

**Executive Summary: 2011 City of Milwaukee Proposed Budget 2010**

**Hearing Date: October 8,**

1. **Personnel:** The 2011 Proposed Budget eliminates 3 vacant DCD positions -- a Senior Planner, an Associate Planner and a Graphics Designer II. However, the department's total authorized positions are increasing by 3 as a result of the creation of 6 NSP2-funded positions during 2010. **(page 2)**
2. **Special Funds:** Two new DCD special funds are created by the 2011 Proposed Budget:
  - *In Rem* Property Management Special Fund (\$61,144) - to provide additional resources to maintain and market the City's growing inventory of foreclosed homes.
  - Milwaukee 7 Contribution (\$50,000) - to provide operating support to the 7-county regional economic development initiative. **(pages 2-3)**
3. **Special Purpose Accounts:** Under the 2011 Proposed Budget, funding for the DCD-administered Land Management SPA would be increased from \$200,000 to \$300,000. This account helps pay for managing and maintaining improved properties acquired by the City through the *in rem* foreclosure process. The SPA funding increase corresponds to the recent spike in the number of *in rem* properties acquired by the City. **(page 3)**
4. **Capital:** The 2011 Proposed Budget includes 9 capital improvement items for the Department of City Development totaling \$30,661,257, a decrease of \$8,741,286 (22%) from the \$39,402,543 in the 2010 Budget. Significant changes include:
  - Inclusion of \$300,000 in cash-levy funding within the Development Fund for job-training initiatives.
  - Reduction in funding for the recently-created Housing Infrastructure Preservation Fund from \$600,000 to \$300,000.
  - Creation of a new *In Rem* Property Program, with \$200,000 in funding, to pay for minor repairs to City-owned *in rem* properties. **(pages 3-5)**
5. **Revenues:** The Comptroller's Office projects that DCD revenues will decline by 8.8% in 2011 from the 2010 budgeted levels. The majority of this drop is attributable to an expected 25% decline in DCD revenues from sales of City-owned real estate. **(page 5)**

Expense Category	2009 Actual	2010 Budget	% Change	2011 Proposed	% Change
Personnel Costs	\$4,768,636	\$3,555,428	-25.5%	\$3,838,812	8.0%
Operating Expend.	\$182,777	\$266,000	45.5%	\$266,000	0.0%
Equipment Purch.	\$0	\$0	0.0%	\$0	0.0%
Special Funds	\$368,816	\$125,000	-66.1%	\$236,144	88.9%
<b>TOTAL</b>	<b>\$5,320,229</b>	<b>\$3,946,428</b>	<b>-25.8%</b>	<b>\$4,340,956</b>	<b>10.0%</b>
Capital	\$21,604,832	\$39,402,543	82.4%	\$30,661,257	-22.2%
Positions*	218	201	-17	204	+3
* Includes Redevelopment Authority and City Plan Commission members (14 positions)					

## Personnel

The 2011 Proposed Budget shows a net increase of 3 positions in the Department of City Development. However, the Budget actually eliminates 3 positions. The net increase simply reflects the fact that 6 new positions were created in DCD in 2010 as a result of the awarding of \$25 million in Neighborhood Stabilization Program 2 money to the City this year; these positions were created subsequent to adoption of the 2010 Budget. These positions, which are located primarily in DCD's Housing Development section and focus on addressing Milwaukee's home foreclosure problem, are funded through March, 2013, at which time they are likely to be eliminated.

The 3 positions proposed for elimination are a Senior Planner (PR 576) and Associate Planner (PR 558) in DCD's Planning Section and the Graphics Designer II (PR 535) in the department's Marketing Section. This will leave just 2 positions in DCD Marketing. All 3 positions proposed for elimination are currently vacant.

The two planning positions are being eliminated because of a decrease in the department's planning

workload (e.g., DCD completed the last of the City's comprehensive area plans in 2010). As for the elimination of the Graphics Designer II, it is anticipated that, with changing technology, more of DCD's graphics projects will be handled with desktop publishing.

## Operating Expenditures

No changes.

