



Department of City Development

City Plan Commission
Neighborhood Improvement
Development Corporation
Redevelopment Authority

Rocky Marcoux
Commissioner

Martha L. Brown
Deputy Commissioner

MEMORANDUM

TO: Members of the Common Council

FROM: Martha L. Brown
Deputy Commissioner

DATE: April 1, 2011

SUBJECT: File no. 101307

For the last several years, the ordinance that governs the sale of residential property acquired by the City of Milwaukee through tax foreclosure has restricted sales to owner-occupants. File no. 101307, sponsored by Ald. Murphy, modifies this procedure, to allow members of the Council to authorize the sale of Neighborhood Property (1 – 4 units) to investor owners. The Department of City Development, which manages and sells tax-foreclosed property, supports this proposed change.

Since 2009, the number of properties acquired through tax foreclosure has increased markedly. The 808 properties acquired in 2009 and 2010 combined are greater than the number acquired during the previous six years. The office of the City Treasurer forecasts the possibility of acquiring another 500 to 600 properties in 2011.

Although some of the properties acquired through tax foreclosure will be razed, a significant number will remain in the City's inventory. At a period when many bank-owned properties are also on the market and lenders are reluctant to write mortgages for the purchase of foreclosed properties, we believe it is prudent to increase the eligible pool of buyers for City-owned properties. The measures in file no. 101307 are structured to speed the return of these properties to private ownership and the tax rolls.

The current ordinance governing the sale of City properties includes a number of safeguards to ensure properties are sold only to responsible owners. These safeguards would apply to investor-owners as well.

Via the powers granted to the Commissioner of DCD to impose deed restrictions upon all purchasers of city property, the following standards would be imposed upon all investor owners:

- Deeds for such sales will include a 5-year deed restriction prohibiting the sale of said Property to another investor owner. A sale of the Property within this 5-year period would be permitted to an owner occupant at any time, with that owner occupant being required to maintain this Property as his or her primary place of residence for the remainder of the 5-year period of time.

- Per a deed restriction, investor owners will be required to make repairs necessary to receive a Certificate of Code Compliance from the Dept. of Neighborhood Services. If buyers fail to complete such repairs within six months, the Common Council will have the ability to act to take back the property.

All buyers of City property are bound by the General Buyer Policies set forth in MCC Section 304-49-8. These rules make certain parties ineligible to purchase City property, and would be applied to investor buyers:

8. GENERAL BUYER POLICIES.

Notwithstanding the foregoing, unless otherwise authorized by a vote of the common council, the city shall not convey development property or neighborhood property to any person or entity (“grantee”) unless the commissioner determines that the grantee has the skills and financial resources needed to successfully carry out the property rehabilitation or restoration plan required by sub. 2-b-1, if applicable, and without first obtaining such grantee's warranty that neither the grantee nor any principal of the grantee is:

- a. Delinquent in the payment of any property tax, special assessment, special charge or special tax to the city.
- b. A party against whom the city has an outstanding judgment.
- c. A party against whom the city has outstanding health or building code violations or orders from the city's health department or department of neighborhood services that are not actively being abated.
- d. A party who has been convicted of violating an order of the health department or department of neighborhood services within the past year.
- e. A party who owned property in the city that, at any time within the past 5 years the city acquired by means of property-tax foreclosure.
- f. A party who has been convicted of a felony determined by the commissioner to reasonably cause neighborhood or community concern with respect to neighborhood stability, health, safety or welfare. In making this determination, the commissioner may consider factors such as the nature of the crime, the date of conviction and the existence and nature of community impact and complaints.

Clifton Crump will be present at the committee hearing on this legislation to respond to your questions.