



REPORT

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17.

Department of City

Development,

2014

Proposed Plan and Executive Budget Review

17. Department of City Development

I. EXECUTIVE SUMMARY.

Table 17.1. Statement of Changes in Operating Budget, 2013 to 2014.

2012 Actual Expenditure	\$4,486,733
2013 Adopted Budget	\$3,097,335
Personnel Costs	
Salaries & Wages	\$319,017
Fringe Benefits	\$130,456
Total Changes	\$449,473
Operating Expenses	\$0
Equipment Purchases	\$0
Special Funds	\$50,000
Total Changes	\$499,473
2014 Proposed Budget	\$3,596,808

1. Strong Neighborhood Investment Plan. The Department of City Development (“DCD”) is one of the 3 main departments involved in implementation of this program, a new 3-year initiative to reduce the number and mitigate the negative effects of tax-foreclosed properties. New position authority, operating funds and capital appropriations are all included in DCD’s proposed budget.

2. Total operating budget up 16.1%. The department’s total budget rises from \$3.1 million to \$3.6 million, primarily because of personnel changes relating to implementation of the Strong Neighborhood Investment Plan.

3. In Rem special fund receives \$50,000. DCD’s *In Rem* Property Management special fund, which was not funded in 2013, receives \$50,000 in the Proposed Budget.

Part of the Strong Neighborhood initiative, these funds will be used to provide homebuyer counseling for participants in the City’s rent-to-own program.

4. Tax-levy-funded positions added. The 2014 Proposed Budget provides tax-levy funding for 2 new positions in DCD’s Real Estate & Development Section to support the Strong Neighborhood Investment Plan. It also provides tax-levy fund for 4 formerly NSP-funded positions; these staff will also perform work related to this new program.

5. RACM staff transferred to City payroll. A significant portion of DCD’s personnel cost increase can be attributed to the addition of 4 RACM positions to the City payroll to reflect the current actual duties and workloads of these positions.

6. Capital funding increased by 33.4%. The 2014 Proposed Budget includes 9 capital improvement projects totaling \$23.45 million, an increase of nearly \$5.9 million from the 2013 Budget.

7. New capital funding for Strong Neighborhoods. The Proposed Budget provides an additional \$1.75 million for *In Rem* Property Program capital account and \$200,000 for a new Vacant Lot Beautification capital account – both as part of the Strong Neighborhood initiative.

8. Capital funding for certain projects cut. The 2014 Proposed Budget reduces capital funding for the Housing Infrastructure Preservation Fund by 50%, and provides no new funding for the Healthy Neighborhoods Initiative.

II. INITIATIVES AND PROGRAMS.

1. Strong Neighborhood Investment Plan.

The Strong Neighborhood Investment Plan, a multi-department, 3-year effort to mitigate the impacts of *in rem* foreclosed properties on Milwaukee neighborhoods and ultimately return them to the tax rolls, is the primary new initiative in DCD's 2014 Proposed Budget. DCD is one of the 3 main departments involved in this initiative and receives additional position authority, personnel funding, operating funds and capital appropriations relating to its implementation.

DCD staff will work on management, marketing and rehabilitation of the City's more than 1,000 tax-foreclosed homes. The department will play a key role in increasing the number of *in rem* properties sold in 2014 and implementing new rehabilitation loan programs for owner-occupied, investor-owner and community-partner properties.

2. Additional Foreclosure-Related Positions.

The 2014 Proposed Budget provides tax-levy funding for 2 recently-created Department of City Development positions to manage and market the City's growing inventory of *in rem* tax foreclosure properties – a Real Estate Coordinator II and a Program Assistant I in the Real Estate & Development Section. In addition, the Proposed Budget provides tax-levy funding for 4 DCD positions that were formerly funded by the federal Neighborhood Stabilization Program. The duties and workloads of all 6 of these positions will focus on implementation of the Strong Neighborhood Investment Plan, with the goal of ensuring that the City's tax-foreclosed properties are effectively managed, maintained and marketed to minimize their impacts on surrounding neighborhoods and to return them to the tax rolls as quickly as possible.

