



**NEIGHBORHOOD STABILIZATION
PROGRAM (NSP)**

**SUBSTANTIAL AMENDMENT TO THE
CONSOLIDATED PLAN AND
THE 2008 ANNUAL ACTION PLAN**

**Submitted By
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Substantial Amendment for the Neighborhood Stabilization Program

Background

As an entitlement community, the City of Milwaukee was awarded \$9.2 million in Neighborhood Stabilization Program (NSP) funding under the Housing and Economic Recovery Act of 2008. The attached Neighborhood Stabilization Plan Amendment provides a proposed plan of how the City will utilize those funds to address the issue of foreclosed properties in its community.

NSP funding is only one component of a broader community strategy to address the issues of foreclosures in the City of Milwaukee. For the last two years, the City of Milwaukee and many partners in the community have been working to address foreclosure issues and the impacts of subprime and predatory lending in the community. In September, Mayor Tom Barrett convened the Milwaukee Foreclosure Partnership Initiative (MFPI) – a public-private partnership made up of lenders, foundations and community stakeholders with the primary goal of addressing the foreclosure crisis using a three tiered approach: Prevention, Intervention and Stabilization. Milwaukee's Common Council convened the Special Joint Committee on Redevelopment of Abandoned and Foreclosed Homes to guide the City's efforts for the use of NSP funding.

The regulations for the NSP program provide that NSP funding can only be used to address abandoned and foreclosed properties – those which have already been foreclosed on and for which ownership has transferred. NSP funding cannot be used to assist homeowners who are being foreclosed on, or who are danger of losing their homes to foreclosure. The City and its partners recognize that intervention and prevention strategies for homeowners and prospective homeowners are critical to addressing the foreclosure issue in Milwaukee and are working through the MFPI to create and implement programs and resources to address these important issues in the community.

City of Milwaukee

Executive Summary

Neighborhood Stabilization Program (NSP)

Substantial Amendment to the Consolidated Plan and the 2008 Annual Action Plan

As an entitlement community, the City of Milwaukee was awarded \$9.2 million in Neighborhood Stabilization Program funding under the Housing and Economic Recovery Act of 2008. The attached Neighborhood Stabilization Plan Amendment provides a plan for how the City will utilize those funds to address the issue of foreclosed properties in the community.

NSP funding will provide a considerable resource for the City's foreclosure efforts. However, it is important to note that Milwaukee's approach to the foreclosure crisis goes beyond tackling the issue of abandoned and foreclosed properties. It includes coordinated efforts to assist homeowners in danger of foreclosure, as well as establish a framework to address the root causes of foreclosures with the goal of preventing similar problems in the future.

The Problem

Foreclosures are resulting in significant costs for Milwaukee homeowners and neighborhoods.

Increasing numbers. For the first nine months of 2008, foreclosure filings in City of Milwaukee were up 35% compared to the same period in 2007. There are currently 1,619 bank owned foreclosed properties and 138 City owned foreclosed properties in Milwaukee neighborhoods. Looking forward, there are over 4,000 open foreclosure filings that are likely to result in additional vacant and abandoned properties.

Disproportionate impact. In Milwaukee, foreclosures and the related issues of subprime and predatory lending disproportionately impacted Milwaukee's poorest neighborhoods and low-income and minority families. There were over 17,800 subprime loans originated in Milwaukee County in 2005 and 2006, totaling over \$1.7 billion. In 2006, 59% of all of the mortgages issued in Milwaukee's Community Development Block Grant Area were either subprime or high interest mortgages. In 2006, over 2/3 (69%) of African American borrowers obtained high cost mortgages compared to less than 1/3 (30%) of whites.

Loss of homeownership. Over half of the subprime lending activity in Milwaukee was refinancing loans for existing homeowners. Long term homeowners, who have been a stabilizing force for City neighborhoods, are being displaced. Home equity, which is the single largest source of wealth building for most low and moderate income families, is being erased.

Effect on renters. Tenants are being impacted as well, as evictions are up significantly, and increasing numbers of them are foreclosure related. Many foreclosed homeowners turning to the rental market for housing are having difficulty securing rental property due to damage to their credit rating caused by the foreclosure.

Neighborhood impacts. Two-thirds of the bank owned foreclosures have open building code violations. Board ups have increased over 50% and vacant house fires have doubled. Left unattended, foreclosed properties are attractions for nuisance and criminal behavior.

A Coordinated Approach

There are a number of comprehensive and thoughtful initiatives that are currently underway that will complement and strengthen Neighborhood Stabilization Program efforts.

The Strategies to Overcome Predatory Practices (STOPP) Initiative has worked since 2002 through the Milwaukee Metropolitan Fair Housing Council in collaboration with local and state organizations to raise awareness of predatory and subprime lending activity and to provide consumer education and outreach in the community. Local housing counseling agencies have been providing foreclosure counseling services. Local academic institutions have provided research, education and consumer outreach within the community. Foreclosure Task Forces have been implemented by the City of Milwaukee and through the sponsorship of the U.S. Department of Housing and Urban Development to address neighborhood issues, intervention efforts and legislative reforms relating to the foreclosure issue.

In September, Milwaukee Mayor Tom Barrett launched the Milwaukee Foreclosure Partnership Initiative (MFPI), a public-private partnership made up of lenders, foundations real estate professionals, government representatives and community stakeholders to coordinate and focus efforts to address the foreclosure crisis in Milwaukee. The MFPI is utilizing a three-pronged approach to address not only the issue of abandoned and foreclosed homes, but the issues of foreclosure prevention and intervention as well. Over 100 individuals representing a broad range of community interests are currently participating in MFPI workgroups to create strategies and increase resources to address foreclosures in Milwaukee. Milwaukee's Common Council has also convened the Special Joint Committee on Redevelopment of Abandoned and Foreclosed Homes to guide the City's efforts for the use of Neighborhood Stabilization Program funding.

The NSP Plan

The proposed plan for the use of NSP funding has been designed to utilize a number of different strategies to address the issue of foreclosed homes in City neighborhoods. The plan recognizes that a "one size fits all" approach will not meet the need of neighborhoods impacted by the foreclosure issue. It includes a set of tools that build on existing programs, as well bring new ones to the effort. Proposed activities include those which promote homeownership, affordable rental housing, blight elimination and the improvement of City neighborhoods. The plan includes roles for government, residents, nonprofits, developers, lenders, and the real estate community because all are important to achieving results.

Given the sheer number of foreclosed properties in the City, as well as the number of open foreclosure filings likely to result in increased numbers of abandoned and foreclosed homes, every effort will be made to leverage Neighborhood Stabilization Program funding and seek additional resources for the City's efforts.

THE PROPOSED NSP SUBSTANTIAL AMENDMENT

Jurisdiction(s): Milwaukee <i>(identify lead entity in case of joint agreements)</i>	NSP Contact Person: Steven L. Mahan Address: 200 East Wells, Room 606 Telephone: 414-286-3842 Fax: 414-286-5003 Email: smahan@milwaukee.gov
Jurisdiction Web Address: www.milwaukee.gov <i>(URL where NSP Substantial Amendment materials are posted)</i>	

A. AREAS OF GREATEST NEED

Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.

Response:

Section 2301(c) (2) of the Housing and Economic Recovery Act of 2008 (HERA) sets forth three criteria for communities to utilize in determining the areas of greatest need within their jurisdictions. HERA specifies that for the purposes of administering the Neighborhood Stabilization Program (NSP), areas of greatest need are those:

- a. with the greatest percentage of home foreclosures;
- b. with the highest percentage of homes financed by a subprime mortgage related loan; and,
- c. identified by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures.

The City of Milwaukee has analyzed data provided by HUD in determining areas of the City which exhibit the greatest degree of need according to each of the HERA criteria. Additionally, the City has conducted extensive research and collected additional data from other sources including the University of Wisconsin Milwaukee and Cooperative Extension, Legal Aid Society of Milwaukee, County Circuit Court Foreclosure Records, Nonprofit Center of Milwaukee, the City of Milwaukee Assessor's Office and the Milwaukee County Register of Deeds Office to supplement HUD's data.

The compilation of this data and the creation of a "real-time" database for tracking foreclosure activity allow the City of Milwaukee to go beyond identifying areas of greatest need at a single point in time. The City will continually be able to assess, adapt and evaluate information to guide its efforts in addressing the foreclosure problem in City neighborhoods.

Greatest Percentage of Home Foreclosures

For the NSP, HUD developed a mathematical formula to predict the foreclosure rate (from January 1, 2007 – June 30, 2008) for every census tract in the United States. This formula takes into account high cost lending activity, area unemployment and change in home values. According to HUD's formula, the City of Milwaukee's 18-month predicted foreclosure rate was 9.9% of all residential mortgages - a rate 2.75 times the predicted rate for the State of Wisconsin (excluding the City of Milwaukee). Appendix "A" presents a map of HUD's predicted foreclosure rate for each census tract in the City of Milwaukee, highlighting the areas with the expected greatest percentage of home foreclosures.

To supplement this data, the City of Milwaukee has also developed a "real-time" database which tracks foreclosure filings and maintains an up-to-date listing of all bank and City owned foreclosed properties within the City. Between January 1, 2007 and October 3, 2008, foreclosure proceedings were initiated against 8,588 properties in the City of Milwaukee. The areas with the highest numbers of foreclosure filings are reflected in Appendix "B." As a result of these filings, there are currently 1,619 bank owned and 138 City owned foreclosed residential properties in the City of Milwaukee. The areas with the highest concentrations of foreclosed properties are reflected in Appendix "C."

Highest Percentage of Subprime Mortgage Financing

The City of Milwaukee has analyzed high-cost lending activity within its jurisdiction using data provided under the Home Mortgage Disclosure Act (HMDA), including the HMDA data provided by HUD for the NSP. According to HMDA data, 42.4 % of mortgage loans issued from 2004-2006 in the City of Milwaukee were high-cost, the highest rate for any CDBG entitlement jurisdiction in Wisconsin. Appendix "D" presents a map of high-cost lending activity from 2004-2006 for each census tract in the City of Milwaukee, highlighting the areas with the greatest percentage of subprime mortgage lending.

For the purposes of this action plan, the City of Milwaukee will utilize "high-cost" mortgage loans (defined as any first lien mortgage with an initial interest rate 3 percentage points or more higher than prevailing Treasury rates at the time of issuance) as a proxy for determining the areas with the highest percentage of subprime loans. This definition corresponds to lending data released by HUD at the census tract level in conjunction with the NSP and will allow for comparisons across jurisdictions and time periods. In its NSP allocation methodology, HUD has acknowledged that "there are no public data sources collected evenly across the United States on... subprime loans." Locally, a study conducted by the UWM Employment and Training Institute examined lending activity by subprime lenders in Milwaukee County. The study found that this activity disproportionally occurred in Milwaukee's Community Development Block

Grant neighborhoods. Appendix “E” presents a map of loans made by subprime lenders in Milwaukee County during 2004-2005. Notably, the areas with the greatest amount of subprime lending activity correspond to the areas with the highest percentage of high-cost loans.