## Special Funds

The 2011 Proposed Budget creates 2 new DCD special funds:

- \$61,144 in an *In Rem* Property Management Special Fund. This money will be used to contract for property management services to maintain and market the growing number of City-owned properties acquired through the *in rem* foreclosure process. These contractual services will augment, not replace, property management services already performed by DCD staff.
- \$50,000 designated as a contribution to the Milwaukee 7, or "M7". The Milwaukee 7, founded in 2005, is the umbrella economic development

organization serving the 7 counties of southeastern Wisconsin. The \$50,000 would be used for general operating support of M7, which has an annual budget of \$1.5 million and receives about 87% of its funding from private sources. The City contributed \$50,000 to M7 in a 2006 special purpose account titled "Regional Economic Development Initiative".

**Special Purpose Accounts**

For 2011, funding for the Milwaukee Arts Board and Fourth of July Commission special purpose accounts is unchanged. However, the Proposed Budget increases funding for the DCD-managed Land Management SPA from \$200,000 to \$300,000. This SPA is used by DCD to fund the management and maintenance of improved properties the City acquires through the *in rem* foreclosure process. As the number of City-owned *in rem* properties has risen dramatically since 2008, so has the need for funding to maintain those properties. This trend is expected to continue in 2011, particularly with the Budget funding 4, rather than one, City Treasurer foreclosure filings next year. It is anticipated that an additional \$50,000 for this purpose will come from CDBG funding in 2011.

Year	Improved <i>In Rem</i> Properties Added to City's Inventory
2006	95
2007	78
2008	134
2009	314
2010	424

**Capital Projects**

The 2011 Proposed Budget includes 9 capital improvement items for the Department of City

Development totaling \$30,661,257, a decrease of \$8,741,286 (22%) from the 2010 Budget.

With the exception of \$4,200,000 of cash revenues for tax incremental district financing and \$150,000 and \$300,000 from the tax levy for Advanced Planning and the Development Fund, respectively, all capital funding is supported by general obligation borrowing.

1. Neighborhood Commercial District Street Improvement Fund – \$250,000 This program provides matching funds for BID commercial district streetscaping projects and Congestion Mitigation and Air Quality Improvement Program (CMAQ) grants that fund neighborhood street construction projects. Proposed projects for 2011 include BID #39 - Center Street Marketplace and BID #32 - North Avenue Market Place. Requested funding for this program was \$500,000. Remaining carryover borrowing authority is \$1.3 million.
2. Business Improvement District – \$250,000 This program is used to fund loans to BIDs for streetscaping and other infrastructure projects. Loans made from this fund are repaid through annual BID assessments. Proposed projects for 2011 include BID #39 - Center Street Marketplace and BID #32 - North Avenue Market Place. Requested funding for this program was \$500,000. Over \$2.7 million in carryover borrowing authority remains.
3. Tax Incremental Districts – \$26,251,000 This program allows the City to create and fund new TIDs. Potential new TIDs for 2011 include Street Car and First & National, as well as a TID at a confidential location. DCD also expects the Reed

## Capital Program Summary

Program	2011 Proposed	2010 Budget	Increase (decrease)	% Change	6 year Request
Neighborhood Commercial District Street Improvement Fund	\$250,000	\$500,000	\$250,000	-50%	\$3,000,000
Business Improvement Districts	\$250,000	\$1,236,250	(\$986,250)	-80%	\$3,000,000
Tax Incremental Districts	\$26,251,000	\$27,473,323	(\$1,222,323)	-4%	\$235,701,000
Development Fund	\$1,500,000	\$1,050,000	\$450,000	43%	\$10,800,000
Advance Planning Fund	\$150,000	\$175,000	(\$25,000)	-14%	\$1,050,000
Healthy Neighborhoods Initiative	\$200,000	\$200,000	\$0	0	\$1,200,000
ADA Riverwalk Construction	\$1,560,257	\$1,167,970	\$392,287	34%	\$1,560,257
Housing Infrastructure Preservation Fund	\$300,000	\$600,000	(\$300,000)	-50%	\$3,600,000
Technology Initiative	\$0	\$0	NA	NA	\$300,000
In Rem Property Program	\$200,000	\$0	NA	NA	unknown
<b>Total</b>	<b>\$30,661,257</b>	<b>\$39,402,543</b>	<b>(\$8,741,286)</b>	<b>-22%</b>	<b>\$260,211,257</b>

Street Yards TID to move forward in 2011. Although the amount in the proposed budget represents a 46% decrease from the requested amount, this program has over \$167 million in carryover borrowing authority.

