



## REPORT

LEGISLATIVE REFERENCE BUREAU

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# 19. Department of City Development, 2015

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## 19. Department of City Development

**\$3,851,206**

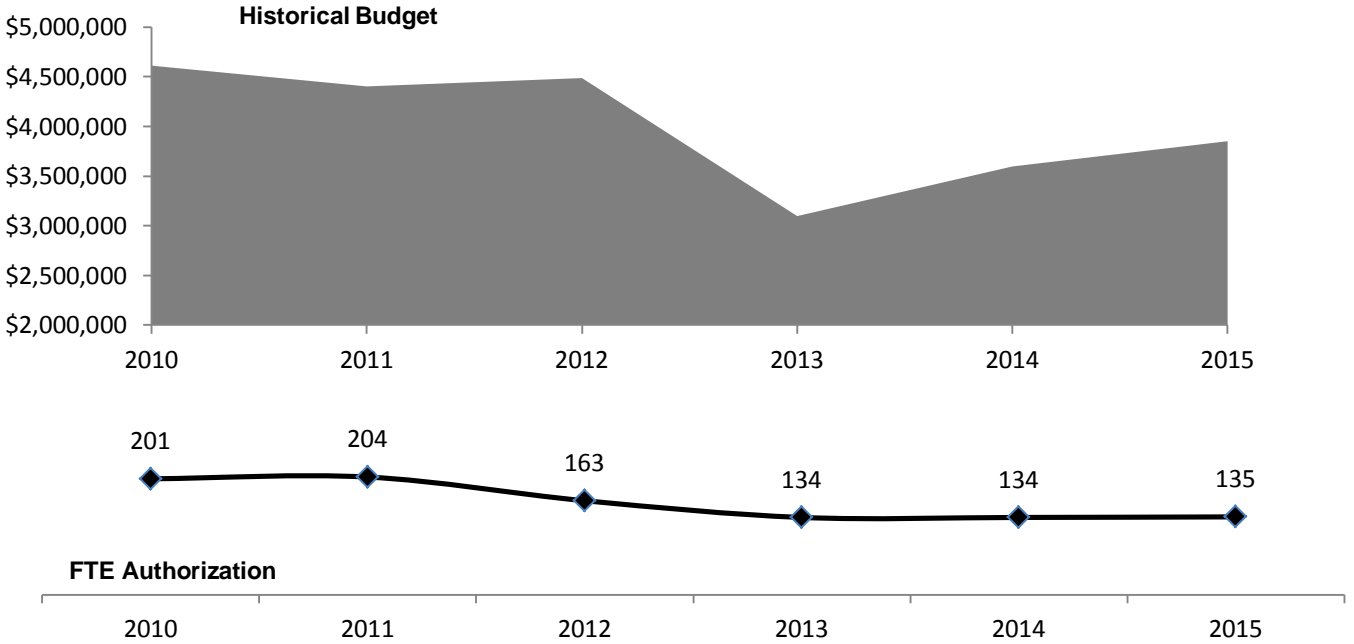
Proposed Department Budget

**\$254,398**

Nominal Change in Proposed Department Budget

**7.07%**

Percent Change in Proposed Department Budget



**0.7%**

Percent Change in FTE 2014 to 2015 Proposed

**1**

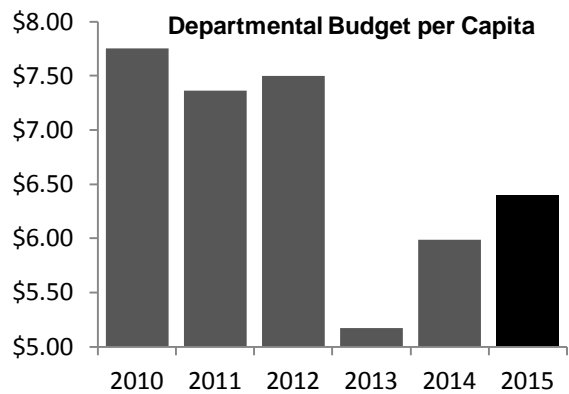
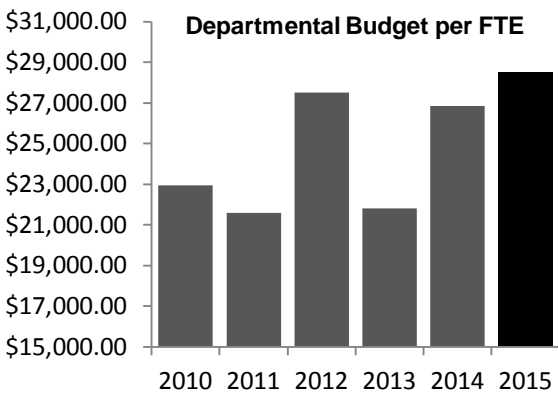
Nominal Change in FTE 2014 to 2015 Proposed

**3**

Vacant Positions

**53%**

% Eligible for Retirement within 10 years



2

New DCD positions to implement revitalization programs in commercial districts.

\$100,000

Increase in funding for the Land Management Special Purpose Account (an 18.2% increase from 2014).

13

Compete Milwaukee transitional jobs participants assigned to DCD (and DNS) for inspection training and mentoring.

\$500,000

Funding level for each of 3 new DCD-administered programs: Commercial *In Rem* Property Program, Challenge Fund and STRONG Homes Loan Program.

29

Homes repaired with funding from the Housing Infrastructure Preservation Fund since 2011.

\$850,000

Increase in funding for the *In Rem* Property Program capital account (up 44.7% from 2014 Adopted Budget).