Significant Risk of Increased Foreclosures

The City of Milwaukee will utilize a number of factors when determining which areas are likely to face a significant rise in the rate of home foreclosures. In conjunction with the NSP, HUD developed a “Foreclosure Abandonment Risk Score” for every census tract in the United States. This score was developed to help local jurisdictions gauge which neighborhoods are most likely to face an increase in the number of homes abandoned as a result of increased rates of foreclosure. On the whole, HUD classified the City of Milwaukee as having a “High” risk for local abandonment. (The State of Wisconsin was classified as having a “Low” statewide abandonment risk.) Appendix “F” presents a map of HUD’s Foreclosure Abandonment Risk Score (on a 1-10 scale) for each census tract in the City of Milwaukee, providing an indicator of the areas facing a significant risk for increased foreclosures. According to this methodology, a significant portion of the City is at risk for increased abandonment as 85% of Milwaukee census tracts receive a score of six or higher on HUD’s scale and 60% receive a score of nine or ten.

The City of Milwaukee will also use its tracking capabilities to identify areas where there are significant numbers of properties with open foreclosure filings. These are properties for which a foreclosure action has been filed, but which have not yet been sold at Sherriff’s Sale or transferred through some other method of conveyance. This will allow the City to have advance warning of areas likely to experience a rise in the amount of abandoned and foreclosed homes. There are currently 4,363 open foreclosure filings in the City of Milwaukee. Appendix “G” illustrates the areas with the greatest numbers of these open filings.

Other Factors

In addition to those specified by HERA, the City of Milwaukee will use the following factors to identify the areas of greatest need within its jurisdiction:

Blighting Effects of Abandoned and Foreclosed Properties:

Abandoned and foreclosed properties are having a significant blighting influence in Milwaukee neighborhoods. Two-thirds of the 1,757 foreclosed properties in the City of Milwaukee had open building code violations, including 70 with open raze/placard orders. Throughout the NSP implementation period, the City of Milwaukee will continually cross-reference its database of abandoned and foreclosed homes with building inspection records in order to identify areas where abandoned properties with significant code violations and/or raze orders threaten to have a blighting influence on neighboring homes.

Impacts on Area Real Estate Market

The impact of the rise in home foreclosures has affected the underlying real estate market in City neighborhoods to differing degrees. Based on a sample of sales of abandoned foreclosed properties in 2008, it is clear that this crisis has the potential to drive down property values in Milwaukee neighborhoods.

During the second and third quarters of 2008, the average sale price of a foreclosed home in the City of Milwaukee was 50.2% of its assessed value. In five of Milwaukee's fifteen aldermanic districts, the average sale price of a foreclosed home during that period was less than 50% of its assessed value (Appendix "H").

Throughout the NSP implementation period, the City of Milwaukee will continue to monitor the sale price and time on the market of abandoned and foreclosed homes in order to intervene in the areas which face the greatest risks for decreased property values as a result of foreclosures.

Low-Moderate Income Areas

HERA provides that "all funds appropriated or otherwise made available under [HERA] shall be used with respect to individuals and families whose income does not exceed 120 percent of area median income." Appendix "T" displays the percentage of area residents with incomes at or below 120% of Area Median Income (AMI) in each census tract in the City. The City of Milwaukee will take into account the percentage of residents in an area with incomes at or below 120% of AMI in determining the areas of greatest need for the purposes of implementing the NSP.

B. DISTRIBUTION AND USES OF FUNDS

Provide a narrative describing how the distribution and uses of the grantee's NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. *Note:* The grantee's narrative must address these three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

Response:

As indicated above, the City of Milwaukee has established a comprehensive foreclosure information and tracking system that it will utilize to target and distribute NSP funds to areas of greatest need consistent with the requirements of HERA:

- ***Greatest percentage of foreclosures*** – The City obtains up to date information for sheriff’s sales of foreclosed properties from the Milwaukee County Register of Deed’s Office and the Milwaukee City Assessor’s Office. The information is updated regularly and includes the location, ownership and property characteristics of all foreclosed properties in the City. The information is cross referenced with the City’s Department of Neighborhood Services building inspection records to assist in making a qualitative assessment of property conditions and their potential impact on City neighborhoods. The information also provides valuable data on the sale of foreclosed properties, so that property values, sales prices, and changes in owner occupancy can be tracked and evaluated to guide the deployment of resources and programming in specific neighborhoods.
- ***Highest percentage of homes financed by a subprime mortgage related loan*** - The University of Wisconsin Milwaukee (UWM), in cooperation with Legal Action of Wisconsin undertook a comprehensive study of subprime and high cost lending activity in the City of Milwaukee. This data, supplemented with the most recent HMDA data for high cost loans, provides the location of subprime and high cost lending in City neighborhoods. The UWM study provides additional guidance in that it looks beyond the geography of subprime lending activity to assess impact on Milwaukee homeowners and renters. The study shows that in Milwaukee, subprime lending disproportionately impacted Milwaukee’s poorest families and minority borrowers. Further, over 50% of subprime lending activity was refinancing loans for existing homeowners. The City’s targeting approach, as well as its program design, will take into account those families that were most affected by the foreclosure problem.
- ***Areas likely to face a significant rise in the rate of home foreclosures*** – The City obtains up to date information for foreclosure filings from the Milwaukee County Register of Deed’s Office. Like the system for foreclosed properties, the information is updated regularly and along with the location of subprime lending activity in the City, provides an “early warning system” to allow the City to identify areas that are likely to experience an increase in foreclosed properties.
- ***Intervention areas*** – In addition to the areas of greatest need detailed above, the City may identify specific areas that are in need of “spot intervention” for eligible NSP activities. These would be neighborhoods that may not have the highest level of foreclosed homes, but where the neighborhood and real estate market are being undermined by specific foreclosure related problem properties. If left unaddressed, these vacant and abandoned properties could result in increased crime, negative neighborhood perceptions, declines in property values and decreased neighborhood confidence. While the priority for NSP funding would be for areas with greatest need that have been identified in Section “A,” early and targeted intervention in select areas will prevent decline in otherwise stable neighborhoods.

Utilizing the above data, and the risk and impact factors that have been identified, the City will direct its resources to meet the targeting requirements of HERA. As reflected in Section "A" there is significant geographic overlap when considering all of the need factors contained in both HERA and the City's supplemental research and information. Consistent with HERA targeting requirements, funds will be prioritized in those areas where the HUD estimated foreclosure rate is in excess of the state average (Appendix A) and in those areas which have a home foreclosure abandonment risk score greater than "5" (Appendix F). This prioritization strategy will be further supplemented with the City's foreclosure databases which will be continuously updated, providing the City with the ability to adapt to changes in the market, as well as assess the effects of its intervention efforts and make necessary adjustments in the way it is deploying its resources.

Recognizing that a "one size fits all approach" may not meet the need of neighborhoods even if they share similar characteristics in relationship to foreclosure statistics, **programming** will also be targeted to best address the impact of foreclosures on specific neighborhoods. For example, an area that is particularly hard hit will have programming that is more deeply subsidized and involves more direct intervention (demolition, rental development, acquisition and rehab, etc.). An area that has been impacted by foreclosures, but still has a reasonable base of homeownership and a relatively viable real estate market will have programs that are more highly leveraged and targeted to homeownership (e.g., incentive for a homebuyer to purchase a foreclosed home).

In directing its resources, the City will, to the greatest extent possible, leverage NSP funds so that they have both a significant and sustainable impact on those neighborhoods of greatest need. Within the areas of greatest need, the City will direct its resources to complement other development activities, to work with established neighborhood partners and community organizations, and to focus and concentrate resources to achieve the maximum impact on the neighborhoods affected by the foreclosure problem.

C. DEFINITIONS AND DESCRIPTIONS

(1) Definition of "blighted structure" in context of state or local law.

Response:

Section 66.1333(2m)(bm) of Wisconsin State Statutes provides that "blighted property" means any property within a city, whether residential or nonresidential, which by reason of dilapidation, deterioration, age or obsolescence, inadequate provisions for ventilation, light, air or sanitation, high density of population and overcrowding, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime, and is detrimental to the public health, safety, morals or welfare, or any property which by reason of faulty lot layout in relation to size, adequacy, accessibility or usefulness, insanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding

the fair market value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, substantially impairs or arrests the sound growth of a city, retards the provisions of housing accommodations or constitutes an economic or social liability and is a menace to the public health, safety, morals or welfare in its present condition and use, or any property which is predominantly open and which because of obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise, substantially impairs or arrests the sound growth of the community.

(2) Definition of “affordable rents.”

Response:

Affordable rents under the NSP will be consistent with limits prescribed by HUD in conjunction with the HOME program. The following table displays 2008 HOME rent limits for the City of Milwaukee. These rents are considered to be affordable for households with incomes that are 65% of AMI. The lower 50% AMI rent limit will be used in determining whether a unit can be counted towards the NSP requirement that at least 25% of grant funds be used to provide housing for individuals whose incomes do not exceed 50% of AMI. Affordable rent limits will be updated each year of the NSP implementation period to reflect any changes in HOME rent limits.

NSP Affordable Rent Limits - 2008 ¹						
	Efficiency	1 BR	2 BR	3 BR	4 BR	5 BR
Affordable Rent Limit:	\$477	\$567	\$664	\$849	\$858	\$993
Rent Limit for NSP 50% area median income requirement:	\$477	\$537	\$630	\$727	\$807	\$889

¹ Limits assume tenant responsibility for all utilities other than sewer/water. Adjustments will be made using Housing Authority of the City of Milwaukee Utility Allowances when appropriate.

(3) Describe how the grantee will ensure continued affordability for NSP assisted housing.

Response:

The City of Milwaukee will utilize the affordability requirements of the HOME program for prescribing the periods of continued affordability for NSP assisted activities.

Homeownership Programs:

<u>Subsidy/Assistance Amount</u>	<u>Period of Affordability</u>
<\$15,000	5 years
\$15,000-\$40,000	10 years

\$40,000+

15 years

Rental Programs:

<u>Subsidy/Assistance Amount</u>	<u>Period of Affordability</u>
<\$15,000/unit	5 years
\$15,000-\$40,000/unit	10 years
\$40,000+/unit	15 years
New construction	20 years

For both rental and homeownership programs utilizing NSP funds, the City of Milwaukee will utilize mortgages and restrictive covenants to ensure continued affordability of NSP assisted housing. Any funds recaptured from NSP activities will be administered consistent with the requirements of HERA.