3. More Capital Funding for *In Rem* Properties.

As part of the Strong Neighborhood initiative, the 2014 Proposed Budget dramatically increases funding for the *In Rem* Property Program capital account, from \$150,000 to \$1.9 million. In the past, this account was primarily used to fund minor capital repairs, with the goal of making these properties more marketable for prompt sales.

In 2014, a portion of the account's funding--\$300,000—will still be used to for rehabilitation and repair of *in rem* properties (particularly those in the lease-to-own program), but the bulk of funding--\$1.6 million—will be used to make rehab loans to buyers of City tax-foreclosure properties and to support innovative purchase programs with community partners.

In addition, the 2014 Proposed Budget provides \$200,000 for a new DCD-administered Vacant Lot Beautification capital account. Also part of the Strong Neighborhood Investment Plan, this funding will be used to enhance the work of City staff and neighborhood groups in beautifying City-owned vacant lots acquired through the tax-foreclosure process.

See also ISSUES TO CONSIDER, Section VIII on page 17.14.

III. EXPENDITURES.**Table 17.2. Changes in Expenditure Amounts by Account.**

Expenditure Account	2012 Actual	2013 Adopted Budget	% Chng.	2014 Proposed Budget	% Chng.
Salaries and Wages	\$2,711,969	\$1,948,233	-28.2%	\$2,267,250	16.4%
Fringe Benefits	\$1,339,906	\$935,152	-30.2%	\$1,065,608	14.0%
Operating Expenditures	\$281,566	\$138,950	-50.7%	\$138,950	0.0%
Equipment Purchases	\$8,707	\$0	-100.0%	\$0	0.0%
Special Funds	\$144,585	\$75,000	-48.1%	\$125,000	66.7%
Total Operating Budget	\$4,486,733	\$3,097,335	-31.0%	\$3,596,808	16.1%

1. Budget Summary.

The total 2014 Proposed Budget is \$3,596,808, an increase of \$499,473 (16.1%) from the 2013 Adopted Budget amount of \$3,097,335.

2. Personnel Costs.

Personnel costs in the 2014 Proposed Budget are \$3,332,858, an increase of \$449,473 (15.6%). Salaries and wages increase \$319,017 (16.4%). Fringe benefits increase \$130,456 (14.0%).

The increase in DCD's personnel costs can be attributed to the addition of 2 new positions for Mayor Barrett's Strong Neighborhood Investment Plan, the transition of former NSP-funded positions to O&M funding and the movement of RACM positions to City funding. See Section IV (Personnel) for more information.

3. Operating Expenditures.

Operating expenditures in the 2014 Proposed Budget are unchanged at \$138,950. There are no proposed changes to funding levels for individual line items, either.

4. Equipment Purchases.

None.

5. Special Funds.

The 2014 Proposed Budget provides \$125,000 in DCD special funds, an increase of \$50,000 (66.7%) from the 2013 Adopted Budget. Two of the department's special funds are funded at the same level as 2013 -- Economic Development Marketing (\$25,000) and Milwaukee 7 Contribution (\$50,000). However, a third special fund -- *In Rem* Property Management -- which received no funding in 2013, is funded at the level of \$50,000.

The 2011 and 2012 Budgets each provided \$61,144 for the *In Rem* Property Management special fund. This money was used to maintain and market the growing number of City-owned properties acquired through the *in rem* foreclosure process. In particular, funds were used to advertise the “Take Root Milwaukee” home ownership program, to advertise for-sale City properties in community newspapers and to have “FOR SALE” and “NO TRESPASSING” signs fabricated.

The 2014 appropriation for this special fund is part of the “Revitalization” component of the Strong Neighborhood Investment Plan and will be used to provide homebuyer counseling for renters of City-owned properties interested in participating in the City’s rent-to-own program. The department is in the process of evaluating responses to a request for proposals for an outside organization to provide these counseling services.

IV. PERSONNEL.

Table 17.3. Changes in Full-Time Equivalent (FTE) and Authorized Positions.

