



MEMORANDUM

LEGISLATIVE REFERENCE BUREAU

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To: Ald. José Pérez
From: Aaron Cadle – Legislative Fiscal Analyst
Date: February 26 , 2020
Subject: Review of DCD Report on Bulk Sale Projects

Per your request, this memo reviews the report the Department of City Development provided on bulk sale projects of 10 or more properties between 2011 and mid-December, 2019. The following chart lists the developers of the projects reported and quick facts about each.

Developer	Projects	Units	%	Price	City Funding
Gorman & Company, Inc.	7	179	55.6%	\$370,112	\$1,681,000
Maures Development & Brinshore Development	2	38	11.8%	\$80,023	\$1,103,000
Housing Authority of the City of Milwaukee (HACM)	1	10	3.1%	\$10	\$0
NIDC - Neighborhood Improvement Development Corp.	1	11	3.4%	\$14,535	\$825,000
Layton Blvd. West Neighbors (LBWN) - Rent-to-Own Homes LLC	1	9	2.8%	\$45,001	\$219,200
Impact 7 - Impact Milwaukee I, LLC	1	23	7.1%	\$115,000	\$0
PUCA - Pastors United Community Advocacy, Inc.	1	11	3.4%	\$8,003	\$0
Top Flight Real Estate LLC	1	12	3.7%	\$40,075	\$0
Strong Blocks Milwaukee & II, LLC	1	29	9.0%	\$12,776	\$297,000
Total	16	322	100.0%	\$680,535	\$4,125,200

During the period reported, there were 16 bulk sale projects implemented by 9 developers to renovate a total of 322 properties. Gorman and Company was the developer for 7 of the 16 projects, and 179, or 55.6%, of the 322 properties

renovated. Maures Development and Brinshore Development worked together to develop 2 projects, and the remaining 7 projects were developed by 7 separate developers, each developing a single project. Nine projects, or 56.3% of projects, received City-directed funding totaling \$4,125,200 to renovate a total of 188 properties for an average of \$21,943 per property.

A comparison of projects with City-directed and non-City-directed funding is provided at the end of this memo.

There were no bulk sales of 10 or more properties in 2018 or the first 11½ months of 2019. Data on the number of properties sold as part of bulk sale transactions in 2018 and 2019, and how this sale activity compared by bulk sales in the in years 2011 to 2017, was not available for this memo.

City-directed funding came from 2 sources. Seven of the 9 projects receiving City-directed funding were allocated \$3,467,200 in NSP – Neighborhood Stabilization Program – grants chiefly through the federal Housing and Economic Recovery Act (HERA) and the American Recovery and Reinvestment Act (ARRA) awarded to the City to address the foreclosure crisis. The remaining 2 projects received funding through a \$1 million grant from the State as part of the Volkswagen settlement the City used to fund its ME/RI - Milwaukee Employment/Renovation Initiative – program to sell, renovate and reoccupy 100 homes in the Sherman Park neighborhood while employing 100 unemployed and underemployed residents to perform the renovations.

NSP allocations were as follows:

- 38%, or \$1,320,000, to fund 3 Gorman and Company projects to renovate 67 properties.
- 32%, or \$1,103,000, to fund 2 Maures/Brinshore developers projects to renovate 38 properties.
- 24%, or \$825,000, to fund a NIDC project to renovate 11 properties.
- 6%, or \$219,200, to fund a Layton Boulevard West Neighbors project to renovate 9 properties.

DCD describes NSP allocations to these projects as “gap” financing to help developers bridge gaps in project-financing resources.

The U.S. Department of Housing and Urban Development reports Milwaukee’s grant during the 3 NSP funding tranches totaled approximately \$37 million. Program income disbursed was \$6,519,574 for a total grant draw of \$43 million. LRB is awaiting a report from the city’s Community Development Grants Administration detailing total NSP grant allocations.

ME/RI funds were allocated through a request-for-proposal process, and each property was eligible for \$10,000 in funding. A total of \$658,000 was allocated to

the 2 projects. Gorman received \$361,000 to renovate 34 properties. Strong Blocks received \$297,000 to renovate 29 properties.

Low Income Housing Tax Credits (LIHTC) were part of the financing package for 11 projects, renovating 249 properties, or 77.3% of the 322 properties renovated, as affordable rental properties. The following lists these projects.