(4) Describe housing rehabilitation standards that will apply to NSP assisted activities.

Response:

The following summary describes the housing rehabilitation standards for NSP assisted properties.

Scope of Work: Whether NSP funds are used to acquire and/or rehabilitate a property, a qualified professional will thoroughly inspect the property and develop a cost-estimated scope of work. The scope of work will list the minimum requirements to bring the property into code compliance. Each property will receive a Certificate of Code Compliance upon completion.

Technical Specifications: Rehab work on NSP-assisted properties shall follow the City's "Technical Specifications and Performance Standards" manual ("Manual.") The Manual is currently used for the City's Federally-funded HOME programs. It combines the City's rehabilitation standard with programmatic policies, federal regulations, and state / local building codes. It is the overall guide to labor and material performance standards for Federally-assisted rehabs.

Lead Safety: All applicable laws and regulations, whether federal, state, or local, relating to lead based paint, will be addressed in all NSP assisted properties. Lead abatement work will be done by State of Wisconsin-certified lead abatement contractors and/or rehabilitation crews and supervisors. All work will be done in a lead safe manner, and all completed work will have a lead wipe test conducted with subsequent clearance by the Milwaukee Health Department (MHD).

"Green" Improvements: NSP-assisted properties will require landscaping that beautifies the property. An added benefit is that trees and other permanent landscaping capture

carbon dioxide, a major component of greenhouse gases. Whenever financially feasible, scopes of work will include environmentally-friendly improvements that conserve energy, manage storm water runoff, and minimize use of non-renewable resources.

There will be a strong emphasis on energy conservation such as high efficiency furnaces and boilers, energy-efficient windows, air-sealing, insulation, and efficient lighting.

Occupancy Permits and Final Inspections: In the City of Milwaukee, a building vacant for more than 1 year requires a renewed Certificate of Occupancy. Such buildings require clearance from MHD and the Department of Neighborhood Services (DNS.) It is assumed that many NSP-assisted properties will need new Certificates of Occupancy.

Additionally, before a NSP-assisted property is occupied, a qualified rehabilitation specialist or other housing professional will inspect the rehab work to insure the scope of work is completed in a professional manner, that permits were issued, that there is a valid Occupancy Permit, and that the all required MHD and Department of Neighborhood Services (DNS) sign-offs are on-file.

D. LOW INCOME TARGETING

Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of AMI: \$2,300,000.

Note: At least 25% of funds must be used for housing individuals and families whose incomes do not exceed 50 percent of AMI.

Response:

At least 25% of funds will be used for families whose incomes do not exceed 50% of AMI. While 25% will be a minimum the City will, to the greatest extent possible, encourage additional targeting of resources for housing units for individuals or families whose incomes do not exceed 50% of AMI. Specifically, by category:

Homebuyer Assistance - 12.5 % of funding will be targeted to families earning under 50% of AMI.

Rental Development (Rental Rehabilitation -Small Projects) - 50 % of the funding will be targeted to families earning under 50% of AMI.

Rental Development (Large Projects) - 50% of the funding will be targeted to families earning under 50% of AMI.

Redevelopment of Vacant Land (new construction) - 50 % of the funding will be targeted to families earning under 50% of AMI.

Land Bank - 30% of the funding will be targeted to families earning under 50% of AMI.

E. ACQUISITIONS & RELOCATION

Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e., $\leq 80\%$ of area median income).

If so, include:

- The number of low- and moderate-income dwelling units—i.e., $\leq 80\%$ of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e., $\leq 120\%$ of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.

Response:

The City of Milwaukee anticipates that 75 properties will be demolished in census tracts where at least 51% of the residents have incomes less than 80% of AMI.

The vacant land resulting from demolition activities will be utilized to benefit low income neighborhoods and individuals. For those sites that do not have the potential for redevelopment (because of size, extraordinary site conditions or location), a variety of reuses will be considered, including sales to adjacent low income property owners, the development of urban gardens or green space, and storm water retention banks for future neighborhood development. Sites that do have redevelopment potential may be offered for the development of high quality affordable housing uses. These reuses are more fully described in the Activity Description “Vacant Land Initiative.”

For new construction activity, it is estimated that 20 housing units will benefit households earning under 50% of AMI and 20 housing units will benefit households earning between 51% and 80% of AMI. It is estimated that this activity would commence in September of 2009 and be completed by December of 2010.

The City does not anticipate that any existing low income housing units will be converted to a different use as a result of NSP activities.

F. PUBLIC COMMENT

Provide a summary of public comments received to the proposed NSP Substantial Amendment. **(To be completed at end of Public Comment period.)**

Response:

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: Homebuyer Assistance

(2) Activity Type: Eligible NSP use: Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties.

CDBG eligible activity: 24 CFR 570.201 (Direct homeownership assistance) and 24 CFR 570.202 (Rehabilitation and preservation activities for homes and other residential properties)

(3) National Objective: Benefit low moderate and middle income persons, <120% of AMI.

(4) Projected Start Date: April 1, 2009

(5) Projected End Date: February 1, 2013

(6) Responsible Organization: City of Milwaukee, Department of City Development, 809 North Broadway, Milwaukee, WI 53202
Contact: Maria Prioletta

(7) Location Description: The program will be targeted to the neighborhoods of greatest need as well as the intervention areas as described in “B” of this Amendment – “Distribution and Uses of Funds.” Within these neighborhoods, consideration will be given to those neighborhoods which have experienced a net loss in homeownership as a result of the foreclosure issue.

(8) Activity Description: The loss of homeownership resulting from increased foreclosures is having a destabilizing effect on City neighborhoods. In Milwaukee, the problem is exacerbated because of the fact that over 50% of subprime lending in Milwaukee was for the purpose of refinancing existing mortgages. Homeowners, with significant tenure in City neighborhoods, are losing their homes to foreclosure. This is not only resulting in increased numbers of vacant and boarded homes, but the loss of long term homeowners who had been a stabilizing force in City neighborhoods.

The activity will provide soft second mortgage financing to owner occupant purchasers of foreclosed homes. Families earning less than 120% of AMI will be eligible for a 0% second mortgage for up to 20% of the purchase price of a foreclosed home. The financing is intended to serve as an incentive to encourage the purchase of vacant and abandoned homes for owner occupancy. The amount of assistance (up to 20% of purchase price), coupled with other resources, will also effectively eliminate the need for private mortgage insurance. This will increase affordability for low income homeowners, as well as the access to credit in a market with diminished financing products for affordable homeownership.

The amount of assistance for individual purchase transactions will be dependent on the income of the purchaser and the target area. Purchases in neighborhoods with the highest level of distress will be eligible for higher levels of financing. Similarly, the level of assistance provided to homebuyers will vary based on income, with the lowest income beneficiaries being eligible for higher amounts of assistance.

Properties purchased under the program will have a minimum discount of 5% from the current market appraised value of the home (Overall, the average discount for all properties purchased using NSP funds will be 15%). Each property will be inspected to insure that it meets the rehabilitation standards for the program. When rehabilitation is required, technical assistance will be provided to prepare a scope of work and insure that rehabilitation is completed in a timely manner and consistent with the rehabilitation standards for the program.

The minimum affordability period for assistance under this activity will be 5 years. Consistent with HOME requirements, the affordability requirements will be:

<u>Assistance Amount</u>	<u>Period of Affordability</u>
\$15,000 or less	5 years
\$15,000-\$40,000	10 years
\$40,000+	15 years.

A mortgage and a restrictive covenant will be recorded on the property to insure that the affordability requirements are met. If a property is sold prior to expiration of the affordability period, it will require payment of the loan. In limited circumstances, (e.g., change of job, significant family event, etc.), the loan may be assumable by another qualified low income purchaser.

Each homebuyer will receive at least 8 hours of homebuyer counseling under the program through the City's network of local home buying counseling agencies.

A list of foreclosed properties in targeted neighborhoods will be posted on the City's foreclosure website with information on financing opportunities and resources available for homeownership. The City will work with local lenders, realtors, homebuying counseling agencies and community organizations to market opportunities under the program to prospective homeowners. In order to encourage and support the work of local nonprofit neighborhood organizations, referral fees of \$500/home will be offered in targeted neighborhoods for the referral of qualified homeowners that successfully close on a home purchase.

Since the 50% of AMI targeting requirement may be challenging given the current state of the financing market, the City will also work with Habitat for Humanity and the City of Milwaukee Housing Authority's homeownership program to provide homeownership opportunities for Milwaukee's lowest income families.

(9) **Total Budget:** (Include public and private components)

NSP Financial Assistance (80 homes X avg. \$20,000/home)	\$1,600,000
NSP Homebuyer Counseling (80 homes X average \$600/home)	\$ 48,000
NSP Referral Fees for Local Community Organizations (40 homes X \$500 home)	\$ 20,000
Private Mortgage Financing (80 homes X avg. 80,000/home)	\$6,400,000
Homebuyer Equity (non-federal sources) (80 homes X average \$4,000/home)	<u>\$ 320,000</u>
<u>Total</u>	\$8,388,000

- (10) **Performance Measures:** It is estimated that 10 units will be purchased (some involving rehabilitation) by households with incomes less than 50% of AMI, 60 units will be purchased (some involving rehabilitation) by households between 51 and 80% of AMI and 10 units of housing will be purchased (some involving rehabilitation) by households between 81 and 120% of AMI.

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: Rental Rehabilitation

(2) Activity Type: Eligible NSP use: Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to rent or redevelop such homes and properties.

CDBG eligible activity: 24 CFR 570.201(a) Acquisition (b) Disposition, (i) Relocation and 24 CFR 570.202 (Rehabilitation and preservation activities for homes and other residential properties)

(3) National Objective: Benefit low moderate and middle income persons, <120% of area median income.

(4) Projected Start Date: April 1, 2009

(5) Projected End Date: February 1, 2014

(6) Responsible Organization: City of Milwaukee, Department of City Development, 809 North Broadway, Milwaukee, WI 53202
Contact: Maria Prioletta

(7) Location Description: The program will be targeted to the neighborhoods of greatest need as well as the intervention areas as described in "B" of this Amendment – "Distribution and Uses of Funds." Within these neighborhoods, consideration will be given to those neighborhoods which have experienced a net loss of affordable rental housing as a result of the foreclosure issue.