390

Number of improved properties added to the inventory of *in rem* foreclosure properties so far in 2014.

\$2.61 million

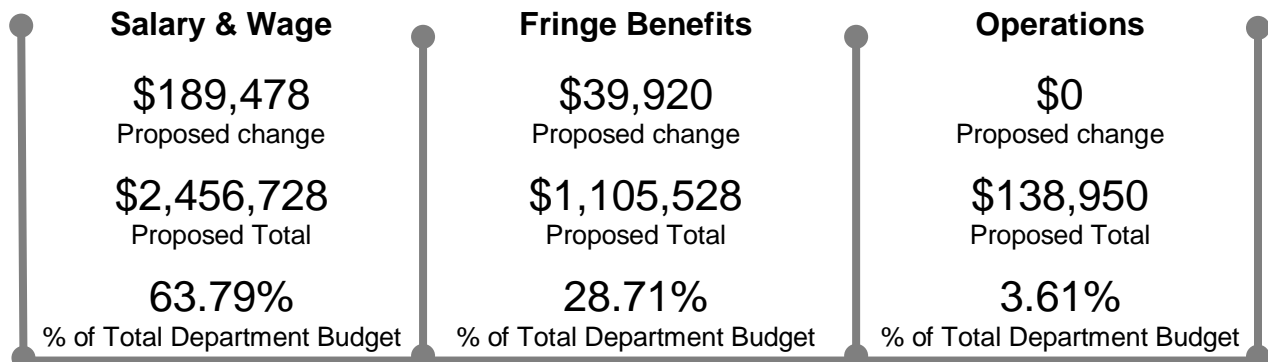
City's total proceeds from sales of improved *in rem* properties in 2013.

1,319

Number of improved commercial and residential *in rem* properties currently managed by DCD.

\$3.7 million

Total DCD capital improvement funding to manage, maintain, sell and repair improved *in rem* properties.



## I. INITIATIVES AND PROGRAMS.

The 2015 Proposed Budget includes the following Department of City Development-administered initiatives and programs:

### 1. *In Rem* Property Management.

The City currently has 1,319 improved commercial and residential properties in its *in rem* inventory, as well as over 2,900 vacant lots. The Department of City Development is charged with managing, maintaining, marketing and selling this vast real estate portfolio. This responsibility is reflected throughout the department's budget, including authorization and funding for positions, the *In Rem* Property Management special fund, the Land Management SPA and, especially, the \$3.7 million in 3 capital improvement accounts devoted to managing, maintaining and selling *in rem* properties.

The 2015 Proposed Budget increases support for DCD's *in rem* property management function in a number of ways. For example, funding for the Land Management SPA, which pays for such things as building repairs, property surveys and boarding of vacant properties, is increased by \$100,000, to \$650,000. Also, the appropriation for the *In Rem* Property Program capital improvement account – the largest capital account pertaining to *in rem* properties – rises by 44.7% to \$2.75 million under the 2015 Proposed Budget.

### 2. Commercial *In Rem* Property Program.

This is a new capital project in DCD's budget, and the first to focus on the specific issues, needs and impacts of commercial *in rem* properties. The City has acquired over 140 of these properties through foreclosure since 2010. The Proposed Budget provides \$500,000 in capital funding to market these properties for sale, as well as to offer financial incentives for purchasers to make needed repairs or renovations.

### 3. Challenge Fund.

This is a new initiative to be funded by \$500,000 from the *In Rem* Property Program capital account. The purpose of the Challenge Fund is to accelerate the sale of tax-foreclosed properties by offering incentives to encourage the acquisition and redevelopment of properties in bundles of 20 or more. Specifically, this program will provide gap financing to experienced developers who will purchase, rehabilitate and resell or manage groups of scattered-site *in rem* properties in geographically-targeted areas. Funding will be awarded through a Request for Proposals process.

### 4. STRONG Homes Loan Program.

Another new initiative funded by the *In Rem* Property Program capital account is the STRONG Homes Loan Program. This initiative seeks to fill gaps that remain in the availability of home repair/rehab loans that remain notwithstanding the existence of several loan programs managed by the City and funded by federal, City or tax incremental district dollars. These financing gaps may occur because of federal requirements for "whole house" rehabilitation and code compliance, federal income limits for program participation, geographic restrictions on loan availability or loan disqualification due to "underwater" status on a primary mortgage.

The STRONG Homes Loan Program will offer loans of up to \$20,000 for emergency and

essential repairs to owner-occupants of one- to 4-family properties throughout the City on a first-come, first-served basis. Loans are repayable, with terms and rates based on income and ability to pay. Interest rates will range from 0% to 6%. Loans may have terms of up to 15 years, with a deferred-payment option available for low-income elderly and disabled residents. Participating homeowners must be current on their property taxes and mortgage payments, maintain homeowner's insurance and correct any outstanding code violations. A loan made under this program will be due and payable upon sale or transfer of the property or upon the property becoming non-owner-occupied.

### **5. Increased Staffing for Commercial Revitalization Activities.**

The Proposed Budget adds 2 DCD positions -- a Commercial Corridor Manager and an Economic Development Specialist -- to implement revitalization programs in the city's more challenged commercial districts. The Commercial Corridor Manager position was actually created in mid-2014 and is currently being filled, while the other position will be new for 2015. The addition of these 2 positions effectively doubles DCD's neighborhood commercial revitalization staff.

