to be displaced from their homes. Mr. Nelson noted that demand for mortgages created by the securities market encouraged careless loan underwriting practices and was a large contributing factor to the foreclosure crisis.
9. Mr. Mathie stated that appraisal guidelines of government sponsored enterprises (GSEs) Fannie Mae and Freddie Mac, which make it difficult to receive a mortgage loan sufficient for new home

construction, are included in the Dodd-Frank Act. Mr. Heck asked Mr. Mathie to clarify how this affects appraisals. Mr. Mathie stated that the guidelines were flawed because they encourage the inclusion of foreclosed properties in housing market evaluations. He noted that the cost of constructing a new home is already higher than buying a comparable existing home and the inclusion of foreclosed properties in the home market evaluation increases the gap between the loan amount lenders will offer and the cost of constructing a new home. This guideline has now been enacted into law through the Dodd-Frank Act. Mr. Murphy stated that the Act provides needed oversight in areas such as the securities market. Mr. Mathie stated that flaws of the Act relate more to the appraisal requirements. Mr. Drew requested that Mr. Mathie provide information to staff from an appraisal organization regarding significant difficulties with the Dodd-Frank Act that can be incorporated into the Chapter.

10. Ms. Plache stated that the GSEs, FHA, and mortgage insurance companies are setting credit standards higher for borrowers, which is limiting the number of low- and moderate-income households applying for home loans through WHEDA. Mr. Heck suggested the addition of an overview of the impacts of the credit market on borrowers and lenders, and stated that the difficulty in obtaining financing for home purchases is contributing to the soft housing market. Mr. Pérez noted that the Troubled Asset Relief Program (TARP) requirements have played a role in banks tightening credit. Mr. Murphy noted that banks that have repaid TARP loans have loosened credit requirements, but banks that have not repaid the loans still have strict credit requirements. Mr. Mathie stated that limited credit availability could be a combination of regulations and bank policies.
11. Ms. Prioletta noted that a lack of access to credit is impeding the economic recovery. Mr. Nelson noted that discrimination in access to credit has been unusual in recent years; however, there is a current HUD lawsuit against lenders that required higher credit scores than mortgage insurance companies, which had a disproportionately negative impact on the availability of credit in minority communities. Ms. Plache stated that the Committee should weigh in on the credit needs of minority communities. Stable lending institutions have always been conservative regarding loans they keep in house, FHA is becoming more conservative because they currently own so many marginal loans, and the GSEs and mortgage insurance companies are raising credit requirements. Credit education is becoming increasingly important.
12. Mr. Drew suggested that staff incorporate comments from the discussion into a revised draft of Chapter IV, which will include Parts 1, 2, and 3. The revised Chapter will be provided to the Committee for review at the next meeting.

DISCUSSION OF THE REVISED DRAFT OF CHAPTER VI, “HOUSING DISCRIMINATION AND FAIR HOUSING PRACTICES,” OF THE REGIONAL HOUSING PLAN

Mr. Drew asked Ms. N. Anderson of the Commission staff to review the revised draft of Chapter VI, “*Housing Discrimination and Fair Housing Practices*,” of the regional housing plan. She noted that major additions to the preliminary draft are underlined. They include written comments provided by Committee member Kori Schneider-Peragine and Karyn Rotker of the ACLU. In addition, the summary of impediments to fair housing identified by entitlement jurisdictions in the Region is complete. The following discussion points and comments were made during the review:

1. Mr. Drew referred to Part 1 of Chapter VI and noted that very few public housing projects were created by the Federal Urban Renewal Project in the City of Milwaukee and that public housing is

different in this respect than in other regions of the Country. Ms. Plache noted that public officials often have a misconception of public housing and Low Income Housing Tax Credit (LIHTC) developments.

2. Mr. Drew noted that many households leaving the City of Milwaukee responded that high quality suburban schools was their primary reason for leaving in a 1985 housing survey conducted by the City.
3. Ms. Schneider-Peragine stated that a discussion of NIMBYism attitudes as they relate to LIHTC developments and race should be incorporated into the report in some form. She noted that sociologists often have an anecdotal section to account for topics that are not tied to quantifiable data. Mr. Nelson noted that public perception of LIHTC developments is difficult to change because of a lack of information. Mr. Soika noted that a database of LIHTC developments that have been denied by communities in the review and permitting process would be helpful. Ms. Schneider-Peragine stated that she is aware of some existing information, but not a complete database. Mr. Drew acknowledged that attitudes towards race and LIHTC developments are generally not open knowledge, but the apparent situation could be addressed in the report.
4. Ms. Plache noted that LIHTC developments that accept seniors are easier to develop than those that accept families. Ms. Prioletta noted that LIHTC developments that accept families in the Southeastern Wisconsin Region are concentrated in the City of Milwaukee, while those that accept seniors are found across the Region. Ms. Plache stated that recent LIHTC housing for families has been developed in the Cities of Milwaukee and Racine, while LIHTC housing in the remainder of the State has been for seniors. Mr. Peters noted that the City of New Berlin opposed the workforce housing component of a development in the City Center area, but did not oppose the senior housing component.
5. Mr. Murphy suggested comparing current community demographics in the Region to those from the 1975 regional housing plan to see if there has been change in suburban communities. He noted that as demographic disparities between the City of Milwaukee and suburban communities grow, the City increasingly becomes the only place where low-income families can live and the City assumes a disproportionate responsibility for providing services to low-income families. The situation may become worse because of possible decreased State revenue sharing and limited transportation options in the suburban areas. He noted that discrimination can be sophisticated and the regional housing plan should be used by policy makers as a blueprint to housing policy because housing discrimination can be detrimental to the entire Region.
6. Mr. Soika suggested looking at the cost to the Region of a disproportionate number of low-income families residing in the City of Milwaukee and other communities not providing conditions supportive of affordable housing. These costs could be related to jobs, pollution, and education.
7. Mr. Drew noted that subsidized housing historically overlaps areas of the Region where there are concentrations of poverty and that subsidized housing that accepts families has been developed in the City of Milwaukee and not in other areas. Low-income families will live where affordable housing is available. Historically developers have developed senior housing and public housing authorities have developed affordable housing for families.