(8) Activity Description: The foreclosure problem is resulting in a loss of affordable rental housing in City neighborhoods. Over the past 24 months, evictions are up significantly and increasing numbers of evictions are foreclosure related. Foreclosed homeowners who are turning to the rental market for housing are having difficulty securing rental property due to damage to their credit rating caused by the foreclosure.

The Rental Rehabilitation program will provide resources for the rehabilitation of vacant foreclosed properties by private landlords for the purpose of providing affordable rental opportunities. The program will generally assist neighborhood landlords developing a small number of properties in targeted areas. Properties purchased under the program will have a discount of at least 5-15% from the current market appraised value of the home (Overall, the average discount for all properties purchased using NSP funds will be 15 %.)

The program will be modeled after the City of Milwaukee's existing Rental Rehabilitation program. The program will offer forgivable loans, on a matching funds basis, to pay for repairs and property improvements. Property owners will be screened, and only those with good records with the Department of Neighborhood Services

("Building Inspection") and those who pay their property taxes on time, will be eligible for participation. Depending on their prior experience level, participants may be required to attend the City of Milwaukee's landlord training program.

Loans limits for the NSP Rental Rehabilitation Program will be \$17,500 per unit, with a required 1-for-1 match coming from the property owner. Each property will be inspected and technical assistance will be provided to prepare a scope of work and insure that rehabilitation is completed in a timely manner and meets the rehabilitation standards for the program.

The minimum affordability period for assistance under this activity will be 5 years. Consistent with HOME requirements, the affordability requirements will be:

<u>Amount of Assistance</u>	<u>Period of Affordability</u>
\$15,000 or less	5 years
\$15,000-\$40,000	10 years
\$40,000+	15 years

A mortgage and a restrictive covenant will be recorded on the property to insure that the affordability requirements are met. If a property is sold prior to the affordability period has expired, it will require repayment of the loan. In limited circumstances, a new buyer may assume the loan if they agree to all the conditions, including affordability.

A list of foreclosed properties in targeted neighborhoods will be posted on the City's foreclosure website with information on financing opportunities and resources available for the program. The City will work with local lenders, realtors, community organizations and the Apartment Association of Southeastern Wisconsin to market opportunities under the program to responsible landlords. In addition, the City will work with participating landlords to develop criteria under which homeowners and tenants displaced as a result of the foreclosure crisis could be considered for units acquired and renovated under the program.

(9) Total Budget: (Include public and private components)

NSP Financial Assistance (75 units X \$17,500/unit)	\$1,312,500
Private Mortgage Financing (75 units X 27,500/unit)	\$2,062,500
Private Equity (75 units X \$5,000/unit)	<u>\$ 375,000</u>
Total	\$3,750,000

(10) Performance Measures: It is estimated that 35 units will benefit households with incomes less than 50% of AMI and 40 units will benefit households earning between 50 and 65% of AMI. (In the City of Milwaukee's existing Rental Rehabilitation Program, approximately 60% of funding is used to benefit households with incomes under 50% of AMI.).

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

- (1) **Activity Name:** Rental Development for Affordable Housing – Large Projects
- (2) **Activity Type:** Eligible NSP use: Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to rent or redevelop such homes and properties.
CDBG eligible activity: 24 CFR 570.201(a) Acquisition (b) Disposition, (i) Relocation and 24 CFR 570.202 (Rehabilitation and preservation activities for homes and other residential properties)
- (3) **National Objective:** Benefit low moderate and middle income persons, <120% of AMI.
- (4) **Projected Start Date:** April 1, 2009
- (5) **Projected End Date:** February 1, 2014
- (6) **Responsible Organization:** City of Milwaukee, Department of City Development, 809 North Broadway, Milwaukee, WI 53202
Contact: Maria Prioletta
- (7) **Location Description:** The program will be targeted to the neighborhoods of greatest need as well as the intervention areas as described in “B” of this Amendment – “Distribution and Uses of Funds.” Within these neighborhoods, consideration will be given to those neighborhoods which have experienced a net loss of affordable rental housing as a result of the foreclosure issue.
- (8) **Activity Description:** The foreclosure problem is resulting in a loss of affordable rental housing in City neighborhoods. Over the past 24 months, evictions are up significantly and increasing numbers of evictions are foreclosure related. Foreclosed homeowners who are turning to the rental market for housing are having difficulty securing rental property due to damage to their credit rating caused by the foreclosure.

This activity will complement the Rental Rehabilitation Program to create high quality affordable rental housing for low income families, but will involve the large scale acquisition through bulk purchase (single transactions of 25-100 units) of abandoned and foreclosed properties for this purpose. Properties purchased under the program will have an average discount of 15% from the current market appraised value of the home. Using all of the targeting criteria developed for the NSP, the City will identify a pool of properties suitable for the development of affordable rental housing in targeted neighborhoods. The City will issue a “Request for Qualifications” to solicit proposals from developers with a proven track record of acquiring, redeveloping and managing scattered site rental housing. The pool of properties will then be acquired by a City of Milwaukee-affiliated entity such as the Redevelopment Authority, the Housing Authority

(including a land bank controlled by a City entity) or directly by the participating developer.

NSP funds will be used to provide gap financing (soft second mortgage) for development and would leverage other funding sources, including low income housing tax credits, private mortgage financing, and other non-federal grant sources.

The minimum affordability period for assistance under this activity will be 5 years. Consistent with HOME requirements, the affordability requirements will be:

<u>Amount of Assistance</u>	<u>Period of Affordability</u>
\$15,000/unit or less	5 years
\$15,000-\$40,000/unit	10 years
\$40,000+/unit	15 years

A mortgage and a restrictive covenant will be recorded on the property to insure that the affordability requirements are met. If a property is sold prior to the affordability period has expired, it will require repayment of the loan. In limited circumstances, a new buyer may assume the loan if they agree to all the conditions, including affordability.

Every effort will be made to redevelop only vacant properties but a minimal amount of relocation funds have been budgeted in the event key properties are occupied and critical to achieving the desired neighborhood impact.

The City will work with participating developers to create criteria under which homeowners and tenants displaced as a result of the foreclosure crisis could be considered for units purchased and renovated under the program.

(9) Total Budget: (Include public and private components)

NSP Financial Assistance (40 units X \$30,000/unit)	\$1,200,000
Private Mortgage Financing and Equity (40 units X \$60,000/unit)	<u>\$2,400,000</u>
Total	\$3,600,000

(10) Performance Measures: It is estimated that 20 units will be benefit households with incomes less than 50% of AMI and 20 units will benefit households with incomes between 50 and 65% of AMI.

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

- 1) Activity Name: Buy In Your Neighborhood (BIYN)
- 2) Activity Type: Eligible NSP use: Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to rent or redevelop such homes and properties.
CDBG eligible activity: 24 CFR 570.201(a) Acquisition (b) Disposition, (i) Relocation and 24 CFR 570.202 (Rehabilitation and preservation activities for homes and other residential properties)
- 3) National Objective: Benefit low moderate and middle income persons, <120% of AMI.
- 4) Projected Start Date: April 1, 2009
- 5) Projected End Date: February 1, 2014
- 6) Responsible Organization: City of Milwaukee, Department of City Development, 809 North Broadway, Milwaukee, WI 53202
Contact: Maria Prioletta
- 7) Location Description: The program will be targeted to the neighborhoods of greatest need as well as the intervention areas as described in "B" of this Amendment – "Distribution and Uses of Funds." Within these neighborhoods, consideration will be given to those neighborhoods which have experienced a net loss of affordable rental housing as a result of the foreclosure issue.
- 8) Activity Description: The foreclosure problem is resulting in a loss of affordable rental housing in City neighborhoods. Over the past 24 months, evictions are up significantly and increasing numbers of evictions are foreclosure related. Foreclosed homeowners who are turning to the rental market for housing are having difficulty securing rental property due to damage to their credit rating caused by the foreclosure.

The BIYN program will provide financial assistance to homeowners to buy a foreclosed property within 3 blocks of their home. It is modeled after an existing City of Milwaukee program. The concept is that a property owned by a neighborhood resident is likely to be well-managed and maintained, because the owner has a vested interest in the neighborhood.

BIYN offers second mortgages of up to 20% of the purchase price, making it easier to purchase a rental property. Even in a relatively stable credit market, lenders often require a 25-30% down payment for the purchase of rental property. BIYN will offer a 20% second mortgage loan to help cover the cost of the down payment. The second mortgage loan would be amortizing, but at a reduced interest rate (3-4%). The buyer provides 10% equity, making it more affordable to purchase rental property in their neighborhood.

Properties purchased under the program will have a minimum discount of 5% from the current market appraised value of the home. Each property will be inspected to insure that it meets the rehabilitation standards for the program, described in more detail elsewhere in this amendment. When rehabilitation is required, buyers may be able to also utilize the Rental Rehabilitation Program to obtain matching funds for improvements. In those cases, technical assistance will be provided to prepare a scope of work and insure that rehabilitation is completed in a timely manner and meets the rehabilitation standards for the program. Participants will be required to attend the City of Milwaukee's landlord training program.

The minimum affordability period for assistance under this activity will be 5 years. Consistent with HOME requirements, the affordability requirements will be:

<u>Amount of Assistance</u>	<u>Period of Affordability</u>
\$15,000 or less	5 years
\$15,000-\$40,000	10 years
\$40,000+	15 years

A mortgage and a restrictive covenant will be recorded on the property to insure that the affordability requirements are met. If a property is sold prior to the affordability period has expired, it will require repayment of the loan. Under exception, a new buyer may assume the loan if they agree to all the conditions, including affordability.

A list of foreclosed properties in targeted neighborhoods will be posted on the City's foreclosure website with information on financing opportunities and resources available for the program. The City will work with local lenders, realtors, community organizations and local block clubs to market opportunities under the program to neighborhood owners. In addition, the City will work with participating landlords to develop criteria under which homeowners and tenants displaced as a result of the foreclosure crisis could be considered for units acquired under the program.

(9) Total Budget: (Include public and private components)

NSP Financial Assistance (40 units X \$6,000/unit)	\$ 240,000
Private Mortgage Financing (40 units X \$21,000/unit)	\$ 840,000
Private Equity (40 units X \$3,000/unit)	<u>\$ 120,000</u>
Total	\$1,200,000

(10) Performance Measures: It is estimated that 20 units will benefit households with incomes less than 50% of AMI and 20 units will benefit households with incomes between 50 and 65% of AMI.

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: Acquisition, Rehab and Resale (Acquisition/Rehab) Program

(2) Activity Type: Eligible NSP use: Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.