### **6. Compete Milwaukee.**

The Proposed Budget creates a new Compete Milwaukee plan, a partnership of Mayor Barrett, the Common Council, workforce development agencies and private employers to make strategic workforce development investments that will address the problem of chronic underemployment among Milwaukee residents. Goals of this initiative include improving the quality of labor market information available to local employers and workforce development agencies as well as increasing the likelihood that transitional workers employed by the City will find meaningful permanent work after their work for the City ends. Information about the various components of the Compete Milwaukee plan can be found in Common Council File Number 140889.

The Department of City Development will play a role in implementing Compete Milwaukee. Specifically, as part of the transitional jobs component of the plan, 13 Compete Milwaukee participants will be assigned to DNS and DCD, where they will be prepared for possible future employment as entry-level code enforcement inspectors with DNS. Participants will receive 3 months of inspection training and mentoring from DNS residential code enforcement staff. They will then be assigned to perform 9 months of field work with DCD *in rem* property management staff, primarily monitoring City-owned foreclosed properties, performing visual inspections of those properties and completing property-condition reports.

### **7. KIVA Zip Milwaukee Initiative.**

The Proposed Budget increases the appropriation for DCD's Economic Development Marketing special fund from \$25,000 to \$50,000. The additional \$25,000 will be used to support a micro-business lending partnership between the City, the Wisconsin Women's Business Initiative and KIVA.org known as "KIVA Zip Milwaukee". This initiative will support local entrepreneurs by providing a crowd funding platform to lenders who offer micro loans (up to \$5,000 each) to small local businesses. The goal is to increase access to credit for neighborhood-based start-up businesses, particularly minority-owned businesses. The City's \$25,000 investment will leverage additional funds from private sources, such as foundations and philanthropic organizations.

See also ISSUES TO CONSIDER, Section VIII on page 19.18.

**II. EXPENDITURES.****Table 19.1. Changes in Expenditure Amounts by Account.**

<b>Expenditure Account</b>	<b>2013 Actual</b>	<b>2014 Adopted Budget</b>	<b>% Chng.</b>	<b>2015 Proposed Budget</b>	<b>% Chng.</b>
Salaries and Wages	\$2,115,486	\$2,267,250	7.2%	\$2,456,728	8.4%
Fringe Benefits	\$913,063	\$1,065,608	16.7%	\$1,105,528	3.7%
Operating Expenditures	\$117,322	\$138,950	18.4%	\$138,950	0.0%
Equipment Purchases	\$0	\$0	0.0%	\$0	0.0%
Special Funds	\$88,732	\$125,000	40.9%	\$150,000	20.0%
Total Operating Budget	\$3,234,603	\$3,596,808	11.2%	\$3,851,206	7.1%

**1. Budget Summary.**

The total 2015 Proposed Budget is \$3,851,206, an increase of \$254,398 (7.1%) from the 2014 Adopted Budget amount of \$3,596,808.

**2. Personnel Costs.**

Personnel costs in the 2015 Proposed Budget are \$3,562,256, an increase of \$229,398 (6.9%). Salaries and wages increase \$189,478 (8.4%). Fringe benefits increase \$39,920 (3.7%).

The increase in DCD's personnel costs can be attributed to the addition of 2 new positions to implement commercial revitalization programs. Also, 3 positions are being transferred from RACM to the City's budget to reflect changes in their workload and duties. See Section III (Personnel) for more information.

**3. Operating Expenditures.**

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

**4. Equipment Purchases.**

None.

**5. Special Funds.**

The Proposed Budget provides \$150,000 in DCD special funds, an increase of \$25,000 (20.0%) from the 2014 Adopted Budget. Two of the department's special funds are funded at the same level as 2014 – *In Rem* Property Management (\$50,000) and Milwaukee 7 Contribution (\$50,000). However, a third special fund – Economic Development Marketing – which received \$25,000 in 2014, is funded at the level of \$50,000 for 2015.

The additional funding for the Economic Development Marketing special fund will be used to support a micro-business lending partnership between the City, the Wisconsin Women's Business Initiative and KIVA.org known as "KIVA Zip Milwaukee". Modeled after similar initiatives in other major U.S. cities, KIVA Zip Milwaukee will support local entrepreneurs by providing a crowd-funding platform to lenders who offer micro loans (up to \$5,000 each) to small local businesses. The goal is to increase access to credit for neighborhood-based start-up businesses, particularly minority-owned businesses. The City's \$25,000 investment will leverage additional funds from private sources, such as foundations and philanthropic organizations.

### III. PERSONNEL.

**Table 19.2. Changes in Full-Time Equivalent (FTE) and Authorized Positions.**

Position Category	2013 Actual	2014 Adopted Budget	Change	2015 Proposed Budget	Change
O&M FTEs	27.15	34.40	7.25	36.70	2.30
Non-O&M FTEs	82.85	68.60	-14.25	67.30	-1.30
Total Authorized Positions	134	134	0	135	1

#### 1. Personnel Changes.

The total number of authorized positions in the department under the Proposed Budget is 135, an increase of one position from the 2014 Adopted Budget. The position changes are summarized in Table 19.3.

From a programmatic standpoint, the most significant change in DCD personnel for 2015 is the addition of 2 positions, a Commercial Corridor Manager and an Economic Development Specialist, to implement revitalization programs in the city's struggling commercial districts. The Commercial Corridor Manager position was actually created in mid-2014 and is currently being filled, while the other position will be new for 2015. The addition of these 2 positions effectively doubles DCD's neighborhood commercial revitalization staff.

