



Department of City Development
City Plan Commission
Redevelopment Authority of the City of Milwaukee
Neighborhood Improvement Development Corporation

Rocky Marcoux
Commissioner
rmarco@milwaukee.gov

Martha L. Brown
Deputy Commissioner
mbrown@milwaukee.gov

October 28, 2019

Honorable Members of the Zoning, Neighborhoods and Development Committee
Common Council
200 E. Wells St., Room 205

Dear Committee Members:

File 190939 concerns the sale of a two-family property at 2903-05 N. 48th Street. This file was introduced after Ms. Stephanie Holt appeared at the September meeting of the Joint Committee on the Redevelopment of Abandoned and Foreclosed Homes. Ms. Holt proposed to buy the property, occupying one unit and renting the second.

Before that meeting, DCD had accepted Ms. Holt's original offer to purchase the property for \$80,250. The department also had accepted multiple amendments to the original offer that reduced the sale price from \$80,250 to \$34,500 and extended the closing date for the sale. The department had rejected a request from Ms. Holt's broker to reduce the sale price to \$1.00.

At the Joint Committee meeting, Ms. Holt appealed to the Committee to reduce the sale price yet again. She contended that the building itself has no value, and asked that the sale price be reduced to \$7,600, the value of the land. Members of the Committee told Ms. Holt they would introduce a resolution to direct DCD to sell her the property for \$2,500.

DCD disagrees with Ms. Holt's contention that the building has no value. The property was assessed at \$72,400 when the City acquired it in August 2018; \$64,800 of the value was attributed to the structure. A second prospective buyer submitted an offer to purchase for \$75,000; it was set aside in favor of Ms. Holt's offer of \$80,000.

Like most tax-foreclosed properties sold by the City, the house requires repairs. Ms. Holt has applied to DCD for a \$20,000 forgivable Home Buyer Assistance loan to defray a portion of the repair costs. The appraiser who evaluated the property on behalf of Ms. Holt's lender estimates the planned repairs will double the value of the property, to \$151,000. The appraiser also estimates the tenant unit will generate annual gross rent of \$10,500.

DCD also has serious concerns with the process proposed by file 190939 to arbitrarily reduce the sale price of this property to \$2,500. File 190939 departs markedly from the language of MCO 304-49, which gives DCD responsibility and authority over the sale of neighborhood properties (one to four-family properties). The file, which directs the department to sell a specific neighborhood property to a specific individual at a specific price negotiated by the Council, is a significant deviation to this well-established and ordinance-directed process. Based on our discussion with the City Attorney's office, we believe such a sale can be legally challenged.



We believe the best course of action is to remarket the property with a deadline to receive bids. If Ms. Holt wishes to submit a new offer to purchase, it will be evaluated along with any other offers received by the deadline.

Following is a brief chronology of DCD's interaction with this buyer:

- August, 2018 – Property is acquired by the City of Milwaukee. Assessed value is \$72,400.
- January 9, 2019 – Property is listed for sale to owner-occupant buyer. No offers received.
- March 1, 2019 – Property listed for sale for all buyers. Two offers were received. Both offers indicated the buyer would live in one unit of the property.
 - \$80,250 offered by Ms. Holt
 - \$75,000 offered by another buyer
- April 18, 2019 – City real estate office accepts Ms. Holt's offer to purchase for \$80,250.
- June 10, 2019 – City receives Ms. Holt's application for \$20,000 Home Buyer Assistance forgivable loan.
- June 11, 2019 – City real estate office accepts Ms. Holt's amended offer to purchase for \$64,200, with closing on purchase by July 10, 2019.
- July 10, 2019 – City real estate office accepts Ms. Holt's request to extend closing date to September 15, 2019 while financing, including Home Buyer Assistance loan, is finalized.
- August 12, 2019 – City receives communication from Ms. Holt's real estate broker, requesting that purchase price be reduced to \$1.00.
- August 20, 2019 – City directs its broker to offer a second and final price reduction to \$34,500, to satisfy taxes owed on the property at the time it was acquired.
- August 21, 2019 – Ms. Holt signs an amended offer to purchase the property for \$34,500, with closing date extended to September 30, 2019. DCD accepts this amended offer.
- September 23, 2019 – Ms. Holt attends Joint Committee on the Redevelopment of Abandoned and Foreclosed Homes, and asks that purchase price be reduced to the value of the land (\$7,600). Committee member Ald. Khalif Rainey indicates that he will introduce a Common Council file directing DCD to sell the property to Ms. Holt for \$2,500.
- Sept. 25, 2019 – DCD staff met with Ald. Rainey, sharing background information about the transaction. DCD recommended a sale price of \$19,480 to close the gap between Ms. Holt's own investment and the likely mortgage amount. Ald. Rainey suggested a sale price of \$10,000. After internal consultation, DCD staff directed its broker to inform Ms. Holt's broker that City will accept an amended offer to purchase for \$10,000. Ms. Holt did not accept the City's offer of a \$10,000 sale price.
- September 30, 2019 – Ms. Holt's amended offer to purchase for \$34,500 expired.

Sincerely,



Martha L. Brown
Deputy Commissioner

C: Ald. Ashanti Hamilton
Gregg Hagopian, Assistant City Attorney
Amy Turim, DCD Real Estate Services Manager

Attachments

- 1) Stephanie Holt original offer to purchase 2903-05 N. 48th St. for \$80,000
- 2) Offer to purchase 2903-05 N. 48th St. for \$75,000, submitted by another buyer (identifying information redacted)
- 3) Accepted amendment to reduce purchase price to \$64,200
- 4) Accepted amendment to extend closing date to September 15, 2019
- 5) Letter to Sonya Mays, City's broker, indicating that City will accept purchase price of \$34,500
- 6) Accepted amendment to reduce purchase price to \$34,500
- 7) Email correspondence between DCD real estate staff and broker Mays re: \$10,000 price reduction offer
- 8) Photos of 2903-05 N. 48th St., taken the week of October 21, 2019