CDBG eligible activity: 24 CFR 570.201(a) Acquisition (b) Disposition, (i) Relocation (n) (Direct homeownership assistance) and 24 CFR 570.202 (Rehabilitation and preservation activities for homes and other residential properties)

(3) National Objective: Benefit low moderate and middle income persons, <120% of AMI.

(4) Projected Start Date: April 1, 2009

(5) Projected End Date: July 1, 2010

(6) Responsible Organization: City of Milwaukee, Department of City Development, 809 North Broadway, Milwaukee, WI 53202
Contact: Maria Prioletta

(7) Location Description: The program will be targeted to the neighborhoods of greatest need as well as the intervention areas as described in "B" of this Amendment – "Distribution and Uses of Funds." Within these neighborhoods, consideration will be given to those neighborhoods which have experienced a net loss in homeownership as a result of the foreclosure issue.

(8) Activity Description: The loss of homeownership resulting from increased foreclosures is having a destabilizing effect on City neighborhoods. In Milwaukee, the problem is exacerbated because of the fact that over 50% of subprime lending in the City was for the purpose of refinancing existing mortgages. Homeowners with significant tenure in City neighborhoods are losing their homes to foreclosure. This is not only resulting in increased numbers of vacant and boarded homes, but the loss of long term homeowners who had been a stabilizing force in City neighborhoods.

The Acquisition/Rehab program will involve purchase and redevelopment of vacant foreclosed properties by private developers or by a City of Milwaukee-affiliated entity such as the Redevelopment Authority or the Housing Authority for sale for affordable homeownership. In regard to private developers, the City will issue a "Request for Qualifications" to solicit proposals from developers with a proven track record of acquiring, redeveloping and marketing single family homes for homeownership.

Properties purchased under the program will have an average discount of a minimum of 5-15% from the current market appraised value of the home.

Before purchase, homes will be evaluated for economic feasibility with careful consideration paid to market conditions supporting resale to owner-occupants. A qualified professional will estimate the overall cost, including purchase, rehabilitation and holding costs, along with the likely sales price.

The redevelopment of the property, at a minimum, will meet the rehabilitation standards for the program, described in more detail elsewhere in this amendment. Additional consideration will be given to exterior improvements that will have a positive impact on the surrounding neighborhood.

The minimum affordability period for assistance under this activity will be 5 years. Consistent with HOME requirements, the affordability requirements will be:

<u>Direct Subsidy</u>	<u>Period of Affordability</u>
\$15,000 or less	5 years
\$15,000-\$40,000	10 years
\$40,000+	15 years.

A mortgage and a restrictive covenant will be recorded on the property to insure that the affordability requirements are met. To the extent there are direct subsidies provided to the homebuyer to reduce the purchase price of the home below the after rehabilitation appraised value, the subsidy will generally be recaptured for sales prior to the end of the affordability period to the extent sufficient sales proceeds exist. In the case of development subsidies (subsidies in instances where the cost to acquire and redevelop exceeds the after rehabilitation value of the home), the home will be required to be sold to another qualified low or moderate income purchaser.

Each homebuyer will receive at least 8 hours of homebuyer counseling under the program through the City's network of local home buying counseling agencies.

The City will work with local lenders, realtors, homebuying counseling agencies and community organizations to market opportunities under the program to prospective homeowners. In order to encourage and support the work of local nonprofit neighborhood organizations, referral fees of \$500/home will be offered in targeted neighborhoods for the referral of qualified homeowners that successfully close on a home purchase.

Since the 50% of AMI targeting requirement may be challenging given the current state of the financing market, the City will also work with Habitat for Humanity and the City of Milwaukee Housing Authority's homeownership program to provide homeownership opportunities for Milwaukee's lowest income families.

(9) Total Budget: (Include public and private components)

NSP Development Subsidies (5 homes X avg. \$75,000/home)	\$ 375,000
NSP Homebuyer Counseling (5 homes X average \$600/home)	\$ 3,000
NSP Referral fees for local community organizations (5 homes X \$500 home)	\$ 2,500
Private Mortgage Financing (5 homes X avg. \$76,000/home)	\$ 380,000
Homebuyer Equity (non-federal sources) (5 homes X average \$4,000/home)	<u>\$ 20,000</u>
<u>Total</u>	<u>\$ 780,500</u>

(10) Performance Measures: It is estimated that 2 units of housing will be purchased by households between 51 and 80% of AMI and 3 units of housing will be purchased by households between 81 and 120% of AMI.

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: Demolition

(2) Activity Type: Eligible NSP use: Demolish blighted structures
CDBG eligible activity: 24 CFR 570.201(d) Clearance for blighted structures

(3) National Objective: Blight Elimination

(4) Projected Start Date: April 1, 2009

(5) Projected End Date: February 1, 2014

(6) Responsible Organization: City of Milwaukee, Department of City Development,
809 North Broadway, Milwaukee, WI 53202
Contact: Maria Briquette

(7) Location Description: The program will be targeted to the neighborhoods of greatest need as well as the intervention areas as described in “B” of this Amendment – “Distribution and Uses of Funds.” Within these neighborhoods, demolition activity will be directed to the most severely blighting properties and demolition work will be coordinated with other development activities under the NSP to achieve the most significant impact on the neighborhood.

(8) Activity Description: Of the 1,757 bank and City owned foreclosed properties in the City of Milwaukee, two thirds have outstanding building code violations. 70 have existing raze or placard orders. These properties are blighting influences on the City’s neighborhoods and are undermining neighborhood confidence and stability. Fires in vacant 1 & 2 family properties have doubled in the last two years and left unattended, they are attractions for nuisance and criminal behavior.

NSP funds will be used to demolish approximately 75 structures representing the properties most severely blighted and detrimental to neighborhood stability. The cost of these demolitions will be placed as a lien on the property. Based on past experience, the City estimates that it may recoup 50% of the cost, which will be reused for similar NSP qualified activity.

In an effort to promote economic opportunities and workforce development skills as well as reduce landfill waste, demolition activity may include a “deconstruction” component. In deconstruction, homes would be hand-dismantled and materials would be sorted and distributed for reuse. Experience shows that as much as 85% of a structure can be diverted from a landfill. Many items are salvageable, and those that can’t be salvaged, can often be recycled to create new products. Using this approach, the City would partner with local job training programs to create employment opportunities for Milwaukee residents.

The City has developed reuse strategies for the vacant land that will result from the demolition, which are more fully described in the "Vacant Land Initiative" activity section of this report.

(9) Total Budget: (Include public and private components)

NSP Assistance (75 properties X Avg. \$17,500/property) \$1,312,500

(10) Performance Measures: It is estimated that 75 properties will be demolished

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

- (1) Activity Name: Vacant Land Initiative
- (2) Activity Type: Eligible NSP use: Redevelop demolished or vacant properties
CDBG eligible activity: 24 CFR 570.201 (disposition of property and construction of public facilities and improvements)
- (3) National Objective: Benefit low moderate and middle income persons, <120% of AMI and area benefit for census tracts where 51% of residents have incomes <120% of AMI.
- (4) Projected Start Date: April 1, 2009
- (5) Projected End Date: February 1, 2014
- (6) Responsible Organization: City of Milwaukee, Department of City Development, 809 North Broadway, Milwaukee, WI 53202
Contact: Maria Prioletta
- (7) Location Description: The program will be targeted to the neighborhoods of greatest need as well as the intervention areas as described in “B” of this Amendment – “Distribution and Uses of Funds.” In addition, activity will be targeted to those areas where demolition activity has occurred as a result of the abandoned, foreclosed and blighted properties.
- (8) Activity Description: The program will involve the reuse of vacant land resulting from the demolition of abandoned, foreclosed and blighting structures. It will include two components. Where the demolition has resulted in a site that in itself, or combined with other land, represents an opportunity for the development of affordable housing for individuals or families earning <120% of AMI, gap financing will be provided for the new development.

Where demolition has resulted in sites that because of size, topography, or other site conditions, are not suitable for redevelopment, resources will be provided so that the sites can be “reprogrammed” for uses that benefit residents, neighborhoods, and the City of Milwaukee.

Vacant Lot Reuse (Reprogramming)

Vacant lots that result from the demolition of abandoned, foreclosed and blighting structures that do not have redevelopment potential will be reprogrammed for productive neighborhood reuse. These uses will include:

Urban gardening on vacant lots to beautify neighborhoods and mitigate the visual blight resulting from foreclosures and demolitions.

Urban agriculture to produce healthy fresh food on vacant lots in neighborhoods that are underserved by local grocery stores.

Urban forestry to sequester greenhouse gases and absorb storm-water runoff with trees and bushes.

Storm-water management with lots being planted with rain gardens, bio-swales, and appropriate plantings to meet the City’s storm water management needs, and be placed in the City’s “storm water bank” to offset the effects of other new development.

The City of Milwaukee will create a prototype treatment or “template” for each of the proposed reuse strategies. Education and management programs will be coordinated with residents and experienced community organizations with the capacity to undertake the above listed activities. The vacant lots may be leased or sold to neighboring owners, with a stipend provided to undertake the necessary improvements. Management of vacant lots that remain in public ownership will be overseen by the City of Milwaukee Department of Public Works and the Department of Neighborhood Services.

Vacant Lot Reuse (New Construction)

This activity will involve new construction on vacant lots that result from the demolition of abandoned, foreclosed and blighting structures that have redevelopment potential. Gap financing will be provided for the new construction of housing that is affordable to families earning under 120% of AMI. An inventory of sites will be made available to the local development community and developers will be invited to submit proposals for the redevelopment of sites.

Proposals will be evaluated on a number of criteria, including the quality of the proposed development and the experience of the development team in developing and/or selling and managing quality affordable housing. In addition, proposals will be evaluated based on economic feasibility, the amount of the project gap, the timeline for completion, and evidence of committed funding sources necessary to undertake the project.

The minimum affordability period for assistance under this activity will be dependent on the reuse of the property. Consistent with HOME requirements, for single family homeownership, the affordability requirements will be:

<u>Amount of Direct Subsidy</u>	<u>Period of Affordability</u>
\$15,000 or less/unit	5 years
\$15,000-\$40,000/unit	10 years
\$40,000+	15 years.

For rental projects, the period of affordability will be 20 years.

A mortgage and a restrictive covenant will be recorded on the property to insure that the affordability requirements are met. For homeownership projects, to the extent there are direct subsidies provided to the homebuyer to reduce the purchase price of the home below the appraised value, the subsidy will generally be recaptured for sales prior to the end of the affordability period to the extent sufficient sales proceeds exist. For rental projects, any sale prior to the end of the affordability period will require the recapture of funds and the new owner assume the affordability requirements for the project.

