

Art and Resource Community Hub (ARCH) Loan Program

Background

The City of Milwaukee uses a variety of strategies to sell its inventory of tax-foreclosed properties. An amendment to the 2016 City budget set aside \$100,000 to make loans to support the renovation and re-use of tax-foreclosed properties as artistic studio, live/work space and/or community resource centers. The amendment identified residential, commercial and mixed use properties as the types of in rem properties eligible for a loan. The amendment specified that loans made for this purpose would be a maximum of \$25,000, and borrowers would need to match these loans with a fifty percent match. For purposes of this document, the **Art and Resource Community Hub** product will be referred to as an **“ARCH Loan.”**

The ARCH Loan is available to buyers of City-owned tax-foreclosed property, providing that the property will be occupied as an artistic studio, live/work space or community resource center. It may be used to support the renovation of either a 1-4 unit residential property or a mixed-use commercial property. If an ARCH loan is used for a residential property and the buyer intends to use any portion of the space for non-residential purposes (such as a gallery open to the public), this intention must be described in the renovation plans submitted for review and approval by the Development Center, 809 N. Broadway.

ARCH loan

The following terms are proposed for the ARCH Loan:

- 1) Loan is provided at 0% interest.
- 2) Loan is available only to defray costs of renovating a commercial property or residential structure for use as an artistic studio, live/work space and/or community resource center.
- 3) Permits must be obtained for renovation work as required by City ordinance.
- 4) ARCH loan recipients are encouraged to hire contractors that are certified by the City of Milwaukee as Small Business Enterprises.
- 5) Maximum loan size: \$25,000. Borrower must show evidence that he/she will use personal resources or financing to match at least 50% of the loan amount. Loan plus borrower match may not exceed the cost of property renovation.
- 6) Loan term: Up to five years. For each year, a portion of the loan will be forgiven provided that the property continues to be occupied for the use specified in the loan agreement and the property occupant provides evidence that the community has benefited from his/her artistic talent. (See “ARCH Forgiveness” for more details.) At the end of the loan term, any outstanding loan balance is due and payable to the City of Milwaukee.
- 7) Ownership must be retained by the purchasing entity for five years. If the property is purchased by a lease-to-own program and subsequently conveyed to an owner-occupant who is an artist approved by the City, the owner-occupant buyer assumes the five-year retention requirement upon conveyance of the property by the lease-to-own program. Lease-to-own arrangements must be disclosed in the Purchase and Sale Agreement, and a copy of the lease-to-own agreement between the program and the occupant must be provided to the City.
- 8) Loan and sale closings are held simultaneously.
- 9) Property sold to ARCH borrowers will be for \$1.00 consideration, provided the listing price of the property is less than \$50,000.
- 10) Prior to occupancy of a residential building, the owner must obtain a Certificate of Code Compliance from the Dept. of Neighborhood Services. Prior to occupancy of any building that falls under the commercial building code, the owner must obtain a Certificate of Occupancy from DNS.

Use of other City financing:

Recipients of an ARCH loan will NOT be eligible to receive other commercial grants administered by City government, including façade, white box, retail investment fund, and signage grants. If the buyer purchases a commercial property with the intention of using the first-floor space for uses related to arts instruction, production, performance, display or sale, the project may be eligible for a forgivable loan from the City's foreclosed commercial property renovation fund. Such loan applications will be evaluated on a case-by-case basis.

Recipients of an ARCH loan will not be barred from applying a Rental Rehabilitation Fund loan, but will not be given priority for Rental Rehabilitation Funds. Home Buyer Assistance Loans may not be combined with an ARCH loan.

Deed restriction: Property to remain taxable

Recipients of an ARCH loan are not permitted to apply for property tax exemption. A restriction specifying this provision will be placed on the property deed.

ARCH Forgiveness

A portion of the ARCH loan will be forgiven each year during the term of the loan, provided that the buyer/occupant meets the following requirements:

- 1) If any code violations exist during the loan term, property owner is actively addressing them.
- 2) Buyer/occupant annually documents ways in which he/she has shared his/her artistic talents with the community. Examples of community engagement could include, but are not limited to, the following:
 - a. Artist has created visual art for public display in the neighborhood.
 - b. Artist has performed for the public in community settings.
 - c. Artist has been engaged in teaching/tutoring/mentoring school age children or young adults in a specific art discipline.
 - d. Artist has participated in Gallery Night.
 - e. Artist has participated in local festival or special community event.
 - f. Artist has served a residency with a neighborhood school or community organization.
 - g. Artist has provided education to other artists regarding how to succeed in making a living as an artist-entrepreneur.
 - h. Artist is using the building he/she owns as a community gathering space.
 - i. Artist has conducted workshops for youth.
 - j. Artist has participated in placemaking activities.
 - k. Artist has participated in volunteer activities that promote community arts and the importance of artistic activity in neighborhood development. This includes promotion through social media, Facebook Live, etc.
- 3) If ARCH loan is provided to a buyer that operates a lease-to-own program, the loan will be forgiven in full when the lease-to-own program provides the following documentation:
 - a. Proof that the property has been sold to an artist who completed the rent-to-own program.
 - b. Three-party agreement signed by the rent-to-own program, the artist-buyer and the City, which commits the artist-buyer to share his/her artistic talents with the community throughout the five-year ownership retention period.