



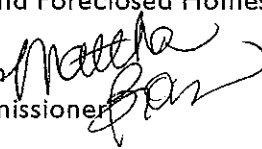
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Neighborhood Improvement Development Corporation

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MEMORANDUM

TO: Members of the Special Joint Committee on the Redevelopment of Abandoned and Foreclosed Homes

FROM: Martha Brown 
Deputy Commissioner

DATE: Sept. 6, 2014

SUBJECT: LRB Memorandum -- "Lease-to-Own Program for City-owned *In Rem* Properties"

Our staff has had an opportunity to review the Legislative Reference Bureau's memo of Sept. 5, 2014, and offer the following clarifications to the information presented in that memo.

The "Lease-to-Own Program Creation & Funding Timeline" indicates that, on July 2, 2013, \$114,600 was allocated from the Contingent Fund for a fulltime Housing Specialist for the Lease-to-Own Program." While it is correct that funds were allocated to the department by Council file#130300 adopted on that date, the statement that these funds were to be used for a housing specialist for the lease-to-own program is not accurate.

At the time file #130300 was adopted, federal Neighborhood Stabilization Program funds that supported a variety of activity related to foreclosed property were nearly exhausted. Per the communications file submitted by DCD on June 21, 2013, funds were sought to create a new position of Program Assistant II to provide administrative support to real estate activity as the tax-foreclosed inventory continued to increase significantly. The communications file further sought to allow the use of City funds to replace expiring NSP funding for three existing positions: Community Outreach Liaison, Housing Rehabilitation Specialist, and Accountant I. The use of City funds for these positions also allowed these individuals to broaden their activity to take on work related to tax-foreclosed property that did not involve NSP expenditures.

With respect to the lease-to-own program, the Council expressed to the department its strong preference to have the housing counseling component of the program be provided by a non-profit housing counseling agency, rather than by a City employee. DCD issued a Request for Proposals for housing counseling services in September 2013; ACTS was the successful respondent, and an ACTS employee has been providing counseling to lease-to-own clients since January 2014.

The home-buyer counselor plays the pivotal role of determining which tenants are likely to succeed as home owners. Activities related to property renovation occur only after the housing counselor and tenant have developed a working relationship.



The "Program Snapshot" section of your memo provides information about the status of properties in the lease-to-own program. We thought it would be helpful to provide greater detail on that subject.

As described in the memo, the Lease-to-Own program requires a tenant committed to taking the steps necessary to become a successful homeowner. The program also requires a qualified property -- that is, a property that can be made compliant with the city's building maintenance code with the expenditure of about \$20,000 by the City of Milwaukee and a reasonable contribution of sweat equity by the tenant.

Once the home-buyer counselor determines a tenant is a good candidate, she refers the property to the housing rehabilitation staff. Staff evaluates the house in which the tenant lives, to determine the cost of making it code-compliant. Some properties will require somewhat more than \$20,000 investment, and some require less. Our goal is to expend, on average, \$20,000 per property. This total does not include the cost of lead abatement; we are negotiating with the Social Development Commission, which administers a federal lead abatement grant, to cover these costs.

To date, the housing rehabilitation specialist has reviewed 24 properties for project feasibility. Eight have been deemed infeasible because of very high renovation costs. As of Sept. 1, the rehabilitation specialist assigned fulltime to the lease-to-own program is working with 16 properties as follows:

Status	Current # of properties
Develop scope of work for LTO renovation	3
Negotiate with Social Development Commission to handle lead abatement work at SDC's cost	3
Obtain and review bids for renovation work	4
Award contracts for renovation work	5
Complete renovation work; close sale to tenant	1

At the time the department awards contracts for renovation work, we also present an amended lease to the tenant, committing the tenant to responsibilities such as handling grass cutting and snow removal, payment of water bills, etc.

Thank you for the opportunity to provide this supplemental information.

cc: Aaron Cadle, LRB