

Housing Trust Funds

Housing trust funds are typically established by local, county, or state governments in order to provide a predictable, stable source of revenue reserved solely for addressing affordable housing needs. A variety of funding sources may be used to support housing trust funds, as local conditions affect potential sources of funds. Dedicated housing trust funds are associated with a source of funding that will continue to provide resources on an ongoing basis without being subject to an annual appropriations process, and can be a reliable funding mechanism to meet affordable housing needs when other sources of public funding may be limited, such as during an economic downturn. Housing trust funds can also be funded through direct appropriations or other sources of revenue that are not dedicated. However, these funds are less stable than dedicated housing trust funds as they are often subject to an unpredictable budget process. As of 2010, nearly 700 local government, county, and state housing trust funds had been established across the Country, allocating a combined \$1.6 billion annually towards addressing affordable housing needs.

A benefit of housing trust funds is that the governing jurisdiction can control how the funds are spent without Federal restrictions, allowing the funds to be tailored to meet particular local needs, some of which may be ineligible for funding through other programs. Common uses of housing trust fund dollars include: the production, preservation, rehabilitation, or maintenance of affordable housing units; homebuyer assistance such as counseling, down payment and mortgage assistance, and interest subsidies; rental assistance; and creating and improving homeless shelters, transitional housing, or supportive housing. To aid in the development of affordable housing units, housing trust funds typically provide gap financing, or funds to fill part or all of the gap remaining between the cost of producing housing and the amount raised after all other funding sources have been secured. Gap financing can come in the form of grants or low-interest loans given to developers of affordable housing units. Housing trust funds can also provide matching funds that may be required to leverage additional public or private resources toward affordable housing development. Affordable housing developments often combine funding from housing trust funds with other sources such as tax-exempt bonds, Low-Income Housing Tax Credits (LIHTC), and CDBG or HOME funds.

Wisconsin Interest Bearing Real Estate Trust Account Program (IBRETA)

In Wisconsin, the Interest Bearing Real Estate Trust Account Program (IBRETA) is considered the State's housing trust fund. Since 1993, the *Wisconsin Statutes* have required real estate brokers to deposit any down payments or other money paid to the broker into an interest-bearing account from which the interest is remitted to the State, totaling \$200,000 to \$300,000 each year. The Wisconsin Department of Administration's Division of Housing uses these funds to support emergency and transitional homeless programs through grants to organizations that provide shelter or services to homeless individuals or families. While IBRETA does constitute a dedicated funding source for housing needs, its revenue stream is too small to significantly impact affordable housing needs in the State.

Housing Trust Fund for the City of Milwaukee

The Milwaukee Housing Trust Fund Coalition (MHTFC) was formed in 2004 in response to an increasing need for decent, accessible, affordable housing in the City of Milwaukee. The MHTFC is comprised of many faith- and community-based organizations. The MHTFC led a grassroots campaign to establish a housing trust fund for the City resulting in legislation establishing the Housing Trust Fund of the City of Milwaukee (HTFM) in 2006. The HTFM was capitalized with \$2.5 million in bonding in 2007 and received \$400,000 in general tax revenue in both 2008 and 2009. Ongoing support is provided through the City's general purpose fund and ongoing bonding. The HTFM Advisory Board Finance Subcommittee is currently exploring potential sources of dedicated funding for the HTFM. The HTFM is administered by the City of Milwaukee Community Development Grants Administration and is intended to provide gap financing to developers of rental housing, owner-occupied housing, and housing and services to the homeless. As of 2013, the HTFM has provided more than \$4.5 million in grants and loans, generating

619 housing units created or rehabilitated since 2008. HTFM funding commitments have leveraged over \$91.4 million in total resources, with an average of \$7,270 in HTFM direct funding per unit.