Position Category	2012 Actual	2013 Adopted Budget	Change	2014 Proposed Budget	Change
O&M FTEs	41.35	27.15	-14.20	34.40	7.25
Non-O&M FTEs	88.65	82.85	-5.80	68.60	-14.25
Total Authorized Positions	163	142	-21	134	-8

1. Personnel Changes.

The total number of authorized positions in the department under the 2014 Proposed Budget is 134, a decrease of 8 from the 142 positions in the 2013 Adopted Budget. The position changes are summarized in Table 16.4.

Implementation of Mayor Barrett’s Strong Neighborhood Investment Plan is reflected in significant personnel changes in DCD’s staffing for 2014. As indicated in Table 16.4, 2 new positions are being created in the Real Estate & Development Section. Actually, these positions were created by positions ordinance amendments in 2013 (Common Council Files 121393 and 130349) as part of a mid-year redirection of staff and funding toward foreclosure-related activities. These positions were not included in the 2013 Adopted Budget, but are now reflected in the 2014 Proposed Budget.

In addition, 4 positions formerly funded by the federal Neighborhood Stabilization Program (Community Outreach Liaison, Accountant I, Housing Rehab Specialist and Housing Program Specialist) will now be funded by the City tax levy and work on activities in support of the Strong Neighborhood initiative. Together, these 6 positions will participate in the “Mitigation” and “Revitalization” components of the Strong Neighborhood Investment Plan, working on management, rehabilitation and marketing of the City’s large inventory of *in rem* properties. This includes the Common Council-supported rent-to-own program, as well as rehabilitation loan programs for owner-occupied, investor and community-partner purchasers.

Table 17.4. Summary of Position Changes, 2014.

	No.	Title of Position	Reason for Change
Eliminated	-1	Housing Program Specialist (Housing Development Section)	Phased out to reflect reduced NSP funding for 2014.
	-1	Office Assistant IV (Housing Development Section)	
	-11	Various Housing Authority positions (not City-funded)	Reduction of "City" HACM positions to reflect annual attrition of these positions.
	-1	Network Coordinator-Senior	Position transferred to DOA-Information Technology and Management Division
Added	+1	Real Estate Coordinator II (Real Estate & Development Section)	Positions added to support activities of the Strong Neighborhood Investment Plan.
	+1	Program Assistant I (Real Estate & Development Section)	
	+1	Lead Accountant	Positions changed from RACM to "City" positions to reflect actual duties and workload.
	+1	Grant Budget Analyst	
	+1	Procurement and Compliance Manager	
	+1	Resource and Administration Manager	
-8	Net Change		

The City currently has 1,044 improved commercial and residential properties in its *in rem* inventory, compared to 830 at this time last year. Table 17.5 shows how the number of *in rem* properties acquired by the City and managed by DCD has been steadily increasing over the past several years.

Table 17.5. Number of Improved *In Rem* Properties Added to Inventory, 2006 to 2013 YTD.

Year	Number of Properties Added	Year	Number of Properties Added
2006	95	2010	488
2007	78	2011	360
2008	134	2012	775
2009	314	2013YTD	209

The ongoing transfer of positions from DCD's Public Housing Programs Decision Unit to the Housing Authority results in a loss of 11 City positions in the 2014 Proposed Budget. However, salaries and benefits for these positions are reimbursed by HUD, so their elimination has no impact on the City budget.

Federal regulations require that all public housing authorities convert to a system of property-based accounting and management, meaning that HACM must gradually move its activities and personnel out of City government. The Housing Authority has a policy of eliminating its City positions once they become vacant and, if appropriate, recreating those positions within its own staff.

The transfer of the Network Coordinator-Senior position from DCD to DOA-ITMD reflects the City's efforts to consolidate all of its information technology support functions in ITMD. With this change, the transfer of DCD's internal IT support functions and staff to ITMD will be complete.

Over time, as certain City and Redevelopment Authority projects and initiatives are implemented, grow or are completed/phased out (e.g., tax incremental districts), the amount of staff time devoted to work in support of those projects and initiatives rises and falls.