(9) Total Budget: (Include public and private components)

Vacant Lot Reuse (Reprogramming)	
NSP funding (50 lots X \$2,000/lot)	\$ 100,000
Vacant Lot Reuse (New Construction)	
NSP Gap financing for new construction (40 units X \$30,000/unit)	\$1,200,000
Private financing (Including private equity, mortgage financing, equity proceeds from low income tax credits) (40 units X \$140,000/unit)	<u>\$5,600,000</u>
Total	\$6,900,000

(10) Performance Measures: It is estimated that 20 units of housing will benefit households with incomes less than 50% of AMI, 20 and units of housing will benefit households with incomes between 51% and 80% of AMI.

G. *NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)*

(1) **Activity Name:** Land Bank

(2) **Activity Type:** Eligible NSP use: Establish land banks for homes that have been foreclosed on.

CDBG eligible activity: 24 CFR 570.201 (a) Acquisition (b) Disposition

(3) **National Objective:** Benefit low moderate and middle income persons, <120% of AMI.

(4) **Projected Start Date:** April 1, 2009

(5) **Projected End Date:** February 1, 2014

(6) **Responsible Organization:** City of Milwaukee, Department of City Development, 809 North Broadway, Milwaukee, WI 53202

Contact: Maria Prioletta

(7) **Location Description:** The program will be targeted to the neighborhoods of greatest need as well as the intervention areas as described in “B” of this Amendment – “Distribution and Uses of Funds.” A further targeting strategy will be developed to identify those properties which are strategic for neighborhood redevelopment purposes and would complement other NSP activities and efforts.

(8) **Activity Description:** There are currently 1,757 bank and City owned vacant and foreclosed properties in City neighborhoods. 95% of these properties are one and two family structures. Given the scattered site nature of the City’s foreclosure inventory, intervention by a single entity through a bulk purchase of properties will be key to addressing the foreclosure problem in city neighborhoods. The City would create an LLC, which would be controlled by its housing and/or Redevelopment Authority which would acquire significant blocks of property for disposition for affordable housing. In general, this approach would be used:

- For the acquisition of nuisance properties, where swift action is necessary because the property is having a significant negative impact on the neighborhood.
- To make necessary improvements to problem/nuisance properties the City doesn’t own and cannot obtain cooperation from the owner to address. A lien would be placed on the property for the full cost of these services. The City has experience utilizing this approach in its receivership program.
- If an opportunity presents itself for a bulk purchase of properties at a significantly discounted rate and the purchase would be consistent with a redevelopment strategy for a neighborhood.

The LLC would enter into negotiated transactions with lenders and servicers holding vacant and foreclosed properties. Outreach to lenders and servicers has already been initiated regarding the discounted bulk purchase of foreclosed properties. In addition, through the local office of the Local Initiatives Support Corporation, the City may utilize the proposed National Community Stabilization Trust to assist in these efforts.

It would not be the intent of this initiative to hold properties for a protracted period of time. Property acquisition would require a companion dispositions strategy. The primary interim and long term uses of these properties would be for high quality affordable housing that benefits families earning <120% of AMI. Should the property not be feasible for redevelopment, selected demolition may be considered, with the reuse of vacant land consistent with the uses describe in the “Vacant Land Initiative” section of the plan. Net sales proceeds resulting from the disposition of any structure would be returned for use for qualified NSP activities.

(9) Total Budget: (Include public and private components)

NSP Financial Assistance for Acquisition/ Holding Costs (est. 100 properties)	\$ 864,219
Private financing/Other Grant Funds	<u>\$2,700,000</u>
Total	\$6,900,000

(10) Performance Measures: Through the eventual redevelop of properties in the Land Bank, it is estimated that 30 units of housing will benefit households with incomes less than 50% of AMI, 40 and units of housing will benefit households with incomes between 51% and 80% of AMI and 10 units will benefit households with incomes between 81 and 120 % of AMI. (Up to 20 units may be demolished.)

G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)

(1) Activity Name: Administration

(2) Activity Type: Eligible NSP use: General Administration and Planning
CDBG Eligible Activity: 24 CFR 570.205 and 206 (a) Delivery Costs (note: OMB Circular A-87, Attachment B, paragraph 31, HUD is allowing states to incur pre-award costs as if each was a new grantee preparing to receive its first allocation of CDBG funds.)

(3) National Objective: 10% of NSP grant provided to a jurisdiction and up to an additional 10% of program income earned may be used for general administration and planning activities.

(4) Projected Start Date: October 1, 2008

(5) Projected End Date: February 1, 2014

(6) Responsible Organization: Community Development Grants Administration,
200 East Wells, Room 606, Milwaukee, WI 53202
Contact: Steven L. Mahan

(7) Location Description: N/A

(8) Activity Description: Program Administration will be used for the reasonable costs of overall program management, coordination, monitoring, and evaluation. Such costs include (but are not limited to) salaries, wages, and related costs of staff engaged in program administration, which includes (but is not limited to) providing information about the program, preparing program budget and schedules, preparing reports, and other costs for goods or services needed for administration of the program

(9) Total Budget: (Include public and private components)

\$919,746 (10% of City of Milwaukee NSP Allocation \$9,197,465) Additional administrative costs may be allocated based on future program income. These costs will include estimated pre-award costs of \$100,000.

(10) Performance Measures: Compliance with eligible use for Administration and Planning defined in 24 CFR 570.205 and 206.

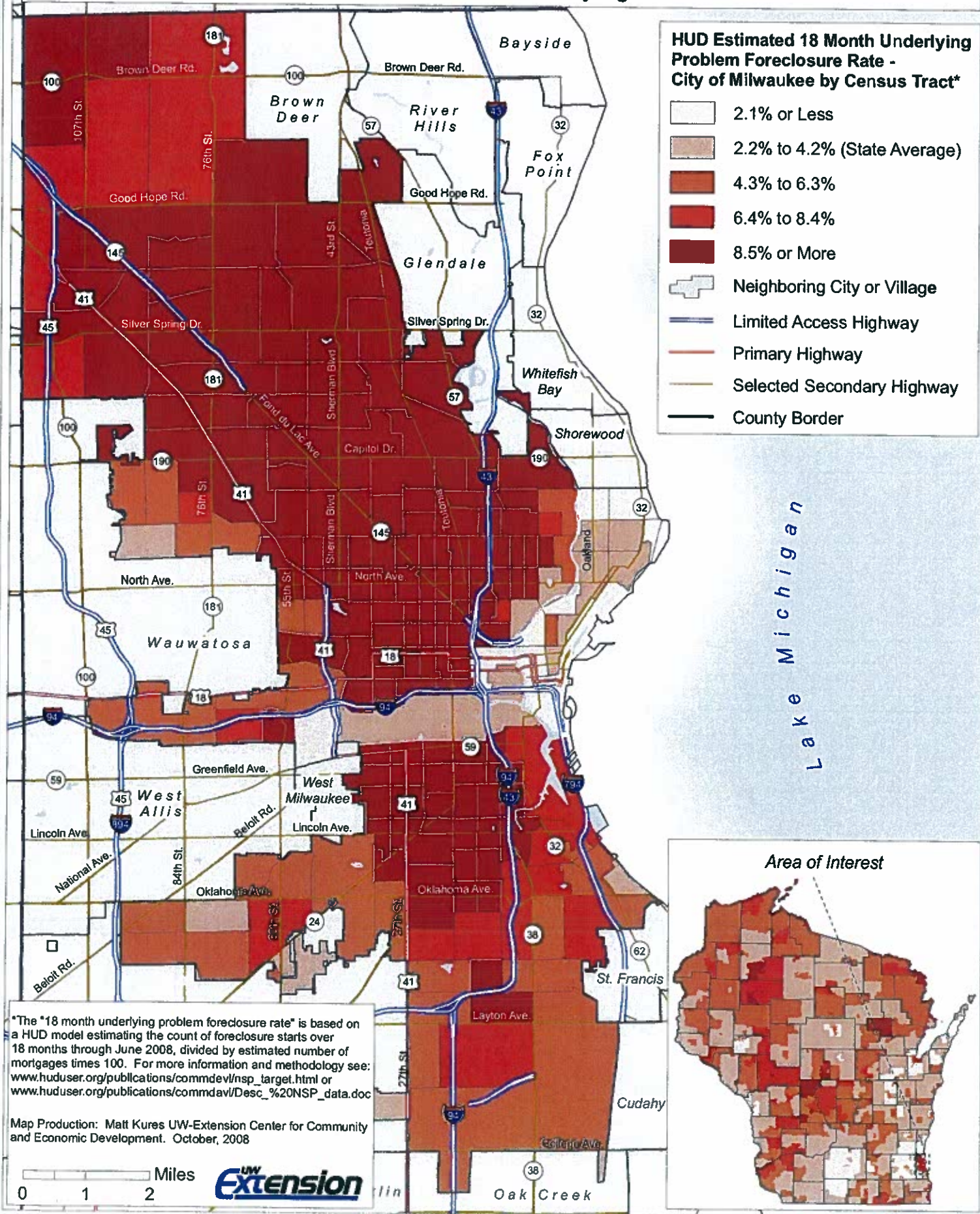
City of Milwaukee
Neighborhood Stabilization Program
Substantial Amendment

BUDGET SUMMARY

Homebuyer Assistance	\$1,668,000
Rental Rehabilitation	\$1,312,500
Rental Development –Large Project	\$1,200,000
Buy in Your Neighborhood	\$ 240,000
Acquisition/Rehab/Resale (for homeownership)	\$ 380,500
Vacant Land Initiative	
Reprogramming	\$ 100,000
Reuse	\$1,200,000
Demolition	\$1,312,500
Land Bank	\$ 864,219
Administration	\$ 919,746
<u>Total</u>	<u>\$9,197,465</u>

HUD Neighborhood Stabilization Program Targeting

City of Milwaukee Estimated 18 Month Underlying Problem Foreclosure Rate



*The "18 month underlying problem foreclosure rate" is based on a HUD model estimating the count of foreclosure starts over 18 months through June 2008, divided by estimated number of mortgages times 100. For more information and methodology see: www.huduser.org/publications/commdev/nsp_target.html or www.huduser.org/publications/commdev/Desc_%20NSP_data.doc

