

Department of City Development
Responses to questions posed at 2017 Strong Neighborhoods budget hearing (10/06/17)

Kathy Brengosz of the Legislative Reference Bureau supplied this list of questions raised at the SN budget hearing on Friday, October 6, 2017.

1) What is the maintenance cost per property for in rem properties?

This question was covered in some detail through a communications file at the Oct. 10, 2017 ZND meeting. Representatives of MPD, DCD, DNS and DPW Forestry were present. To get a complete answer to the question of maintenance cost per in rem property, you would also need to gather data from those other departments. In terms of what DCD spends to maintain property, the cost per improved property in 2016 was approximately \$1250. This calculation is based on having an average monthly inventory of 1207 improved properties throughout 2016, and it does not include any staff costs.

2) What property value has been put back on the tax roll by the sale of in rem properties?

Here is DCD's most recent estimate, compiled in July 2017.

Year	Sold Improved In Rems	Taxable Value Returned**	Average Tax Value Returned**	Taxes Generated (in 2015 \$\$)
2007	49	\$1,828,700	\$37,320	\$54,806
2008	30	\$1,308,200	\$43,607	\$39,207
2009	29	\$1,462,300	\$50,424	\$43,825
2010	47	\$2,814,200	\$59,877	\$84,342
2011	150	\$7,730,400	\$51,536	\$231,216
2012	231	\$11,183,500	\$48,413	\$335,169
2013	291	\$13,028,600	\$44,772	\$390,467
2014	438	\$18,851,900	\$43,041	\$564,991
2015	527	\$23,461,500	\$44,519	\$703,141
2016	502	\$22,673,300	\$45,166	\$679,518
2017 YTD*	249*	\$12,862,400*	\$51,656*	\$0
TOTALS	2,543	\$117,205,000	\$47,303	\$3,126,682

3) What are the results of the “family and friends” notification strategy to promote the sale of tax-foreclosed properties?

Under the provisions of Council file #161556, the Office of the City Clerk is charged with implementing this program using electronic notification. DCD is working with the Clerk’s office to determine program results.

4) Provide a list of contractors that do work on the STRONG Homes program.

STRONG Homes programs include three types of contracting.

- a. DCD contracts directly for rehabilitation of a limited number houses through the Housing Infrastructure Preservation Fund and the Tenant Transition to Ownership (T3OP) program.
- b. DCD contracts directly for maintenance and repair services on the properties in the tax-foreclosed inventory.
- c. Home owners that receive a STRONG Homes loan hire their own contractors.

DCD is committed to using Strong Neighborhoods programs to create opportunities for certified Small Business Enterprises (SBEs) and firms with Section 3 certification (which is very similar).

Here is a list of contractors with which DCD has contracted directly for housing rehab work:

Anderson Fence (SBE)	Armstrong General Contracting (SBE)
Bloom Companies, LLC (SBE)	C&M Construction (SBE)
CRC Concrete	Hopkins Mechanical and Design (Section 3)
I-Com	Jordan’s Construction Services (SBE)
KPH Construction	Modern Home Improvements (SBE)
Power Contractors (Section 3)	Quorum Architects (SBE)
Ramirez Restoration (SBE)	Vetter Sheet, Inc.
GSI General	HOPE Home Improvement & Insulation
Insulation Technologies, Inc. (SBE)	Strauss’ Houses, LLC

These contractors supply maintenance and repair services for in rem properties:

Ramirez Restoration (SBE)	Pyramid Electric (SBE)
Roy’s Plumbing (SBE)	Ricky’s Plumbing (SBE)
ABC Lock	Tempco
Batzner Pest Control	TL Reese Homes (SBE)
CDR Landscaping and Construction (SBE)	Advance Construction (SBE)
H&H Cleanout Specialists	

Attachment A is a list of the contractors that home owners have used for used for Strong Homes Loans programs. (STRONG Homes Loans, Homebuyer Assistance, Rental Rehabilitation)

5) Are owners staying in houses improved with STRONG Neighborhoods funds?

We presume this refers to Strong Homes Loans. Such loans are made only to owner-occupants.

6) Who are the developers buying and renovating houses through the Milwaukee Employment/Renovation Initiative?

The following buyers were approved by the Common Council (file #161726):

Strong Blocks, Inc.	Gorman & Co.
Advanced Construction	Ezekiel Community Development Corp.
TEX, LLC (a division of Jason Scott Realty)	CUBE Development/FIT Development partnership

7) List of houses purchased to date for MERI.