8. Ms. Plache noted that market studies are conducted for developments where tax credits have been applied for through WHEDA. The need for additional housing in the community is included in the market study. Mr. Nelson noted that WHEDA gives allocation points to developments with community support. Ms. Plache noted that community support is generally demonstrated through a letter from the mayor and that a large investment is made on the part of WHEDA and the developer in the planning stages of a housing development. This investment can be lost because of community opposition. Ms. Schneider-Peragine noted that a similar policy has come under scrutiny in Texas. Ms. Prioletta noted that the City of Milwaukee has been the location of about 40 percent of LIHTC developments in the State over the last 10 years. She noted that City officials like to weigh in on a proposal so informed decisions can be made. Mr. Nelson noted that allocation points could be awarded based on a lack of affordable housing in the community. Ms. Schneider-Peragine noted that the number of jobs in the area could be used in the allocation formula.
9. Mr. Murphy noted that many LIHTC developments can be characterized as workforce housing and not low-income housing. Mr. Mathie noted that many communities are opposed to multi-family housing because they are opposed to increased density. He noted that low-density developments seem to provide more open space, but from a planning standpoint it spreads residential development over a greater area. Mr. Murphy noted that resources and public services can be provided more efficiently to higher density residential development and would like State legislators to consider regional housing plan recommendations. In addition, the perception of workforce housing needs to change. He noted that as housing costs increased in California, workforce housing gained a positive perception. Mr. Mathie noted that the perception of workforce housing may be changing in the Region; however, some communities still want only single-family housing valued at more than \$350,000, particularly because of the cost of schools. He noted that communities should recognize that multi-family housing typically has fewer school age residents per unit than single-family housing.
10. Mr. Drew suggested that staff incorporate comments from the discussion into a revised draft of Chapter VI. He also suggested moving most of the information in Part 2 of the Chapter regarding fair housing laws into an Appendix because of the Chapter's length. The revised Chapter will be provided for the Committee to review at a future meeting.

PUBLIC COMMENTS

Mr. Drew asked if there were any public comments. The following comments were made:

1. Ms. Rotker stated that she appreciates the incorporation of her comments into Chapter VI. She noted that there was a lawsuit in the mid-1980s regarding white flight and suburban schools. She suggested summarizing additional cases regarding fair housing and discrimination that have taken place since the preparation of the 1975 regional housing plan and adding discussion regarding "code words" for race used when discussing LIHTC developments. She suggested using strong language about the obligation of communities to affirmatively further fair housing in the Recommended Plan Chapter. She also noted that the development of smaller single-family homes in suburban communities may not be the answer to fair housing because of mortgage discrimination and difficulties in obtaining loans due to tightening credit requirements.
2. Mr. Sanders stated that the hyper-segregation in the Region restricts access to resources in central city neighborhoods and cited a City of Milwaukee disparity study. He stated resources must be

provided to central city areas that suffer from joblessness, economic depression, poor schools, lack of respect for the law, and single parent households. He stated that remedies to these problems must be identified with a timetable for implementation.

[Secretary's Note: Attachment 1 includes written comments provided by Mr. Sanders.]

3. Mr. Peters suggested a worst case scenario analysis for non-implementation of regional housing plan recommendations. Mr. Yunker stated that the plan will be evaluated on the basis of implementation, and lack of implementation, of recommendations as part of the recommended plan chapter. He noted that the evaluation may be qualitative if data is not available to conduct a quantitative analysis.

CORRESPONDENCE AND ANNOUNCEMENTS

Mr. Drew noted that staff had no additional correspondence or announcements.

NEXT MEETING DATE

Mr. Drew noted that the next meeting scheduled for March 23, 2011, has been re-scheduled to April 6, 2011. The meeting location will remain in Banquet Room 2 of the Tommy G. Thompson Youth Center located at State Fair Park, 640 S. 84th Street. The meeting time will remain from 1:30 p.m. to 3:30 p.m. He asked if there were any objections from Committee members. There were none.

ADJOURNMENT

Mr. Drew thanked the Committee members and guests for their time and participation. Mr. Pérez made a motion to adjourn the meeting. Mr. Melcher seconded the motion and it was approved unanimously. The meeting was adjourned at 3:30 p.m.

Respectfully submitted,

Benjamin R. McKay
Recording Secretary

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