

Department of City Development
May 16, 2019

ANTI-DISPLACEMENT TAX FUND

BACKGROUND

Milwaukee Common Council Resolution #181287 directed the Department of City Development to develop a model for an Anti-Displacement Tax Fund. The purpose of the fund is to help ensure that long time homeowners living in near downtown neighborhoods are not displaced due to increasing property taxes associated with rising property values and new development.

The creation of an Anti-Displacement Tax Fund was also one of the recommendations proposed in the City's "Anti-Displacement Plan for Neighborhoods Surrounding Downtown Milwaukee." The Plan identified the potential for displacement of low and moderate income homeowners (especially elderly homeowners) due to increased housing costs associated with rising assessments in areas immediately north and south of downtown.

Atlanta's Westside Future Fund Anti-Displacement Tax Fund Program has been cited as an example of a program that could be considered locally. The Atlanta program was created for the neighborhoods nearby the new Atlanta Falcons stadium to help address displacement concerns. Under the Atlanta program, homeowners can receive grants to pay for increases to their existing property tax bills for a period of up to 20 years. The Atlanta program was funded entirely with private and philanthropic contributions. The funding source is an important consideration for replicating a similar program in Milwaukee due to the uniformity clause in the Wisconsin State Constitution that limits local municipalities from providing property tax relief to certain groups of homeowners. Use of City property tax dollars for the Program would likely violate this provision.

GOALS

The framework for an Anti-Displacement Tax Fund for the City of Milwaukee was guided by the following goals:

- Promote community stability in near downtown neighborhoods
- Ensure equity for neighborhood residents by safeguarding historically disadvantaged residents from being displaced from their neighborhoods due to nearby development pressures
- Ensure choice for long time homeowners by providing a resource that would allow them to stay in their homes in an environment of rising property values and real estate taxes

PROPOSED ANTI-DISPLACEMENT TAX FUND PLAN

The proposed framework for a Milwaukee Anti-Displacement Tax Fund includes the following:

- Proposed program guidelines and eligibility criteria
- Proposed target areas for the fund, based on the geographies identified in the Anti-Displacement Plan, as well as analysis of assessment trends in neighborhoods near downtown

- A range of estimated costs for the program
- Recommended options for the administration of the program including implementation and ongoing management
- Suggested preliminary strategies for funding the program

PROPOSED PROGRAM GUIDELINES

Program

Milwaukee's Anti-Displacement Tax Fund will help long term homeowners in targeted Milwaukee neighborhoods pay for increases in their property tax bills, so they will not be displaced due to rising property values and higher property taxes.

Program Start Date

The official start date for the program will be _____.

Applications

Applications for the program may be submitted to the Program Administrator between May 1st and October 31st of each year. Regardless of when you apply to the program, you must have owned and occupied your property as of five years prior to the program start date of _____.

Eligibility

- **Owner Occupancy**

Participants must currently be an owner occupant and must have been an owner occupant for at least five years prior to the program start date. For example, if the program start date is October 1, 2019, the homeowner must currently live in the property and must have owned and occupied the property since October 1, 2014.

- **Target Area**

Participants must reside within the target areas for the program, illustrated on the attached map.

- **Income**

Participants must have an annual household income equal to or below the City of Milwaukee median income*, adjusted for family size:

Anti-Displacement Tax Fund Program Income Limits	
<i>Family Size</i>	<i>Maximum Income Limit</i>
1	\$36,575
2	\$41,180
3	\$47,025
4	\$52,250
5	\$56,430
6	\$60,610

*Based on 2017 ACS data, adjusted for inflation to 2019 and family size.

- *Real Estate Taxes/Foreclosure Actions*

Participants must be current with their real estate taxes in order to be eligible for the program. In addition, the property must not be subject to a foreclosure action.