Attachment B is a list of the 64 houses purchased to date for MERI is attached. The purchase of all 100 houses must be completed by April 2018.

8) How many work hours will be achieved? What is the demographic breakdown?

As indicated in the budget presentation, individuals facing barriers to employment will perform at least 20,000 hours of work through the MERI project. We anticipate the final total will be higher. However, we will not have final work hour information, including demographic profiles of workers, until all houses are renovated. Buyers must complete renovation work by fall 2018.

9) Provide an updated list of City-owned houses.

Attachment C is a list that is current as of October 10, 2017 is attached. The City Treasurer has two more foreclosure filings in Circuit Court before the end of 2017; thus, additional properties will be added. Properties are deleted from the list as they are sold or demolished.

10) Provide information about Strong Home loans by aldermanic district and demographic information regarding borrowers.

STRONG Homes Loans
January 2015 - September 2017
Approved Loan Summary Breakdown

Prepared: 10/9/2017

<u>Aldermanic District</u>	
District 1	39
District 2	19
District 3	6
District 4	10
District 5	6
District 6	40
District 7	43
District 8	12
District 9	3
District 10	21
District 11	7
District 12	8
District 13	8
District 14	15
District 15	28

<u>Race</u>	
Black/African American	58%
Hispanic (All Races)	11%
Other Races / Multi-Racial	5%
White/Caucasian	26%

<u>Income</u>	
< /= 50% AMI	36%
51% to 80% AMI	38%
81% to 120% AMI	26%

<u>Age</u>	
Average Applicant Age	60

<u>Family Size</u>	
Average Family Size	2.1

11) Can the City give a preference to Milwaukee residents in the purchase of City-owned houses?

We are consulting with the City Attorney regarding this question.

12) What is the change in the number of vacant/blighted properties? What was the year-end balance in 2015, 2016, and 2017 YTD?

The following information reflects the properties in the City’s tax-foreclosed property inventory. DNS maintains a separate count of vacant properties that includes privately-owned vacant properties.

Date	Improved properties in inventory	Vacant lots in inventory
9/30/2017	1194	2941
12/31/2016	1315	2989
12/31/2015	1171	2928

The chart below provides more information about the ebb and flow of the inventory over time. The inventory is affected by both the sale of properties and the continued acquisition of tax-foreclosed properties.

Date	Improved properties		Vacant lots	
	Sold	Acquired	Sold	Acquired
9/30/2017 YTD	305	311	142	38
12/31/2016	502	855	157	130
12/31/2015	530	764	244	121

13) How many vacant lots have been sold?

Since the Strong Neighborhoods Program began in 2014, DCD has sold 642 vacant lots and acquired 361 vacant lots. The vast majority were sold as side lots to adjacent home owners. Here is detail regarding sales for other purposes.

- Sold for new residential construction: 68
- Sold for commercial construction, including multifamily: 17
- Sold for community gardens: 5
- Licensed to community groups for community garden use: 89

14) What percentage of tenants are taking advantage of the Tenant Transition to Ownership (T3OP) program? How many are eligible to participate? How many properties have a scope of work that is more than \$20,000?

T3OP participation depends on both the tenant and the property. The tenant must be in good standing with respect to lease compliance, prompt payment of rent, and willingness to complete home buyer and credit counseling. Tenants cannot be in bankruptcy. Also, the tenant must be living in a property for which a renovation expenditure of approximately \$20,000 will repair major problems at the property.

DCD currently has 155 tenants. Of these, 91 are eligible to participate in T3OP participants, based on their lease compliance and rent payment records. 18 of these tenants live in properties with repair scopes of \$20,000 or less. The remainder live in properties with higher scopes. There are 14 currently active participants in the T3OP program. Thus, 77% of the eligible participants are enrolled in T3OP.

When a tenant whose property does not qualify for T3OP expresses interest in becoming a homeowner, we encourage that tenant to enroll in the ACTS home ownership program. ACTS provides assistance to the tenant in obtaining financing to buy and renovate the property, and provides technical assistance in rehabilitation.

15) How many properties does DCD acquire that are inhabited at the time of acquisition?