Other changes for 2015 are being made to budget for positions in a way that reflects changes in the workloads and duties of those positions. Over time, as certain City and Redevelopment Authority projects and initiatives are implemented, grow or are completed/phased out (e.g., tax incremental districts), the amount of staff time devoted to work in support of those projects and initiatives rises and falls. Department of City Development staff who one year may devote most of their time to a RACM project may, the next year, move on to activities in support of a City program or initiative. Hence, from year to year, it is appropriate to shift position authority and funding for certain positions from RACM to the City or vice versa. Budget and DCD staff have determined that, for 2015, position authority and funding for 3 positions should be transferred from RACM to the City to reflect duties and workload.

The ongoing transfer of positions from DCD's Public Housing Programs Decision Unit to the Housing Authority results in a loss of 5 City positions in the 2015 Proposed Budget. However, salaries and benefits for these positions are reimbursed by HUD, so their elimination has no



impact on the City budget.

**Table 19.3. Summary of Position Changes, 2015.**

	No.	Title of Position	Reason for Change
<b>Eliminated</b>	-5	Various Housing Authority positions (not City-funded)	Reduction of "City" HACM positions to reflect annual attrition of these positions.
<b>Added</b>	+1	Commercial Corridor Manager	Positions created to implement commercial revitalization programs.
	+1	Economic Development Specialist	
	+1	Administrative Services Assistant	Positions changed from RACM to "City" positions to reflect actual duties and workload.
	+1	Real Estate Analyst	
	+1	Real Estate Specialist	
	+1	Office Assistant III	Position changed from HACM to "City" to reflect actual duties and workload.
<b>+1</b>	<b>Net Change</b>		

## 2. Funding Sources for DCD Positions.

Positions in the Department of City Development are funded by a variety of sources, including the City tax levy, grants (CDBG/Home or NSP), capital and RACM reimbursement. Individual positions may be fully funded by just one of these funding sources or funded by a combination of sources. The funding sources for funded, non-Housing Authority, non-intern DCD positions in 2013 and 2014 are shown in Table 19.4.

## 3. Vacancies.

There are currently 3 vacant, funded, non-intern positions in the Department of City Development:

- Commercial Corridor Manager - New position; classification approved by the Finance and Personnel Committee on 6/24/14. The department is currently in the process of filling this position.
- Housing Rehabilitation Specialist (2 positions) – Both positions became vacant in September, one due to a retirement and the other a transfer to the Department of Neighborhood Services. The Department of Employee Relations finished recruitment for these vacancies on September 5 and is now in the process of creating a list of eligible candidates.

**Table 19.4. Funding Sources for DCD Positions, 2013 to 2015.**

Funding Source		2013	2014	2015
Sole Source Funding	City tax levy	25	33	37
	CDBG/HOME	14	14	14
	Capital	1	2	2
	NSP	8	1	0
	RACM	1	1	1
Combination Funding	City tax levy/CDBG	4	3	3
	City tax levy/capital	1	1	1
	City tax levy/RACM	1	3	3
	CDBG/NSP	4	6	6
	CDBG/NSP/capital	1	0	1
	NSP/capital	0	0	1
<b>Total</b>		<b>60</b>	<b>64</b>	<b>69</b>

#### IV. SPECIAL PURPOSE ACCOUNTS.

Special purposes accounts (“SPAs”) are budgeted outside of departmental operating accounts, and control over SPAs is provided to departments by resolution. As Table 19.5 shows, the Proposed Budget includes funding for 3 Department of City Development SPAs: Milwaukee Arts Board Projects (\$200,000), Milwaukee Fourth of July Commission (\$110,000) and Land Management (\$650,000). The funding level for the Arts Board SPA is unchanged from the 2014 Adopted Budget, while funding for the other 2 DCD-administered SPAs is increased for 2015.

**Table 19.5. Funding for DCD Special Purpose Accounts, 2013 to 2015.**

Account	2013 Actual	2014 Adopted Budget	% Change	2015 Proposed Budget	% Change
Milwaukee Arts Board Projects	\$113,791	\$200,000	75.8%	\$200,000	0%
Milwaukee Fourth of July Commission	\$93,073	\$95,000	2.1%	\$110,000	15.8%
Land Management	\$812,117	\$550,000	-32.3%	\$650,000	15.4%
Total	\$1,018,981	\$845,000	-17.1%	\$960,000	13.6%

The Fourth of July Commission SPA provides financial support for July 4<sup>th</sup> celebrations that take place at 15 neighborhood parks throughout the city. Funding is used for fireworks, talent shows, flag display, ice cream and entertainment. Support for additional activities must be raised by each park’s July 4<sup>th</sup> committee through sponsorships and in-kind contributions from the private

sector. The Proposed Budget provides \$110,000 in funding for this SPA, an increase of \$15,000 (15.8%) from the 2014 Adopted Budget. This increase stems from a higher price for the fireworks contract for 2015. Actual expenditures in 2013 were \$93,073.

The Land Management SPA funds the DCD maintenance and management of RACM- and City-owned improved properties, particularly properties acquired through the *in rem* foreclosure process. Activities supported by this SPA include building repairs (carpentry, plumbing, HVAC), property surveys, property recording fees and boarding of vacant properties. Expenditures from this SPA ensure that City-owned properties are properly maintained so that they are safe for tenants and in a sellable and/or developable condition when they are eventually sold.

The 2014 Budget provided \$550,000 for the Land Management SPA. This entire appropriation was expended by early July, 2014. In addition, actual 2013 expenditures totaled \$812,117, leaving no carryover funds at the end of the year. For these reasons, and because of the size and growth of the City's inventory of *in rem* properties that they reflect, the Proposed Budget increases funding for the Land Management SPA by \$100,000, to \$650,000.