Department of City Development staff who one year may devote most of their time to a RACM project may, the next year, move on to activities in support of a City program or initiative. Hence, from year to year, it is appropriate to shift position authority and funding for certain positions from RACM to the City or vice versa. Budget and DCD staff have determined that, for 2014, position authority and funding for 4 positions should be transferred from RACM to the City to reflect duties and workload.

2. Funding Sources for DCD Positions.

Positions in the Department of City Development are funded by a variety of sources, including the City tax levy, grants (CDBG/Home or NSP), capital and RACM reimbursement. Individual positions may be fully funded by just one of these funding sources or funded by a combination of sources. The funding sources for funded, non-Housing Authority, non-intern DCD positions in 2013 and 2014 are shown in Table 16.6.

Table 17.6. Funding Sources for DCD Positions, 2013 and 2014.

Funding Source		2013	2014
Sole Source Funding	City tax levy	25	33
	CDBG/HOME	14	14
	Capital	1	2
	NSP	8	1
	RACM	1	1
Combination Funding	City tax levy/CDBG	4	3
	City tax levy/capital	1	1
	City tax levy/RACM	1	3
	CDBG/NSP	4	6
	City/CDBG/NSP	1	0
Total		60	64

3. Vacancies.

There are currently 4 vacant, funded, non-intern positions in the Department of City Development:

- Real Estate Coordinator II—New position; in process of being filled.
- Program Assistant I—New position; classification approval by Finance & Personnel Committee anticipated for 10/9/2013.
- Accountant I and Community Outreach Liaison—Vacant since December, 2012, and March, 2012, respectively. These positions had only been funded for 6 months of 2013. They are among the 4 positions that had been NSP-funded but will now be funded by the tax levy and directed to work on the Strong Neighborhood Improvement Plan.

V. SPECIAL PURPOSE ACCOUNTS.

Special purposes accounts (“SPAs”) are budgeted outside of departmental operating accounts, and control over SPAs is provided to departments by resolution. The 2014 Proposed Budget includes funding for 3 Department of City Development SPAs: Milwaukee Arts Board Projects (\$160,000), Milwaukee Fourth of July Commission (\$95,000) and Land Management (\$550,000). The funding levels for the first 2 accounts are unchanged from the 2013 Adopted Budget, while funding for the Land Management SPA is decreased by \$100,000.

The Land Management SPA funds the DCD maintenance and management of RACM- and City-owned improved properties, particularly properties acquired through the *in rem* foreclosure process. Activities supported by this SPA include building repairs (carpentry, plumbing, HVAC), property surveys, property recording fees, debris removal, boarding of vacant properties, grass cutting and snow removal.

Decreased funding for the Land Management SPA does not mean the need for these activities is going down; on the contrary, as the City’s inventory of improved, *in rem* properties has grown rapidly in recent years, so have its responsibilities for maintenance and management of these properties. In fact, so far this year, the department has expended \$772,579 of the \$776,595 (99.5%) of the funding available in this account (2013 budget appropriation plus carryover funds), and is now using rental income from *in rem* properties to cover all *in rem*-related expenses.

The reduction in funding for the Land Management SPA simply reflects the transfer of responsibility for mowing, exterior debris removal and snow removal from DCD to the Department of Public Works as part of the Mayor’s Strong Neighborhood Investment Plan. The 2014 Proposed Budget provides \$1,222,000 in a new DPW-Operations Division (Forestry Section) special fund titled “*In Rem* Property Management,” meaning that the commitment of financial resources to maintaining City-owned improved properties is actually increased substantially for next year.

VI. REVENUES.

The 2014 Proposed Budget projects that \$413,100 in revenues will be received by the department, a \$33,000 (-7.4%) decrease from the 2013 Budget estimate. Now that permitting and plan examination functions have been transferred to the Department of Neighborhood Services, DCD's largest and primary source of revenue is the sale of real property.

Table 17.7. Changes in Revenue by Category.