Program Duration/Tax Payments

Annual assistance available under the program will be equal to the increase (difference) between the annual tax payment required as of the program start date and the annual tax payment required in subsequent years for the program. For example, if the annual tax payment for your home for the year 2019 was \$2,200 and in 2020, your assessment increases and the annual taxes due on your property increase to \$2,400, the program will pay the difference between your real estate tax obligation in 2019 and your current real estate tax obligation (\$2,400-\$2,200 or \$200). Annual payments may be made for up to 20 years from the program start date, subject to the availability of funding, as long as the owner continues to occupy the property and meets the program's eligibility criteria. Depending on the actual size of annual property tax increases (see below for additional projections), the initial fund may be exhausted in a shorter period of time and the program concluded if additional funding is not secured.

While it will not be necessary for a homeowner to reapply to the program on an annual basis, the program administrator may request information to determine your continuing eligibility for the program. The program covers increases in property tax obligation only; special assessments, charges, and other delinquent payments that may be certified to the tax rolls are not eligible for payment under the program.

PROPOSED GEOGRAPHY

The Anti-Displacement Tax Fund ("Fund") is proposed to operate in two areas of the City of Milwaukee (see attached map).

- **Bronzeville / Brewers Hill** (bounded by Center Street, I43, McKinley, the Milwaukee River and Holton Street / Assessment Neighborhoods 2910 & 2920)
- **Walker's Point**, east of Interstate I94/I43 (bounded by I43/94, the Menomonee, Milwaukee, and Kinnickinnic Rivers, and Becher Street / the portions of Assessment Neighborhood 4020 that include single family or duplex homes)

These neighborhoods were selected because they met the following criteria:

1. Identified by the City of Milwaukee's Anti-Displacement Plan as demonstrating the indicators signifying a risk for displacement due to rising housing costs.
2. Greater Downtown neighborhoods experiencing the type of market-rate development that can be linked to displacement.
3. A majority of homeowners in proposed areas are people of color, and the neighborhoods have experienced average property value increases more than 10% above the city average during the previous five years.

These selection criteria and the selected neighborhoods support the overall goal of the Anti-Displacement Plan to prioritize **choice** and **equity** to assist members of historically disadvantaged groups remain in their communities and benefit from and gain access to wealth building opportunities caused by new development.

POTENTIAL COST

Program costs were projected based on the proposed program eligibility criteria, proposed geography, the projected number of program participants and a review of historical residential property value increases in both the selected neighborhoods and the overall City. Assessments were reviewed from the period of 1998 through 2019. In analyzing changes in assessed values, the period from 2014-2019 was given most weight. This time period aligns with significant new development activity in the downtown area and also corresponds to a period of time post-recession, with residential property values “bottoming out” and reflecting signs of recovery.

Accurately projecting the level of future increases in neighborhood and city-wide property values and tax rates is not possible with any degree of certainty. All program cost estimates would be significantly impacted based on final participation levels, adjustments to local levy limits, shifts in the proportional makeup of other assessment classes (i.e. commercial property) and the timing and size of assessed value increases. These estimates are presented solely to provide a range of scenarios that can be used when evaluating the potential costs of a program and setting a funding target based on the desired lifespan of the program.

Anticipated Participants:

	Bronzeville / Brewers Hill (Assessment Neighborhoods 2910 & 2920)	Walker's Point - East of I43/I94 (Assessment Neighborhood 4020)
Owner Occupied Homes	563	263
Median Value (Owner Occupied Homes)	\$88,300	\$75,400
Estimated Eligible Owner Occupant Households < 100% City Median Income	129	95
Percent Homeowners of Color (estimated)	63%	66%
Owner Occupant Households < 100% City Median Income Housing Cost Burdened (estimated)	79%	45%

*Median household income for the City of Milwaukee is \$40,500 (ACS – 2017, adjusted for inflation to 2019 dollars).