**V. IN REM PROPERTY MANAGEMENT.**

One of the primary functions of DCD is to manage the City's large and growing inventory of properties acquired through the *in rem* foreclosure process. The importance of this responsibility is reflected throughout the department's budget, including authorization and funding for positions, the *In Rem* Property Management special fund, the Land Management SPA and, especially, the \$3.7 million in 3 capital improvement accounts devoted to managing, maintaining and selling these properties.

The City currently has 1,319 improved commercial and residential properties in its *in rem* inventory, compared to 1,044 at this time last year. (In addition to these properties, the City now owns over 2,900 vacant lots.) Table 19.6 shows how the number of *in rem* properties acquired by the City and managed by DCD has been steadily increasing over the past several years.

**Table 19.6. Number of Improved *In Rem* Properties Added to Inventory, 2006 to 2014 YTD.**

Year	Number of Properties Added	Year	Number of Properties Added
2006	95	2011	360
2007	78	2012	775
2008	134	2013	657
2009	314	2014 YTD	390
2010	488		

Along with maintaining and managing over 4,000 properties, DCD staff is also actively engaged in marketing and selling *in rem* properties. In 2013, the department sold 291 improved properties, with proceeds totaling \$2.61 million. So far in 2014, DCD has sold 227 properties for a total of \$1.67 million. The 2014 Adopted Budget set a goal of 350 sales of improved properties this year. Based on the number of properties sold so far, the monthly average sales volume of 26 transactions and the anticipated 83 Low Income Housing Tax Credit transactions expected to close in September, the department believes it will meet and exceed this goal.

## VI. REVENUES.

The 2015 Proposed Budget projects that \$158,000 in revenues will be received by the department, a \$255,100 (-61.8%) decrease from the 2014 Budget estimate. Now that permitting and plan examination functions have been transferred to the Department of Neighborhood Services, DCD's largest and primary source of revenue is the sale of real property.

**Table 19.7. Changes in Revenue by Category.**

Revenue Account	2013 Actual	2014 Adopted Budget	% Change	2015 Proposed Budget	% Change
Sale of Real Property	\$4,700	\$350,000	734.7%	\$100,000	-71.4%
Zoning Change Fees	\$52,000	\$50,000	-3.8%	\$50,000	0.0%
Certified Copies of Maps, etc.	\$8,200	\$10,000	22.0%	\$8,000	-20.0%

### 1. Sale of Real Property.

This revenue account is for proceeds from the sale of non-*in rem* properties. Since there are no anticipated sales of these properties in 2015, the revenue projection is adjusted sharply downward for next year. As for proceeds from sales of *in rem* properties, s. 304-49-11 of the Code of Ordinances stipulates that they be credited to the Reserve for Tax Deficit Fund.

### 2. Zoning Change Fees.

The 2015 projection is based on actual revenues in 2013 and previous years. However, if the local real estate market rebounds and development activity increases, the City may see an increase in revenue from this category in 2015.

## VII. CAPITAL PROJECTS.

The 2015 Proposed Budget includes \$24.9 million in funding for 9 capital projects, an increase of \$1.4 million (6.0%) from the 2014 Budget. Most of these capital projects are funded by borrowing (\$20.4 million). Developer revenues account for another \$3.5 million. The remainder is cash financing, either tax levy or revenues (\$1 million).

Most of the rise in capital funding is the result of increased support for the *In Rem* Property Program capital account, which funds code compliance, rehabilitation and other work on City-owned tax foreclosure properties, as well as rehab loans for buyers of these properties. Funding for tax incremental district projects, business improvement districts, the Brownfield Program and the Housing Infrastructure Preservation Fund is unchanged. Support for the Advanced Planning Fund and the Neighborhood Commercial District Street Improvement Fund is reduced, while no new funding is provided for the Commercial Investment (Façade) Program. Administration of the Vacant Lot Beautification capital account is moved to DPW-Operations (Forestry) for 2015. The Healthy Neighborhoods Initiative receives a new infusion of funds for

2015. Finally, one new DCD capital project is funded for 2015: Commercial *In Rem* Property Program, an initiative to market commercial *in rem* properties and provide financial incentives to buyers.

Capital projects for 2015 are summarized in Table 19.8 and the discussion that follows.

**Table 19.8. Capital Program Summary, 2015.**

Program	2015 Proposed Budget	2014 Adopted Budget	Increase (decrease)	% Chng.	6-year Request
Neighborhood Commercial District Street Improvement Fund	\$200,000	\$300,000	(\$100,000)	-33.3%	\$3,000,000
Business Improvement Districts	\$250,000	\$250,000	\$0	0%	\$1,500,000
Tax Incremental Districts	\$20,000,000	\$19,500,000	\$500,000	2.6%	\$112,500,000
Advanced Planning Fund	\$100,000	\$150,000	(\$50,000)	-33.3%	\$900,000
Housing Infrastructure Preservation Fund	\$450,000	\$450,000	\$0	0%	\$2,700,000
Commercial Investment (Façade) Program	\$0	\$250,000	(\$250,000)	-100%	\$3,000,000
Brownfield Program	\$500,000	\$500,000	\$0	0%	\$3,000,000
<i>In Rem</i> Property Program	\$2,750,000	\$1,900,000	\$850,000	44.7%	\$9,500,000
Vacant Lot Beautification*	\$0	\$200,000	(\$200,000)	-100%	\$1,200,000
Healthy Neighborhoods Initiative	\$150,000	\$0	\$150,000	----	\$900,000
Commercial <i>In Rem</i> Property Program	\$500,000	\$0	\$500,000	----	\$3,000,000
<b>Total</b>	<b>\$24,900,000</b>	<b>\$23,500,000</b>	<b>\$1,400,000</b>	<b>6.0%</b>	<b>\$141,200,000</b>