Milwaukee County Special Needs Housing Trust Fund

The Milwaukee County Special Needs Housing Trust Fund (CHTF) was established to provide partial financing for the development of supportive housing in Milwaukee County in 2007. At least 40 percent of the units developed must be set aside for use by Milwaukee County Behavioral Health Division consumers living with serious and persistent mental illness, and having incomes less than 30 percent of the County median income. The CHTF is funded through low-interest loans from the State of Wisconsin Trust Funds Loan Program, through which the CHTF has received annual loans of \$1 million. The CHTF provides funding for requests of between \$100,000 and \$500,000, provided that the amount does not exceed 10 percent of the project cost. As of 2010, the CHTF has provided nearly \$3 million in funding and assisted in the construction of 260 affordable housing units for persons with mental illnesses. Although the CHTF is a countywide program, all of the 260 affordable housing units that have received financial assistance through the CHTF are located in the City of Milwaukee.

Proposed Housing Trust Fund of Southeastern Wisconsin

In 2011, the Housing Trust Fund of the City of Milwaukee (HTFM) proposed the merger of the existing HTFM with the Milwaukee County Special Needs Housing Trust (CHTF) to form a Housing Trust Fund of Southeastern Wisconsin (HTF-SW). It is proposed that the HTF-SW expand to include communities in other counties, and possibly the entire seven-county Region. Local government participation in the HTF-SW would be voluntary. The four primary benefits provided to participating communities of the HTF-SW outlined in the proposal are:

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

The proposal recommends that the City of Milwaukee and Milwaukee County each commit start-up funding and staff to the HTF-SW and that the HTF-SW subsequently seek to secure a commitment of matching funds from private sector sources, including donations from foundations and individuals. It is also recommended that HTF-SW use multiple sources of public funding so it is not dependent on a single revenue source. The proposal outlines three potential sources of revenue for the HTF-SW. They include appropriations from participating local governments, Tax Incremental Financing (TIF), and jurisdictional allocation of some portion of CDBG funds to the HTF-SW.

The proposed function of the HTF-SW is to provide funding for affordable housing development or rehabilitation projects through grants and loans to for-profit and nonprofit developers, as well as help lead and coordinate the development of a regional housing strategy in collaboration with other stakeholders. The proposal recommends that the HTF-SW require a minimum term of affordability for rental housing of 30 years, with a possible lifting of the restriction after 15 years (except for LIHTC projects, which must meet a 30 year minimum term of affordability imposed by WHEDA). Housing for the homeless must remain affordable for 50 years and assistance for owner-occupied housing will be forgiven if the owner stays in the home for five years. The proposal also recommends that HTF-SW awards not exceed 10 percent of the total development costs and that no eligible project receive more than \$500,000 of HTF-SW funding in a given year. Proposed eligible housing types include rental housing, owner-occupied housing, and projects that provide housing for the homeless. The HTF-SW would not provide rental assistance. The following funding requirements are proposed:

- Housing for owner-occupants must be affordable within 100 percent of County median income.

- Financial assistance for rental housing and projects for the homeless must produce housing units affordable within 60 percent of County median income.
- At least 25 percent of funds must be used for housing or services for people who are homeless, at least 35 percent must be used to develop or rehabilitate rental housing, and at least 25 percent must be used to create and maintain home ownership opportunities.
- Funds may be used for accessibility improvements or modifications in any category. However, at least 2 percent of available funds (or \$100,000, whichever is less) annually must be used to fund accessibility improvements or modifications.

Additional information about the proposed Housing Trust Fund for Southeastern Wisconsin (HTF-SW) is available at the following links:

Report:

Sustaining and Expanding Affordable Housing in Southeastern Wisconsin: Proposal for a Housing Trust Fund of Southeastern Wisconsin, *Housing Trust Fund of the City of Milwaukee, March 2011*.
(in i:/common/comm/RHP/info for website/HTF-SW report March 2011.pdf)

PowerPoint presentation on the proposed HTF-SW:

<http://www.sewrpc.org/SEWRPCFiles/CommissionFiles/CommitteeFiles/2011/2011-09-28-minutes-rhpac-att-01.pdf>