Revenue Account	2012 Actual	2013 Adopted Budget	% Change	2014 Proposed Budget	% Change
Sale of Real Property	\$318,400	\$375,000	17.8%	\$350,000	-6.7%
Zoning Change Fees	\$45,900	\$50,000	8.9%	\$50,000	0.0%
Vacation of <i>In Rem</i> Judgments	\$24,900	\$15,500	-37.8%	\$25,000	0.0%
Certified Copies of Maps, etc.	\$10,000	\$15,000	50.0%	\$10,000	-33.3%

1. Sale of Real Property.

The 2014 projection is consistent with actual revenues in 2012 and prior years. However, given that DCD manages an inventory of over 1,000 improved properties, it is likely that 2014 revenues from property sales will exceed the projection of \$350,000. Last year, the department and RACM sold 233 foreclosed properties. This year, they are on pace to sell over 250 properties by year's end. The Strong Neighborhood Investment Plan calls for sales of an estimated 350 homes, and DCD believes sales could increase to \$1.0-\$1.5 million in 2014.

2. Zoning Change Fees.

The 2014 projection is based on actual revenues in 2012 and previous years. If the local real estate market rebounds and development activity increases, the City may see an increase in revenue from this category in 2014.

VII. CAPITAL PROJECTS.

The 2014 Proposed Budget includes \$23,450,000 in funding for 9 capital projects, an increase of \$5,865,000 (33.4%) from the 2013 Budget. All but \$350,000 is funded by borrowing, rather than the tax levy. Capital projects for 2014 are summarized in Table 17.8 and the discussion that follows.

Most of the increase in capital funding is the result of increased borrowing authorizations for tax incremental districts (TIDs) and a dramatic increase in funding for the *In Rem* Property Program capital account. Funding for a number of other DCD-administered capital accounts is reduced significantly (Neighborhood Commercial District Street Improvement Fund, Façade Program and Housing Infrastructure Preservation Fund).

No 2014 funding is provided for the Healthy Neighborhoods Initiative. One new DCD capital project is funded for 2014 – Vacant Lot Beautification (\$200,000), part of Mayor Barrett’s Strong Neighborhood Investment Plan.

Table 17.8. Capital Program Summary, 2014.

Program	2014 Proposed Budget	2013 Adopted Budget	Increase (decrease)	% Chng.	6-year Request
Neighborhood Commercial District Street Improvement Fund	\$400,000	\$600,000	(\$200,000)	-33.3%	\$3,600,000
Business Improvement Districts	\$250,000	\$250,000	\$0	0%	\$1,500,000
Tax Incremental Districts	\$19,500,000	\$14,685,000	\$4,815,000	32.8%	\$132,000,000
Advanced Planning Fund	\$150,000	\$150,000	\$0	0%	\$900,000
Housing Infrastructure Preservation Fund	\$300,000	\$600,000	(\$300,000)	-50.0%	\$2,400,000
Façade Program	\$250,000	\$500,000	(\$250,000)	-50.0%	\$2,250,000
Brownfield Program	\$500,000	\$500,000	\$0	0%	\$3,000,000
<i>In Rem</i> Property Program	\$1,900,000	\$150,000	\$1,750,000	1166.7%	\$1,500,000
Vacant Lot Beautification	\$200,000	\$0	\$200,000	----	New
Healthy Neighborhoods Initiative	\$0	\$150,000	(\$150,000)	-100%	\$900,000
Total	\$23,450,000	\$17,585,000	\$5,865,000	33.4%	\$148,050,000

1. Currently-Funded Projects.

Neighborhood Commercial District Street Improvement Fund, \$400,000.

This program assists neighborhood commercial streetscaping efforts by providing matching dollars for funds from other internal and external sources. Other funding sources may include the City of Milwaukee BID Fund, Congestion Mitigation and Air Quality Improvement Program (CMAQ) grants, state grants and private loans.

This program was funded below the requested amount of \$600,000. Funding for this program has been relatively stable, and since 2000 has averaged just over \$500,000 annually. Average expenditures from 2007 through 2010 were \$497,000. The recession has had an adverse impact on local business activity, with actual expenditures from this account declining to \$168,000 in 2011 and \$21,000 in 2012. Expenditures to date in 2013 are \$29,286. Over \$1 million in carryover borrowing authority remains.