4. Development Fund – \$1,500,000 This program supports a wide variety of private economic development projects and activities. Funding is used for façade grants, retail investment grants, homebuilding assistance, brownfield remediation and business assistance, including grants and loans. Of the budgeted amount, \$300,000 in cash-levy funding has been designated for job training. In the past, DCD used the Development Fund to lend job training funds to several employers based on their projected employment growth. These loans are forgiven if and when the employers meet specified employment targets. DCD has also used the cash-levy portion of the Development Fund to establish a job-training fund targeted specifically at employers within the 30th Street Industrial Corridor.

5. Advance Planning Fund – \$150,000 This program provides funding for various studies, including market analyses for local business corridors, feasibility studies for new developments, land use planning studies and redevelopment plans for specific neighborhoods.

6. Healthy Neighborhoods Initiative – \$200,000 This program provides matching funds for privately-raised funds used to make small-scale improvements in nine designated Healthy Neighborhoods. The purpose of HNI is to encourage homeowner investment and aesthetic improvements in strong urban neighborhoods. The goal is to achieve positive outcomes in four areas: image, market, physical condition and neighborhood management. This program was funded as requested.

7. ADA Riverwalk Construction – \$1,560,257 This program provides funding to construct the ramps and lifts necessary to bring the Riverwalk into ADA

compliance as directed by the terms of the 2006 settlement with the Justice Department. Total cost for the project is expected to be approximately \$4.9 million. This is the last year of funding for this multi-year project.

Bldg. Permits	\$287,200	\$298,000	\$298,000
Property Sales	\$102,600	\$200,000	\$150,000
Fire Prot. Plan Exam.	\$134,700	\$150,000	\$150,000
Plumbing Plan Exam.	\$99,400	\$146,000	\$137,000
HVAC Plan Exam.	\$140,600	\$135,000	\$135,000

8. Housing Infrastructure Preservation Fund – \$300,000 This fund was established by the Common Council in 2010 to provide funds for restoring, rehabilitating or mothballing City-owned properties that have been deemed historic or too valuable to the character of the surrounding neighborhood to demolish, but are unlikely to be restored by private purchasers. The proposed funding level represents a 50% decrease from the requested amount.

9. In Rem Property Program - \$200,000 This new program will fund minor capital repairs (e.g., new roofs, water heaters, etc.) to properties obtained by the City through foreclosure, with the goal of making these properties more marketable for prompt sales.

DCD also requested \$300,000 for a new Technology Initiative which would have added fire protection permits and occupancy certificates to the e-permit system as well as updated databases and system documentation. This request is not funded in the 2011 Proposed Budget.

**Revenues**

The Comptroller’s Office projects that DCD will receive \$912,200 in revenues in 2011, a decrease of \$88,800 (-8.9%) from the 2010 budgeted amount.

Dept. of City Development – Major Revenue Sources			
	2009 <i>Actual</i>	2010 <i>Budget</i>	2011 <i>Proposed</i>

## Issues to Consider

- What are the long-term ramifications of reducing DCD's in-house planning capabilities (i.e., eliminating the 2 vacant planner positions)?
  
- Is the return-on-investment of City participation in the Milwaukee 7 sufficient to justify the \$50,000 financial contribution?
  
- What is the City gaining by reducing funding for the Housing Infrastructure Preservation Fund and simultaneously creating the *In Rem* Property Program, both of which are intended to address the glut of City-owned homes? What are the drawbacks to this change in approach?
  
- Would the \$61,144 for the new *In Rem* Property Management Special Fund be more wisely spent on creating a new permanent DCD position to assist in managing and marketing *in rem* properties?
  
- What are the department's – and the City's – strategic plans for comprehensively addressing:
  1. The rapidly growing inventory of City-owned *in rem* properties?
  2. The increased amount of vacant land, highly concentrated in certain neighborhoods, resulting from the demolition of both City-owned and privately-owned structures?