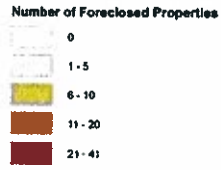
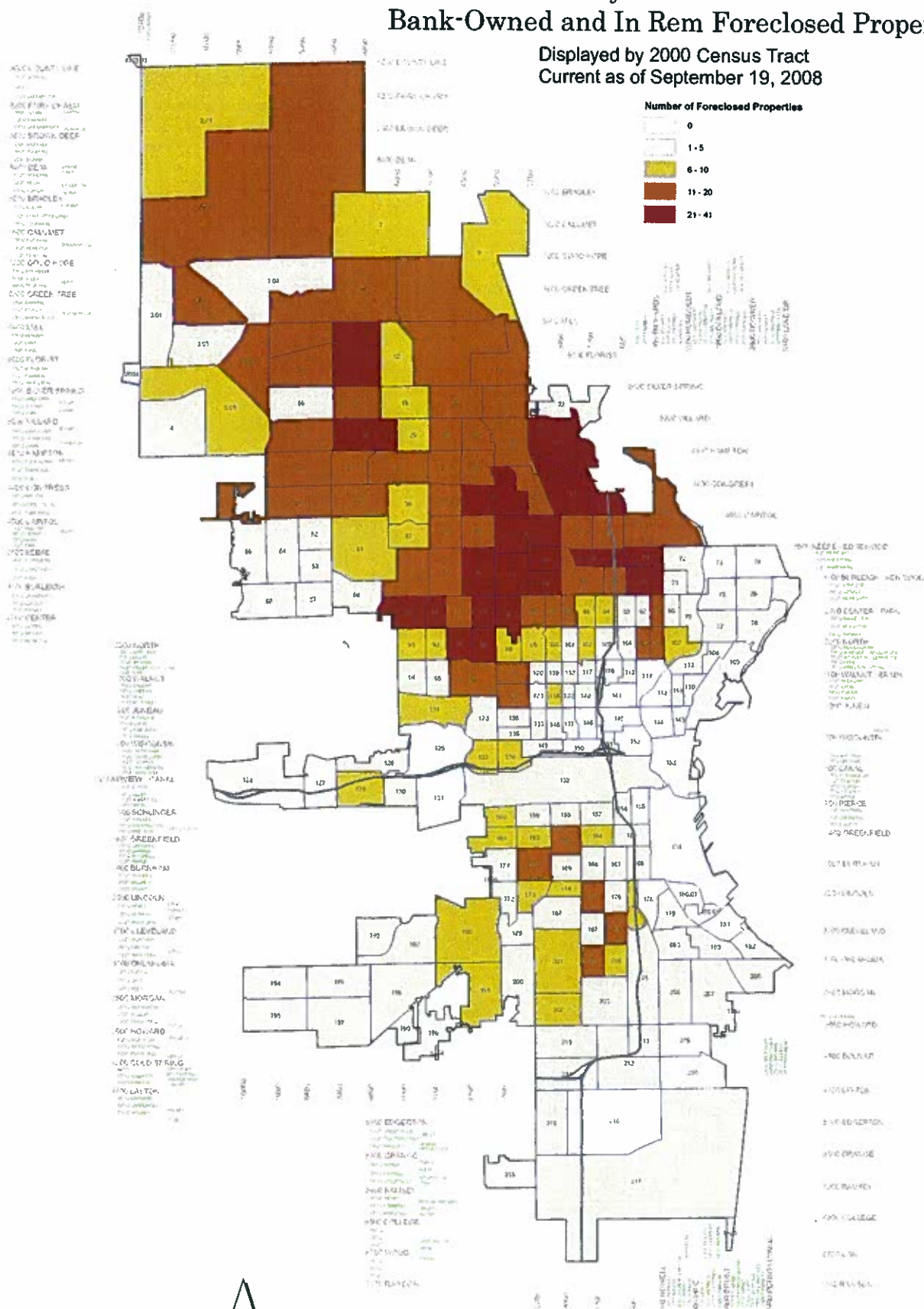
Map Production: Matt Kures UW-Extension Center for Community and Economic Development. October, 2008

0 1 2 Miles



City of Milwaukee Bank-Owned and In Rem Foreclosed Properties

Displayed by 2000 Census Tract
Current as of September 19, 2008



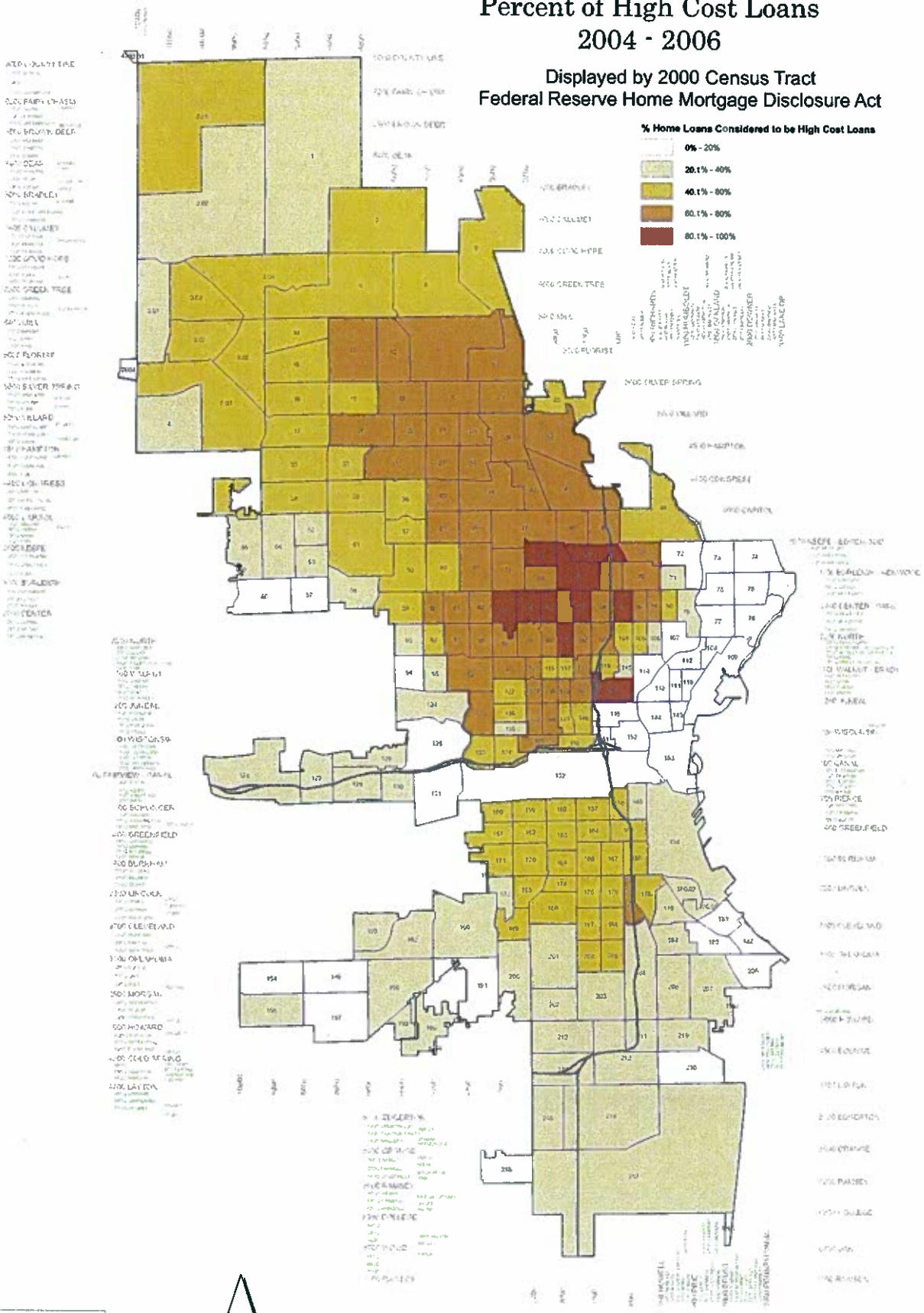
Number of Bank-Owned Foreclosed Properties: 1,619
Number of City-Owned In Rem Foreclosed Properties: 138
Total Number of Foreclosed Properties: 1,757

Produced by
Department of City Development/MapCenter/ARW
 Prepared for
City of Milwaukee
 Map File
 Milwaukee, Wisconsin
 Date: 11/27/08



City of Milwaukee Percent of High Cost Loans 2004 - 2006

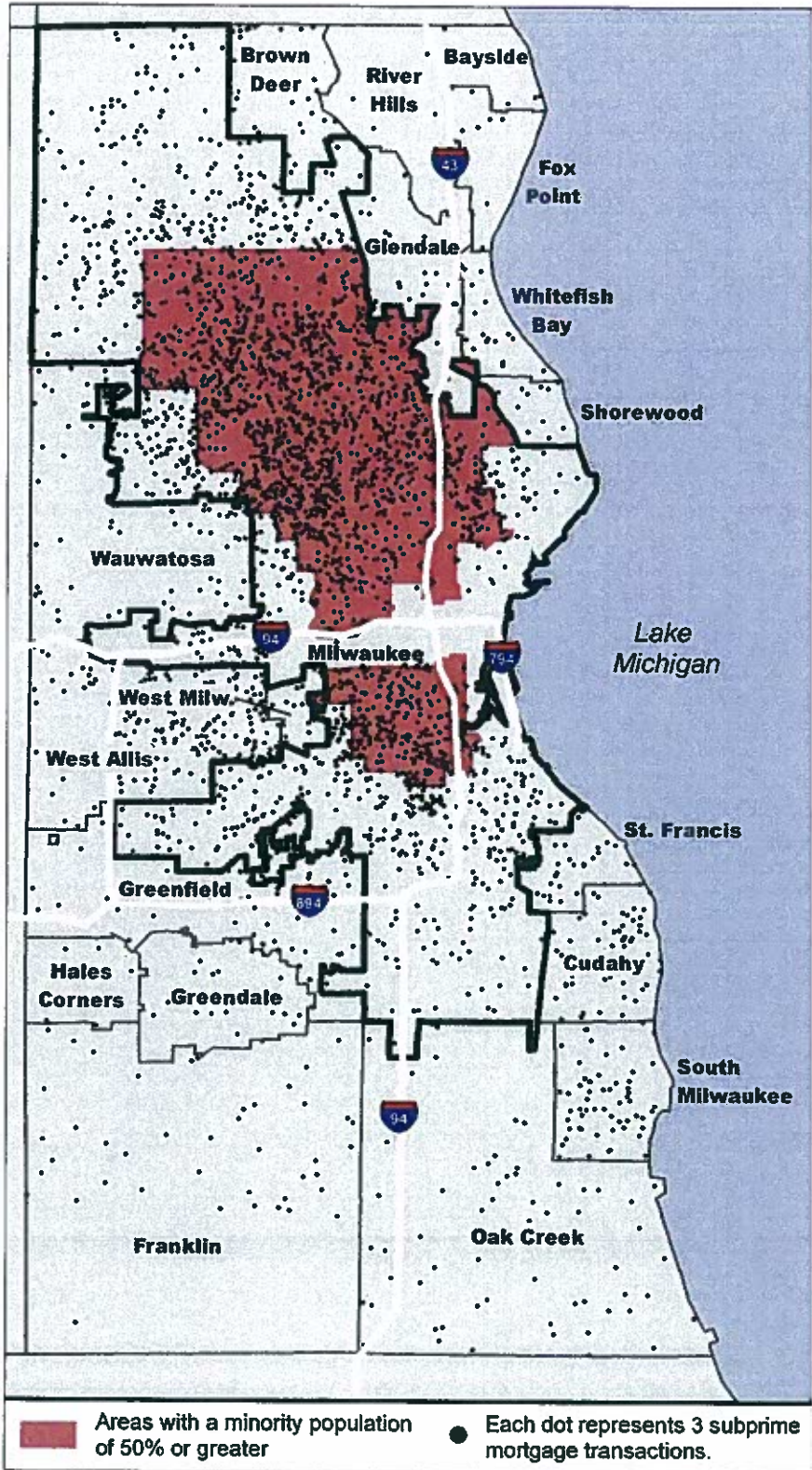
Displayed by 2000 Census Tract
Federal Reserve Home Mortgage Disclosure Act