DCD has proposed using 2014 funds for the Granville Streetscape project.

Business Improvement Districts (BID), \$250,000.

This program is used to fund loans to BIDs for streetscaping and other infrastructure projects. The funds are normally matched with other funding sources. Loans made from this fund are repaid through annual BID assessments.

This program was funded as requested. From 2000 through 2008, this program received \$500,000 of funding annually. No funding was budgeted in 2009 because the department anticipated that there was enough carryover authority to meet the needs of the program. Funding in 2010 was \$1.2 million. Budgeted funding from 2011 through 2013 was \$250,000 annually.

Actual expenditures from this account since 2007 have been highly variable. The average from 2007 through 2010 was \$166,000. In 2011, actual expenditures increased from the average to \$192,600 and then decreased to \$22,900 in 2012. \$750,000 in carryover borrowing authority remains.

DCD has proposed using 2014 funds for the Granville Streetscape project.

Tax Incremental Districts (TID), \$19,500,000.

This program allows the City to create and fund new tax incremental districts or additional projects in existing districts.

This program was funded as requested. The 2014 Proposed Budget provides \$4.8 million (32.8%) more funding than the 2013 Budget. No potential TIDs for 2014 were identified in the capital request. The lingering effects of the recession are slowing developer activity, reducing the need for large amounts of borrowing authorization. In addition, the program has \$55 million in carryover borrowing authority available.

Since 2000, nearly \$438 million has been budgeted for tax incremental districts. Funding has been highly variable, ranging from a low of \$8 million to a high of \$74.5 million. Actual expenditures through the end of 2012 have totaled \$277 million, for an average of \$21.3 million per year.

New TIDs created in 2013 include:

- #78 Northwestern Mutual Life Insurance Company (4th Aldermanic District). This district consists of approximately 4.44 acres at 800 and 900 East Wisconsin Avenue. Total estimated project costs, excluding financing, are \$73,300,000. (See Common Council File Number 121429.)

- #79 North Water Street Riverwalk (3rd Aldermanic District). The district consists of 2 properties totaling approximately 6.16 acres at 1781 and 1887 North Water Street. 1781 is the former Gallun Tannery and 1887 is the location of a light manufacturing facility. Total estimated project costs, excluding financing, are \$1,750,000. (See Common Council File Number 130053.)

To date, \$895,000 has been approved for amendments to existing TIDs to fund paving projects.

A recent ordinance change allows the life of tax incremental districts to be extended by one year to benefit affordable housing in the City and to improve the City's housing stock. The district must have already paid off all of its project costs, including any project costs relating to an amendment to the district's project plan to fund street paving costs.

Advanced Planning Fund, \$150,000.

This program provides funding for various DCD studies, including market analyses for local business corridors, feasibility studies for new developments, land use planning studies, comprehensive plan updates and redevelopment plans for specific neighborhoods.

This program was funded as requested, and at the same level as the 2013 Budget. Funding for this program has been relatively stable since 2000, approximately \$157,000 per year. This program is not supported by debt, so there is no carryover borrowing authority.

Projects and activities for 2014 are similar to 2013, with funding proposed for Downtown catalytic projects and updates to strategic land use plans (\$50,000), market and data analysis (\$43,000), graduate students in planning and GIS (\$50,000), and software and GIS licensing (\$8,000).

The Advance Planning fund is currently being used to help fund the Menomonee Valley 2.0 Plan, the Brown Deer Corridor Land Use Study and a Milwaukee Economic Growth Plan.

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.

Since 2010, this program has received \$2,300,000 in funding. Annual funding has been variable. Expenditures in 2012 were \$405,000. Actual expenditures from 2010 through 2012 total \$1.2 million. A list of 2013 projects funded by this account can be found in Common Council File Number 121405.