\*Funding for the Vacant Lot Beautification Program (\$200,000) has been moved to DPW Operations - Forestry

## 1. Currently-Funded Projects.

### **Neighborhood Commercial District Street Improvement Fund (NCDSIF), \$200,000.**

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

This program was funded below the requested amount of \$600,000. Funding for this program has been relatively stable, and since 2000 has averaged just over \$500,000 annually. Average expenditures from 2007 through 2010 were \$497,000. The recession had an adverse impact on local business activity, causing actual expenditures from this account to decline to \$168,000 in 2011 and \$21,000 in 2012. Expenditures in 2013 were \$45,322. The Capital Improvements Committee did not recommend funding for this program because of the high level of carryover authority that remained. Approximately \$190,500 of general obligation borrowing authority is scheduled to expire at the end of 2014 if it remains unspent.

Since 2008, the NCDSIF and the BID funds have funded 15 streetscape projects. Four streetscape projects are in the planning stages. The projects are being sponsored by BID 41 (Downer Avenue), BID 36 (Riverworks), BID 50 (S. 13<sup>th</sup>/Oklahoma) and BID 10 (Avenues West).

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

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

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

Actual expenditures from this account since 2007 have been highly variable. The average from 2007 through 2010 was \$166,000. Actual expenditures in 2011, 2012 and 2013 were \$192,600, \$22,900 and \$0, respectively. The Capital Improvements Committee did not recommend funding for this program because of the high level of carryover authority that remained. Approximately \$250,000 of general obligation borrowing authority is scheduled to expire at the end of 2014 if it remains unspent.

The Council recently approved the purchase of 2630 W. Wisconsin Avenue (see Common Council File Number 140727). A transfer of \$250,000 was made from the BID fund to the Development Fund to finance the purchase.

### **Tax Incremental Districts (TID), \$20,000,000.**

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

The Proposed Budget provides \$500,000 (2.6%) more funding than the 2014 Budget. No

potential TIDs for 2015 were identified in the capital request. No new TIDs have been created in 2014 to date. DCD is currently analyzing TID proposals. All new TIDs and amendments to existing TIDs require Common Council approval.

Since 2000, \$457.2 million has been budgeted for tax incremental districts. Funding has been highly variable, ranging from a low of \$8 million to a high of \$74.5 million. Actual expenditures through the end of 2013 have totaled \$294.2 million, for an average of \$22.6 million per year.

New TIDs created in 2013 include:

- #78 Northwestern Mutual Life Insurance Company (4<sup>th</sup> Aldermanic District). This district consists of approximately 4.44 acres at 800 and 900 East Wisconsin Avenue. Total estimated project costs, excluding financing, are \$73,300,000. (See Common Council File Number 121429.)
- #79 North Water Street Riverwalk (3<sup>rd</sup> Aldermanic District). The district consists of 2 properties totaling approximately 6.16 acres at 1781 and 1887 North Water Street. 1781 is the former Gallun Tannery and 1887 is the location of a light manufacturing facility. Total estimated project costs, excluding financing, are \$1,750,000. (See Common Council File Number 130053.)

Since 2012, \$2,495,000 has been approved for amendments to existing TIDs to fund paving projects. (\$500,000, \$1,445,000, and \$550,000 in 2012, 2013, and 2014 respectively) An amendment to TID #28 (City Homes) for \$250,000 is pending.

#### **Advanced Planning Fund, \$100,000.**

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

This program was funded below the requested amount of \$150,000. Funding for this program has been relatively stable since 2000, averaging \$157,000 per year. This program is not supported by debt, so there is no carryover borrowing authority.

Current and upcoming projects for 2014 and 2015 include the Lakefront Gateway Park, Clark Square Charette, Riverworks Charette, 3<sup>rd</sup> Ward Parking Study, and the 6<sup>th</sup> & National Parking Study. The Advanced Planning Fund will also be used to update the Industrial Plan, the Inner Harbor 20/20 Plan, and the Menomonee Valley 2.0 Plan.

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

This program provides matching funds for privately-raised funds used to make small-scale improvements in 9 designated Healthy Neighborhoods. The purpose of the HNI is to encourage homeowner investment and aesthetic improvements in strong urban neighborhoods. The goal is to achieve positive outcomes in 4 areas: image, market, physical condition and neighborhood management.

This program has received \$1,150,000 in funding since it was created in 2008. At the beginning of 2014 the account had \$275,893 in carryover borrowing authority. The current account balance is approximately \$238,000. However, there are over \$66,000 in additional projects



which have been approved or completed for which expenditures have not yet been made from the HNI capital account.

The Healthy Neighborhoods Initiative was launched in 2007. It is supported by the Greater Milwaukee Foundation and the City. In 2014, for the first time since the program was launched, neighborhoods were invited to apply to be designated as "Healthy Neighborhoods". The designation is expected to last for one to 3 years. The initial review of the applications received this summer has been completed. Final designation recommendations will be announced prior to the end of the year. The number of designated neighborhoods is not expected to change significantly.