Estimated Costs:

Potential Total Program Cost Scenarios (20 Year Target Lifespan)

		Bronzeville / Brewers Hill (Assessment Neighborhoods 2910 & 2920)	Walker's Point - East of I43/I94 (Assessment Neighborhood 4020)	Total
Scenario 1: Modest Property Value Increases (1% above citywide increase)	<i>Estimated total property tax assistance payments per participant over 20 years</i>	\$5,100	\$4,400	
	<i>Total estimated property tax assistance payments for all participants over 20 years</i>	\$657,900	\$418,000	\$1,077,000
Scenario 2: Significant Property Value Increases (2.5% above citywide increase)	<i>Estimated total property tax assistance payments per participant over 20 years</i>	\$14,100	\$12,100	
	<i>Total estimated property tax assistance payments for all participants over 20 years</i>	\$1,818,900	\$1,149,500	\$2,968,400
Scenario 3: Historic Property Value Increases (4.5% above citywide increase)	<i>Estimated total property tax assistance payments per participant over 20 years</i>	\$29,200	\$25,000	
	<i>Total estimated property tax assistance payments for all participants over 20 years</i>	\$3,766,800	\$2,375,000	\$6,141,800

Assumptions:

- 100% of eligible homeowners participate for life of program
- Estimates based on median housing value
- Overall levy will be flat and grow by amount of new construction; therefore individual tax increases tied to value increase above and beyond city average.
- Assessed value increases constant through 20 year life of program and do not fluctuate year-to-year or vary by assessment classes.

Additional Considerations:

- Limiting the program to homeowners age 62+ could reduce estimated total program costs by 30%-50%
- Expanding the program to include homeowners up to 120% city median income could increase estimated total program costs by 30%-40%
- A \$3 million fund is estimated to be sufficient to provide assistance to all eligible homeowners over a 20 year program lifespan with annual significant value increases (2.5%) above City averages. Historic value increases (4.5%) would exhaust a fund of this size in roughly 15 years.

PROGRAM ADMINISTRATION

The program will be administered by one or more existing organizations with experience in managing the activities required for the implementation and operation of the program.

General program duties would include reviewing applications from program participants, qualifying them for the program, calculating annual tax payments under the program and remitting payments to the City Treasurer's Office on behalf of the program participant. Some ongoing administration may also be required to confirm participants continuing eligibility for the program.

It is recommended that program administration be contracted for through a Request for Proposals process. Likely program administrators could be local foundations, non-profit organizations and non-profit home buying counseling agencies with related expertise and experience.

It should be noted that while the Uniformity Clause in the Wisconsin State Constitution would prevent the City of Milwaukee from participating in providing funding for grants to be used for tax payments to program participants, the City may be able to contribute to funding for the administration of the program if a funding source can be identified. (This has been discussed and confirmed with the City Attorney's Office.)

FUNDING

As reflected in the Potential Cost Section of this report, required funding for the program may range from \$ 1.1 million to \$6.1 million.

Given the limitations on the use of City financing for the program, the most likely sources of funding for implementation of the program would be local foundations and private corporations.

For the Atlanta Program, funders included the Arthur M. Blank Foundation, the Chick-Fil-A Foundation, Georgia Power and Light, Pulte Group, Delta Airlines, Cox Enterprises, Georgia Pacific, and Tommy Holder (owner of Holder Construction Company).

One strategy for advancing creation of the program locally would be to partner with MKE United. MKE United is currently engaged in efforts to create a catalytic investment fund to support its mission of creating equitable benefits in the neighborhoods adjacent to downtown. The Anti-Displacement Tax Fund would be consistent with MKE United's goals of retaining existing residents and minimizing displacement.

FUTURE PROGRAM REFINEMENTS

This Anti-Displacement Tax Fund Program framework is intended to be a guide for moving the program forward and garnering support and funding from potential program partners. Future refinements to the program guidelines may be necessary to be consistent with the goals of individual funders and input from program partners.

In addition, going forward, as neighborhoods and development patterns change, in conjunction with the ongoing monitoring committed to for the City's Anti-Displacement Plan, neighborhoods will be reevaluated to determine whether they meet the criteria that would suggest future expansion of the program.

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Source: City of Milwaukee