This account has been used to fund improvements on 23 homes. Two additional homes have gone out to bid. Total expenditures to date are \$1.85 million. The average cost per house where work has been completed (18 houses) is \$77,833. The average cost to date for houses still under construction (5 houses) is \$90,636. Eight homes have been sold, 3 of them to NIDC. Excluding the homes that were sold to NIDC, the average sale price was \$23,900.

As of August 28, 2013, a total of 17,285 hours have been worked on HIPF projects. Of that number, 9,715 hours (56%) were performed by certified resident preference program (RPP) participants.

Common Council File Number 130736, introduced September 24, 2013 and referred to the Zoning, Neighborhoods and Development Committee, proposes limiting the total Housing Infrastructure Preservation Fund expenditure per house to \$50,000. The ordinance would allow additional expenditure only with Council approval.

The Special Joint Committee on the Redevelopment of Abandoned and Foreclosed Homes has been monitoring the use of funds from this and other accounts. Further information on the activities of the committee is available as attachments to Common Council File Numbers 110809 (2011), 111347 (2012) and 121405 (2013).

Façade Program, \$250,000.

This is an on-going program created by the 2012 Budget. Prior to 2012, façade project funding came from the Development Fund capital account. This program also provides funding for interior alterations.

This program was funded as requested. The 2014 Proposed Budget represents a 50% decrease in funding from the 2013 Budget. In 2012-2013, expenditures for façade projects were funded with remaining funds in the Development Fund capital account. There were no expenditures from the Façade Program account in 2012. There is \$500,000 in unreleased carryover borrowing authority remaining for this account; 2012 funds have been released and will be used to fund projects in 2013-2014.

Brownfield Program, \$500,000.

This is an on-going program created by the 2012 Budget to provide matching funds for grants awarded for the remediation of contaminated sites that are privately owned. Prior to 2012, funding for these types of projects came from the Development Fund capital account.

This program was funded as requested and at the same level as the 2013 Budget. Actual expenditures in 2012 were \$350,017. Currently, all 2012 funds in this account have been expended, as have approximately have of the 2013 funds.

***In Rem* Property Program, \$1,900,000.**

This program was created by the 2011 Budget to 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. As of early September, the City currently owned 1,044 improved properties.

Since 2011, \$350,000 has been provided for this account. Expenditures through the end of 2012 were \$130,383. This program has \$150,000 in carryover borrowing authority.

The Department anticipates that the *In Rem* Property Program will have 3 primary activities in 2014: support for the City's lease-to-own program, homebuyer assistance loans and rental rehabilitation loans.

Of the \$1.9 million in the 2014 Proposed Budget for this capital project, \$300,000 will be allocated to the Tenant Transition to Ownership Project (T₃OP) to help assure that tenants make a successful transition to homeownership. Funds will be used to make essential repairs to approximately 20 properties enrolled in the program. Repairs would be made prior to transferring title to the tenant.

Approximately \$800,000 of the 2014 appropriation will be used to provide Homebuyer Assistance loans to individuals purchasing *in rem* properties for homeownership. Loans of up to \$20,000 per property must be matched on a dollar-for-dollar basis by purchasers. A loan would be forgivable after 5 years if the owner continues to occupy the property as his or her primary residence. The department estimates being able to leverage \$960,000.

An additional \$462,000 will be allocated to Rental Rehabilitation loans to private landlords for the purpose of providing quality rental opportunities. Loans of up to \$12,500 per dwelling unit must be matched on a dollar-for-dollar basis by purchasers. The department estimates being able to leverage \$1,400,000.

Vacant Lot Beautification, \$200,000.

This is a new capital account. It will provide funds to install a variety of improvements on vacant lots, including grass, shrubs, trees, raised garden beds and fencing. In addition to beautifying City-owned lots, DCD anticipates providing funds to individuals or organizations that purchase vacant lots from the City's inventory. The department estimates that, with the proposed level of funding, between 80 and 100 lots can be improved at an average cost of \$2,000 to \$2,500.

2. Unfunded Capital Requests.

Healthy Neighborhoods Initiative (HNI), \$150,000.