LIHTC Financing - Affordable Rental Projects			
Developer	Year	Units	City Funded
Gorman & Company, Inc.			
Northside Neighborhood Initiative, LLC	2011	21	\$490,000
Northside Neighborhood Initiative II, LLC	2012	30	\$500,000
Northside Neighborhood Initiative 2, LLC	2012	16	\$330,000
Washington Park Homeowners Initiative, LLC	2013	32	\$0
Sherman Park Homeowners Initiative, LLC	2014	30	\$0
Century City Homeowners Initiative, LLC	2015	16	\$0
Gorman & Company, Inc.	2017	34	\$361,000
Gorman & Company, Inc. TOTAL		179	\$1,681,000
Maures/Brinshore			
Lindsay NSP, LLC	2012	15	\$660,000
Maures Development Group, LLC	2014	23	\$443,000
Maures/Brinshore TOTAL		38	\$1,103,000
LBWN - Rent-to-Own Homes LLC			
Impact 7 - Impact Milwaukee I, LLC	2013	23	\$0
Total LIHTC Financing - Affordable Rental Projects			
		249	\$3,003,200

Background

According to the DCD website, bulk buyers are eligible to buy City-owned properties listed for sale at \$25,000 or less for \$5,000 each, provided the buyer:

- Purchases a minimum of 5 properties.
- Has real estate rehab experience.
- Will hold the properties for at least 5 years after rehabilitation has been completed if City financing is received.
- Completes landlord training if the properties are purchased for rental.

In addition, bulk buyers must provide evidence of financing to complete the rehab work and complete essential repairs indicated on each the property's scope of work within 180 days of purchase. A \$2,000 deposit is required at closing for

each property purchased. The deposit will be refunded if essential repairs on a property are completed within 180 days.

Many of the properties in the bulk sales reported were sold for prices other than \$5,000. DCD advises these price variations were made either to properly reflect individual property values or to facilitate development. A summary of these price variations follows.

Properties Sold at Various Prices						
Developer	Sale Price per Property					TL Units
	\$10,000	\$5,000	\$1,000	\$1	Other	
Gorman & Company, Inc.	2	64	0	112	1	179
Maures Development & Brinshore Development	1	14	0	23	0	38
Housing Authority of the City of Milwaukee (HACM)	0	0	0	10	0	10
NIDC - Neighborhood Improvement Development Corp.	0	0	0	0	11	11
Layton Blvd. West Neighbors (LBWN) - Rent-to-Own Homes LLC	1	7	0	1	0	9
Impact 7 - Impact Milwaukee I, LLC	0	23	0	0	0	23
PUCA - Pastors United Community Advocacy, Inc.	0	0	8	3	0	11
Top Flight Real Estate LLC					12	12
Strong Blocks Milwaukee & II, LLC	0	0	0	26	3	29
Total	4	108	8	175	27	322

One of the properties purchased by Gorman was a multi-family property sold for \$30,000.

Of the 11 properties sold to NIDC, 8 were sold for \$800 each, and the remaining 3 were sold for \$1,829, \$2,661 and \$5,609.

Of the 12 properties sold to Top Flight, 11 ranged in price from \$2,500 to \$3,750 and the remaining property was sold for \$8,475.

Bulk Sales - 10 or > Properties - City-directed vs Non-City-directed Funding					
Developer	Year	Units	Price	City Funding	
NSP-Funded Projects					
Gorman & Company, Inc.					
Northside Neighborhood Initiative, LLC	2011	21	\$115,000	\$490,000	/NSP
Northside Neighborhood Initiative II, LLC	2012	30	\$150,000	\$500,000	/NSP
Northside Neighborhood Initiative 2, LLC	2012	16	\$105,000	\$330,000	/NSP
Gorman & Company, Inc. TOTAL		67	\$370,000	\$1,320,000	
Maures/Brinshore Development					
Lindsay NSP, LLC	2012	15	\$80,000	\$660,000	/NSP
Maures Development Group, LLC	2014	23	\$23	\$443,000	/NSP
Maures/Brinshore Development TOTAL		38	\$75,023	\$1,103,000	
NIDC					
LBWN - Rent-to-Own Homes LLC	2011	11	\$14,535	\$825,000	/NSP
	2012	9	\$45,001	\$219,200	/NSP
Total NSP-Funded Projects		125	\$504,559	\$3,467,200	
ME/RI-Funded Projects					
Gorman & Company, Inc.					
Strong Blocks Milwaukee & II, LLC	2017	34	\$34	\$361,000	/ME/RI
	2017	29	\$12,776	\$297,000	/ME/RI
Total ME/RI-Funded Projects		63	\$12,810	\$658,000	
Total City--directed Funding Projects		188	\$517,369	\$4,125,200	
Projects without City-directed-Funding					
Gorman & Company, Inc.					
Washington Park Homeowners Initiative, LLC	2013	32	\$32	\$0	
Sherman Park Homeowners Initiative, LLC	2014	30	\$30	\$0	
Century City Homeowners Initiative, LLC	2015	16	\$16	\$0	
Gorman & Company, Inc. TOTAL		78	\$78	\$0	
Housing Authority of Milwaukee					
Impact 7 - Impact Milwaukee I, LLC	2011	10	\$10	\$0	
Impact 7 - Impact Milwaukee I, LLC	2013	23	\$115,000	\$0	
PUCA - Pastors United Community Advocacy, Inc.	2015	11	\$8,003	\$0	
Top Flight Real Estate LLC	2016	12	\$40,075	\$0	
Projects without City-directed Funding		134	\$163,166	\$0	
Total All Projects		322	\$680,535	\$4,125,200	