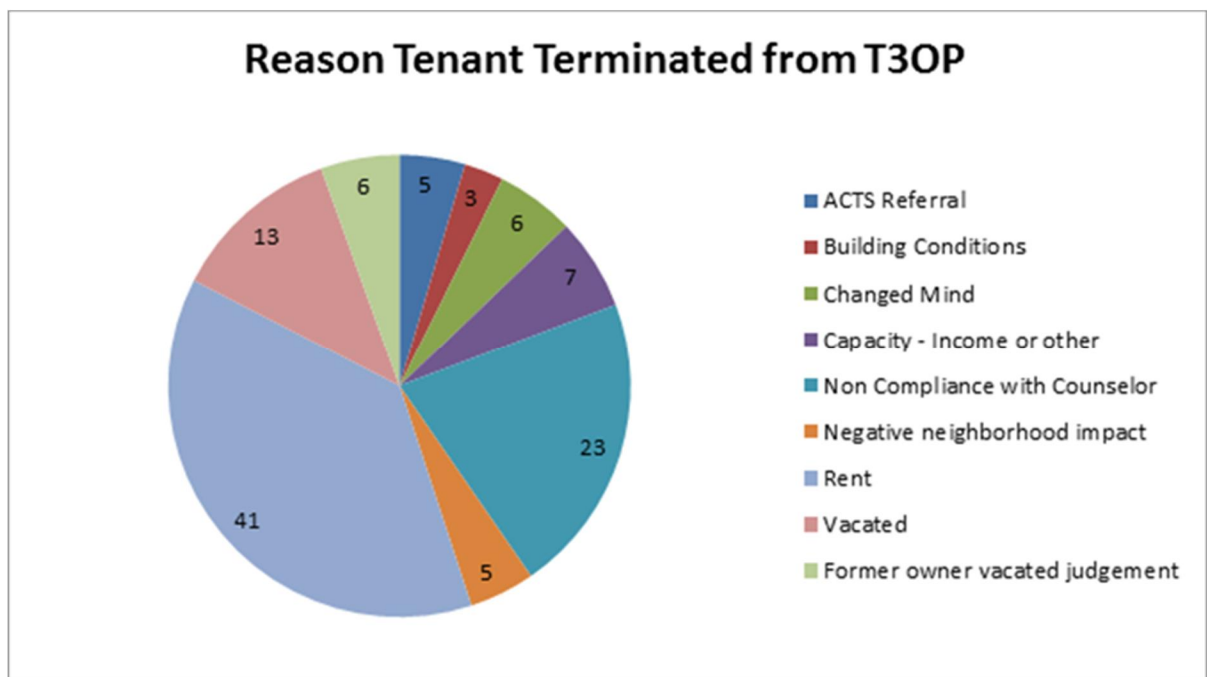
Between 2012 and 2016, the City acquired 3443 improved properties. Drive-by inspections immediately after acquisition indicated that up to 65% of these units *appeared* to be occupied. However, when DCD property managers actually knock on doors to personally inspect units and interview tenants, the number is much lower, in the neighborhood of 15% - 20% of units. In September 2017, DCD billed 145 residential tenants for rent, of a total inventory of approximately 1200 properties.

DCD and DNS staff members currently are in the process of inspecting approximately 118 units of housing *believed to be occupied* that were acquired during the first three foreclosure filings beginning in mid-2017. In-person visits to these properties will determine whether they are inhabited. Scopes of work for those properties are generally completed approximately 3-4 months after acquisition.

16) Request for more information about tenant participation in T3OP

Since T3OP was initiated, approximately 165 tenants enrolled in T3OP. Of these, 43 have successfully completed the program and purchased the properties they had previously rented. An additional 14 are still working through their requirements to purchase.

The chart below indicates the reasons that T3OP participants leave the program before buying their house. The most common reasons are failure to stay current on rent payments or failure to work with the department's home buyer counselor on home ownership preparation.



17) Have houses sold to occupants through any Strong Neighborhoods program come back to the City as in rems?

There are two Strong Neighborhoods programs that sell houses: T3OP and Housing Infrastructure Preservation Fund. We are not aware that any of these buyers have been subject to tax foreclosure.

18) How is “sweat equity” factored in when bids to purchase in rem property are evaluated?

The following policy appears on the DCD real estate web site.

When so called “sweat equity” is involved on the rehab costs portion of the bid, a Modified Scope of Work needs to be submitted by the prospective buyer that deducts the estimated sweat equity labor and materials value from those listed on the scope of work provided by the City. The necessary qualifications/certificates/licenses for sweat equity work need to be submitted as well.