This program provides matching funds for privately-raised funds used to make small-scale improvements in 9 designated Healthy Neighborhoods. The purpose of the 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 has received \$1,150,000 in funding since it was created in 2008. It has \$100,000 in carryover borrowing authority, although the current account balance is approximately \$375,000.

The nine participating Healthy Neighborhoods are: Capitol Heights, Enderis Park, Havenwoods, Johnson's Park, Lincoln Village, Martin Drive, Sherman Park, Silver City, and Thurston Woods.

3. Project Updates.

ADA Riverwalk.

The 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. Since 2009, \$3.45 million has been budgeted for this project. Actual expenditures through the end of 2012 were \$1,777,000. No funding has been provided since 2011.

The project has \$1.49 million in capital funding remaining. As of October, 2013, 8 segments have been completed. Two additional segments are in the planning stages. DCD anticipate that completion of these remaining segments will occur by the end of summer, 2014.

Development Fund.

This program traditionally supported a wide variety of private economic development projects and activities. Funding was used for façade grants, retail investment grants, homebuilding assistance, brownfield remediation and business assistance, including grants and loans.

2011 was the last year that funding was requested or provided for this account. Façade grants and brownfield remediation assistance will continue to be provided using the specific capital accounts that have been created for those purposes (see earlier discussion). The Development Fund has \$533,000 in carryover borrowing authority. However, all funds in this account (except those specifically set aside for job training programs) at the parent level have been appropriated to projects approved through Common Council resolution.

4. Future Capital Requests.

There are no future capital requests that are not related to on-going programs.

VIII. ISSUES TO CONSIDER.

1. With the increased staffing and marketing resources provided by the Strong Neighborhood Investment Plan, DCD is expected to ramp up its sales of *in rem* properties. Success will depend not only on the strength of the local housing market and economy, but also the department's use of effective marketing strategies. A target of 350 home sales has been set for 2014, but an even higher number is possible, and could push sale revenues above the \$1 million mark.
2. The 2014 Proposed Budget provides \$200,000 in new capital funding for Vacant Lot Beautification. The department believes this will be sufficient funding for beautification of 80-100 lots. DCD will need to develop criteria for selection of lots to be beautified, with funds being used strategically to maximize other neighborhood quality-of-life investments made by the City and community organizations.
3. As the City's NSP funding is depleted, it must decide between eliminating the positions that had been NSP-funded or funding them by other means. The Proposed Budget does some of both, with 2 DCD positions being phased out and 4 others being retained, repurposed and funded by the tax levy.
4. The 2014 Proposed Budget cuts funding for the Housing Infrastructure Preservation Fund in half, to \$300,000. Given that the average HIPF expenditure per property since creation of the Fund is over \$80,000, this will significantly limit the number of properties that can be aided by the Fund in 2014.

5. Since 2008, the Healthy Neighborhoods Initiative has been a City/private partnership that supports small-scale aesthetic improvements in neighborhoods throughout Milwaukee, particularly neighborhoods outside the Block Grant area that don't normally receive public-sector housing assistance, but can benefit from positive image reinforcement that HNI brings. The 2014 Proposed Budget provides no new City funding for this popular program; however, the existing account balance will be available to maintain the program at current levels for some time.
6. The 2014 Proposed Budget increases City borrowing authority for tax incremental financing projects by almost \$5 million. No specific projects have been identified. Is the City, through DCD and its budget, making optimal use of the tax incremental financing tool to stimulate economic and real estate development?
7. The *In Rem* Property Program capital account allocates \$1.6 million to loan programs for purchasers of both owner-occupied and rental City-owned *in rem* properties. This is a substantial investment in a new program that seeks to build on the design of the DCD-administered NSP loan programs for owner-occupants and investors. The success of this initiative will depend in part on the ability of buyers to secure the dollar-for-dollar matching funds needed for participation; it is unknown if owner-occupants and private landlords with the financial wherewithal to meet these terms will pursue the purchase of *in rem* properties.

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Budget Hearing Date: October 11, 2013
Last Updated: October 7, 2013