Prepared by:
Department of City Development, Research Center, RTR
Project File:
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Map File:
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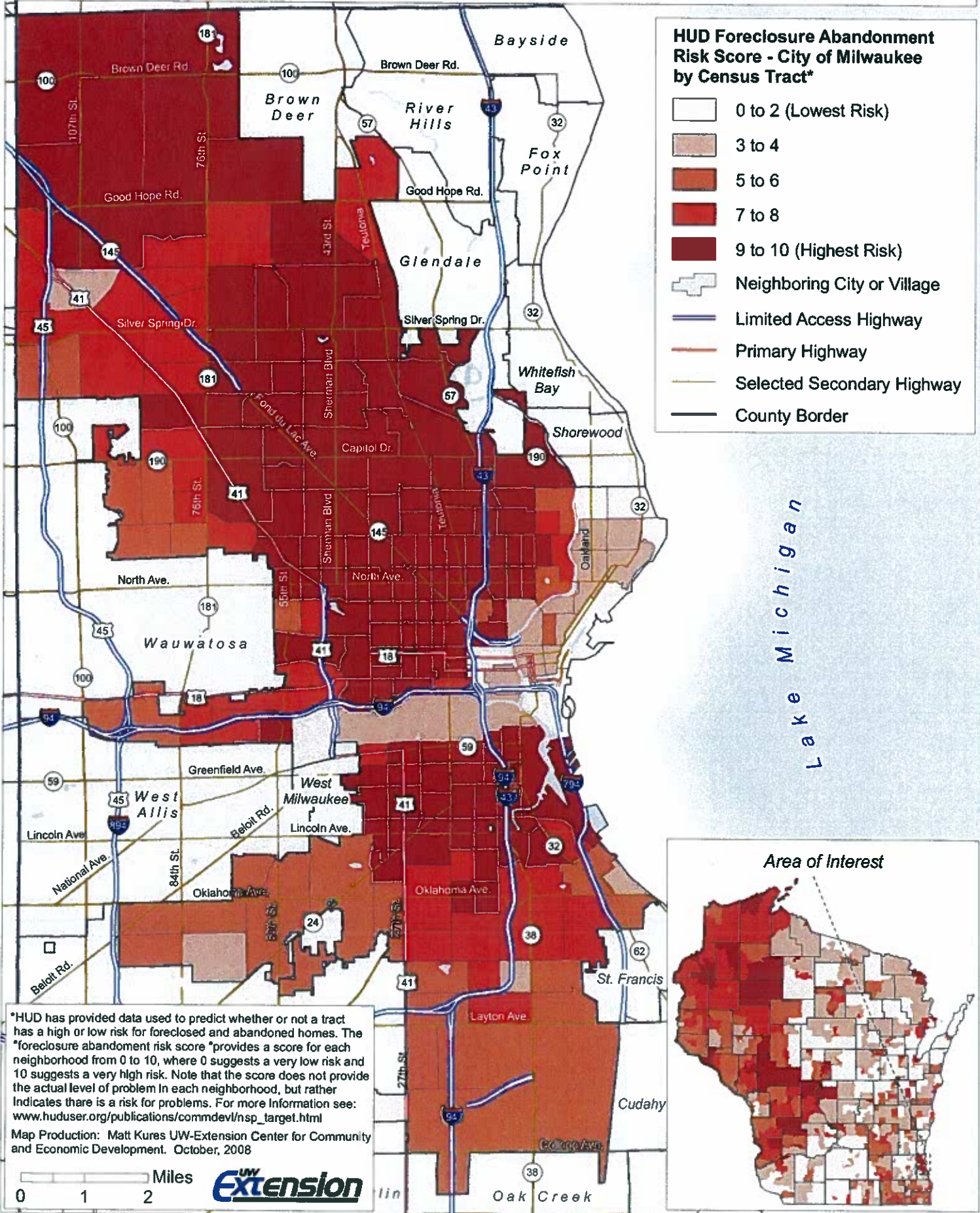
Appendix E

Subprime Transactions in Milwaukee County: 2004 and 2005



Source: UWM Employment and Training Institute analysis of HMDA data.

HUD Neighborhood Stabilization Program Targeting City of Milwaukee Home Foreclosure Abandonment Risk by Census Tract



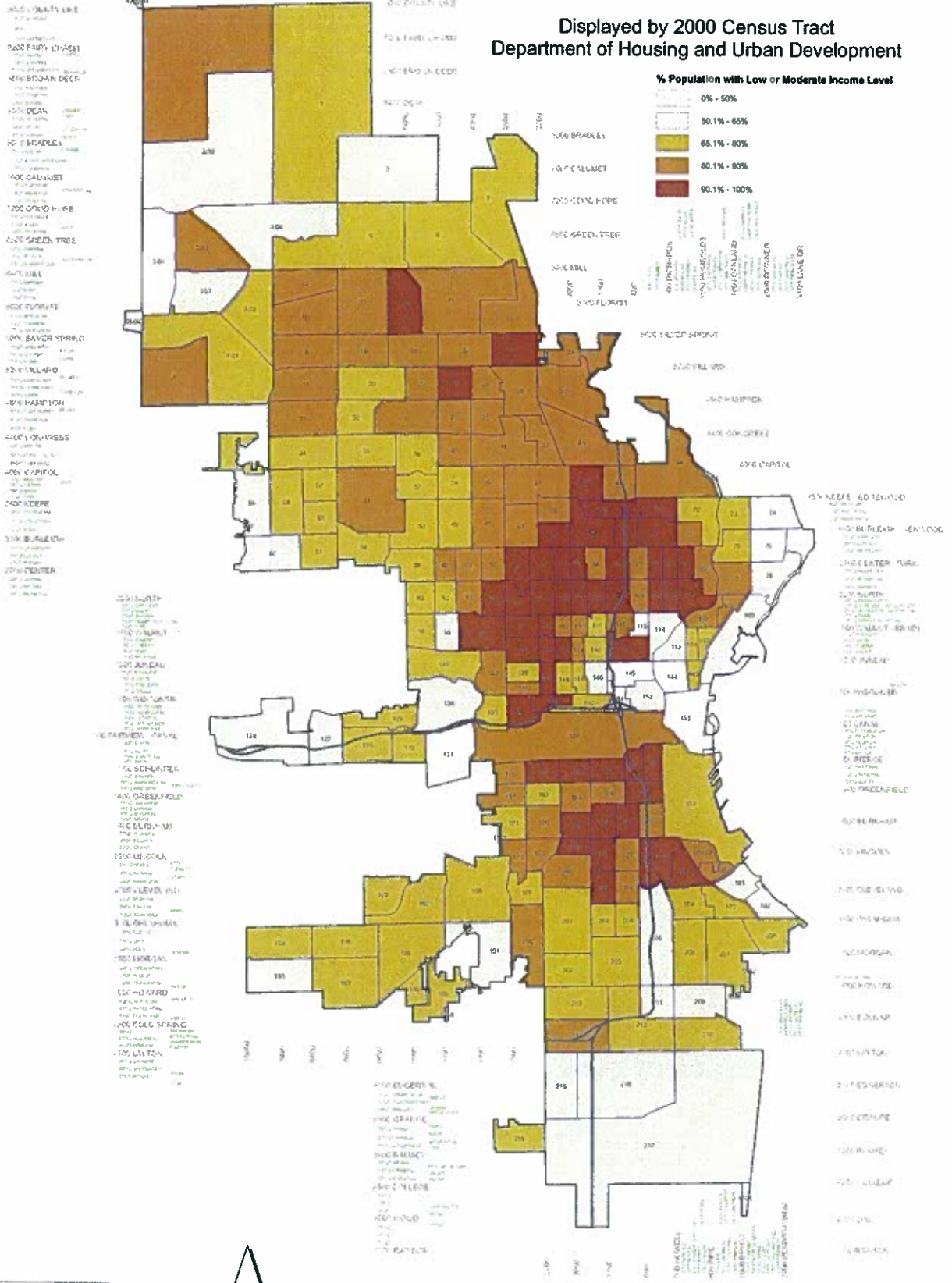
City of Milwaukee
Bank Owned Property Sales by Aldermanic District
Summary Statistics

Source: Department of City Development analysis of sales of bank owned foreclosed homes during the second and third quarters of 2008

Aldermanic District	Bank Owned Foreclosures as of 9/19/2008	Average Assessed Value	Average Sale Price of Foreclosed Homes as a Percentage of Assessed Value	Average Days from Sherriff Sale to Subsequent Sale
1	156	\$93,804	51.2%	203
2	161	\$118,379	58.4%	237
3	22	\$194,214	85.3%	135
4	37	\$105,445	29.1%	159
5	78	\$147,686	74.5%	167
6	216	\$85,533	38.2%	196
7	250	\$94,768	45.0%	182
8	79	\$113,108	54.1%	191
9	91	\$120,097	62.4%	189
10	101	\$132,988	56.4%	192
11	34	\$159,479	66.0%	111
12	49	\$92,486	48.2%	165
13	38	\$140,611	66.8%	212
14	51	\$124,481	66.4%	196
15	256	\$82,872	32.2%	188
City-wide	1619	\$105,107	50.2%	192

City of Milwaukee Percent of Population with Low and Moderate Income < 120% Area Median Income

Displayed by 2000 Census Tract
Department of Housing and Urban Development



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0 1.25 2.5 5 Miles