For example, if the City's scope of work estimates rehab costs at \$6,000 and the bidder estimates that sweat equity labor and material value equal \$1,000, then bidder would deduct the \$1,000 sweat equity from the \$6,000 total estimated rehab to get to an adjusted \$5,000 for estimated rehabilitation.

Also, in evaluating similar and competing bids, the City reserves the right to select offers in which licensed and/or certified vendors are utilized to complete the items identified on the scope of work. Furthermore, the Real Estate Department has the discretion to select offers in which it is deemed most likely that the work will be completed to building code standards in a timely manner.

Accepted offers will be evaluated on total investment. In evaluating and analyzing competing bids, the City adds the bidder's purchase price plus the bidder's estimated rehab costs to get a total investment number. Bids are compared against each other by comparing the total investment number from each bid.

19) Provide more detail regarding commercial revitalization grants.

This chart provides information about the ethnicity of 2017 grant recipients.

2017		
# of Grants by Ethnicity		Proportion
African American/Black	11	13%
African American/White	3	4%
Asian	9	11%
Asian/White	3	4%
Hispanic	11	13%
White	40	48%
Other Multi Race	6	7%
Total	83	

The chart below sorts YTD 2017 commercial revitalization grants by aldermanic district.

2017 Grants			
Alderman	# of Grants	Grant Dollars Awarded	Anticipated Total Investment Investment (Including Grant)
1	1	\$ 2,500.00	\$ 5,421.00
2	1	\$ 4,645.53	\$ 9,291.06
3	13	\$ 208,939.65	\$ 1,082,153.09
4	6	\$ 65,467.50	\$ 1,014,461.54
5	1	\$ 2,524.74	\$ 5,049.75
6	11	\$ 120,550.00	\$ 395,129.16
7	4	\$ 23,055.00	\$ 91,146.53
8	2	\$ 19,344.00	\$ 48,368.00
9	0	\$ -	\$ -
10	7	\$ 100,972.85	\$ 257,875.31
11	3	\$ 19,284.45	\$ 111,046.91
12	17	\$ 148,882.29	\$ 902,305.88
13	2	\$ 42,500.00	\$ 82,926.43
14	5	\$ 34,043.43	\$ 100,787.31
15	10	\$ 86,324.20	\$ 190,524.76
Total	83	\$ 879,033.64	\$ 4,296,486.73

20) What proportion of the commercial revitalization grants were made “in the inner city”?

Because members of the Committee did not supply a definition of “inner city,” we examined grants that were made in parts of the city other than downtown. Of 83 grants made through September 2017, 78 (94%) were made in neighborhoods outside of downtown.

21) What is the balance in the commercial corridor and commercial revitalization accounts?

As of 10/9/17, the balance in the Commercial Corridor grant program account is \$447,656. However, this balance does not reflect grants approved at the most recent meetings of the Business Resource Committee, which approves Commercial Corridor grants. Bottom line: there is about \$93,000 still available to fund grants for the last quarter of 2017.

The available balance in the Commercial In Rem Property account is \$314,843. Applications are pending for five projects; if all these projects are funded, they will consume the balance.

22) What metrics are used to measure the success of Strong Neighborhoods programs (in addition to loans)?

DCD has two primary roles in the Strong Neighborhoods program.

The department is responsible for managing and marketing tax-foreclosed properties. Our goals in this activity are to reduce the number of properties in the City inventory through sales, and to act as a responsible and responsive landlord for the properties that are not sold.

The department also is responsible for lending Strong Neighborhoods funds to assist in the renovation of houses that either have been sold from the inventory or are in danger of foreclosure. Our goals in this activity are to improve the quality of the housing stock, prevent foreclosure among owner-occupants, and strengthen neighborhoods impacted by foreclosure.

DCD tracks a number of metrics regarding these activities. The most important are:

- Taxable value of properties returned to the tax rolls as the result of sales (see question 2)
- Annual sales of improved properties (see question 12)
- Annual sales of vacant properties (see question 12)
- Number and dollar volume of rehabilitation loans (see question 10)
- Work hours achieved by MERI project (see question 8)
- Number of tenants who become home owners (see question 16)
- Number, dollar value, and investment by commercial grants, including grants from the foreclosed commercial property fund (see question 18)
- Utilization of certified Small Business Enterprises and Section 3 contractors in repair, maintenance and renovation (see question 4)