The 9 current Healthy Neighborhoods are: Capitol Heights, Enderis Park, Havenwoods, Johnson's Park, Lincoln Village, Martin Drive, Sherman Park, Silver City, and Thurston Woods.

In 2014, as of September 15, the City has committed \$130,000 in Healthy Neighborhoods Initiative funds to support 36 community improvements projects. Healthy Neighborhood funds must be matched on at least a dollar for dollar basis. It is expected that these project will leverage at least \$400,000 in investment. Participating neighborhoods carried out 11 projects receiving City assistance. The Greater Milwaukee Foundation expects to commit between \$400,000 and \$550,000 of support to the Healthy Neighborhoods Initiative in 2015.

#### **Housing Infrastructure Preservation Fund, \$450,000.**

This fund was established by the Common Council in 2010 to provide funds for restoring, rehabilitating or mothballing City-owned properties that have been deemed historic or too valuable to the character of the surrounding neighborhood to demolish, but are unlikely to be restored by private purchasers.

Since 2010, this program has received \$2,750,000 in funding. Annual funding has been variable. Expenditures in 2012 were \$405,000. Actual expenditures from 2010 through 2013 totaled \$1.7 million.

As of September 2014, this account has been used to fund improvements on 31 homes. Two additional homes have gone out to bid. Total expenditures to date are \$2.4 million. The average cost per house where work has been completed (25 houses) is \$72,200. The average cost to date for houses still under construction (4 houses) is \$102,900. Eleven homes have been sold, 3 of them to NIDC. Excluding the homes that were sold to NIDC, the average sale price was \$17,800.

Common Council File Number 130995, passed on December 17, 2013, provides that neither the Department of City Development nor any employee of the department may expend \$100,000 or more from any DCD-administered capital improvement account, other than a TID account, for a single project or a single property without Common Council approval. In June 2014, the Council approved additional Housing Infrastructure Preservation Fund expenditures for the property at 2425 W. McKinley Boulevard (see Common Council File Number 140219). Expenditures to date on that property are \$139,090.

The Special Joint Committee on the Redevelopment of Abandoned and Foreclosed Homes has been monitoring the use of funds from this and other accounts. Further information on the activities of the committee is available as attachments to Common Council File Numbers



110809 (2011), 111347 (2012), 121405 (2013) and 131272 (2014).

**Brownfield Program, \$500,000.**

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

This program was funded as requested and at the same level as the 2014 Budget. Actual expenditures were \$350,017 and \$429,756 in 2012 and 2013, respectively. Currently, all 2012 and 2013 funds in this account have been expended.

***In Rem* Property Program, \$2,750,000.**

This program was created by the 2011 Budget to fund minor capital repairs (e.g., new roofs, water heaters, etc.) to properties obtained by the City through foreclosure, with the goal of making these properties more marketable for prompt sales. To support the Strong Neighborhoods Plan, the 2014 Budget altered the focus of this capital account to fund 3 primary activities: support for the City's lease-to-own program, homebuyer assistance loans and rental rehabilitation loans. In 2015, this project will also fund the Strong Loans program and the Challenge Fund.

The Proposed Budget provides \$2,750,000 for this capital account, an increase of \$850,000 from the \$1.9 million provided in the 2014 Adopted Budget. Since 2011, a total of \$2,250,000 has been appropriated for the *In Rem* Property Program. For 2015, a portion of this program (\$750,000) will be funded with revenue from tax incremental districts (a change in state statutes allows the life of a TID to be extended to benefit affordable housing and to improve the City's existing housing stock).

Expenditures from this account through the end of 2012 were \$130,383. Expenditures in 2013 totaled \$128,820. Year-to-date 2014 expenditures are \$186,523. The current account balance is \$1.51 million.

DCD has approved loans or contracts totaling nearly \$349,000 to rehabilitate 20 properties; however, not all of those loans were funded by the *in rem* capital account. There are an additional 29 properties and \$456,000 in potential loan or contract volume in the pipeline. It is not clear how much of the funding will come from the *in rem* account. In addition, there are 2 scattered-site Low Income Housing Tax Credit projects that may be eligible for City assistance.

Programs supported by the *in rem* Property account include the following:

*Tenant Transition to Ownership Project (Rent-to-Own)*

Funding of \$300,000 will be allocated to the Tenant Transition to Ownership Project, which will help assure that tenants in City-owned homes make a successful transition to homeownership. Funds will be used to make essential repairs to properties enrolled in the program. Repairs will be made prior to transferring title to the tenant. As of September, 2014, 50 existing tenants have begun working with a homebuyer counseling agency to develop an Individual Homebuyer Plan, 23 properties are being reviewed to determine whether code compliance and other necessary improvements will exceed \$20,000, 7 properties are out for bids to make the necessary improvements, and one property has been sold to its tenant.

### *Homebuyer Assistance Loans*

Funding of \$650,000 will be allocated to Homebuyer Assistance loans, which provide support for individuals purchasing *in rem* properties for homeownership. Loans of up to \$20,000 per property must be matched on a dollar-for-dollar basis by purchasers. A loan would be forgivable after 5 years if the owner continues to occupy the property as his or her primary residence.

### *Rental Rehabilitation Loans*

Funding of \$600,000 will be allocated to Rental Rehabilitation loans, which provide support to private landlords for the purpose of providing quality rental opportunities. Loans of up to \$12,500 per dwelling unit must be matched on a dollar-for-dollar basis by purchasers.

### *STRONG Homes Loan Program*

Funding of \$500,000 will be allocated for the new STRONG Homes Loan Program, which will provide assistance to owner-occupants of one- to 4-family properties throughout the City on a first-come, first-served basis to promote the retention of homeownership. STRONG Loans will help fill gaps which aren't being addressed because of the imitations of existing programs, such as income restrictions, rehabilitation requirements, and geographic restrictions.

### *Challenge Fund*

Funding of \$500,000 will be allocated to the new Strong Neighborhoods Plan Challenge Fund grant program. This program will provide grants to experienced developers to acquire and redevelop groups of 20 or more properties in targeted areas identified by the City.

### **Commercial *In Rem* Property Program, \$500,000.**

To support the Mayor's Strong Neighborhoods Plan, a new capital account is created for 2015. This account will fund marketing efforts for City-owned commercial properties. Funding will be used to pay for marketing as well as repairs and renovation loans. As of the capital request date in March, the City owned 142 foreclosed, improved commercial properties. Of that number, 117 (82%) had been acquired since 2010. There are now 155 improved commercial properties in the City's inventory. It is expected that more than 80 additional properties will be acquired in 2015. Funding has been requested for this program through 2020.

### **Vacant Lot Beautification, \$200,000.**

Funding for this capital account, which is part of the Mayor's Strong Neighborhoods Plan, has been moved to DPW-Operations Forestry Section.

## **2. Unfunded Capital Requests.**

### **Façade Program/Commercial Investment Program, \$250,000.**

The Proposed Budget does not provide funding for the Façade Program, which has been renamed the Commercial Investment Program. This is an on-going program created by the 2012 Budget. Since 2012, this program has received \$1.25 million in funding. Prior to 2012, façade projects were funded by the Development Fund capital account. The Capital Improvements Committee did not recommend funding for this program in 2015 because of high carryover balances. The unallocated account balance as of October, 2014, is \$468,000.

This program funds a variety of programs, including façade and signage grants, white box grants and Retail Investment Fund (RIF) grants. Between 2011 and 2013, DCD approved 158 façade and signage grants totaling \$1.35 million. This total includes grants that were paid out of the Development Fund. The associated private investment projected for funded projects was \$4.9 million. A façade grant recipient may seek payment of the City's grant only upon completion of the approved project. The white box grant program was previously funded by the Development Fund. Since 2011, DCD has expended \$145,800 on white box grants. Since 2012, RIF fund grants totaling \$551,387 have been awarded to 9 retail businesses. This total includes several grants that have not yet been paid out, because the grant recipients have yet to complete their projects.

### **3. Project Updates.**

#### **Development Fund.**

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

2011 was the last year that funding was requested or provided for this account. Façade grants and brownfield remediation assistance will continue to be provided using the specific capital accounts that have been created for those purposes (see earlier discussion). However, \$250,000 was transferred from the BID fund to the Development Fund in June, 2014 for the purchase of 2630 W. Wisconsin Avenue (see Common Council File Number 140727).

### **4. Future Capital Requests.**

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

## **VIII. ISSUES TO CONSIDER.**

1. The department continues to be challenged by the ever-growing inventory of *in rem* foreclosure properties it is required to manage and market. In 2013, 291 improved properties were sold, but 657 were added to the inventory. DCD expects to sell over 350 properties this year, but at least 390 have already been added to the inventory. While the department has several staff members and numerous programs devoted to this issue, it must continue to explore innovative strategies for reducing the inventory of *in rem* properties.

2. For 2015, DCD is making a renewed effort to revitalize neighborhood commercial districts. The 2015 Proposed Budget creates 2 new positions that will focus on commercial revitalization, as well as the new Commercial *In Rem* Program capital account. Will these investments be sufficient to bring about noticeable improvements in Milwaukee's challenged commercial corridors?

3. While significant investment has been made in public improvements and site preparation in the 30<sup>th</sup> Street Industrial Corridor, especially Century City, little private construction or job creation has occurred. Will 2015 be the year that Milwaukee begins to witness a private-sector renaissance in this area?

- 4.** The Proposed Budget provides \$19.5 million in capital funding for tax incremental financing projects, the same as the 2014 Adopted Budget. However, no new tax incremental districts have been created this year or announced for 2015. Is the City, through DCD and its budget, making optimal use of the tax incremental financing tool to stimulate economic and real estate development?
- 5.** The Housing Infrastructure Preservation Fund has been highly successful in terms of stabilizing and preserving historic, architecturally-significant homes in Milwaukee neighborhoods. However, almost half of the 24 homes repaired by HIPF remain unsold, including 5 that were repaired in 2011. DCD staff must redouble their efforts to sell these properties to responsible owners and return them to the tax rolls.
- 6.** The Proposed Budget provides no new funding for the Commercial Investment Program (Façade Program) capital project. While carryover funds may be sufficient to meet current demand for façade improvement and white box grants, the need for aesthetic improvements to many of the city's older commercial strips remains great.
- 7.** The department is a participant in the Compete Milwaukee plan, and will provide field-work training for about 13 transitional jobs participants in 2015. If participants successfully complete their training and subsequently secure permanent employment as code enforcement inspectors, this initiative may be worthy of continuation in future years and replication in other City departments.
- 8.** For the first time since 2007, the Greater Milwaukee Foundation has solicited applications for neighborhoods seeking to be designated as "Healthy Neighborhoods". Applications are currently being reviewed, and neighborhood designations are expected to be announced prior to the end of 2014. Although the number of designated neighborhoods is not expected to change significantly, if new neighborhoods are certified, Healthy Neighborhood funds (including the additional \$150,000 in the 2015 Proposed Budget) may be available to a wider area of the city.

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