



Office of the Comptroller

W. Martin Morics, C.P.A.  
Comptroller

John M. Egan, C.P.A.  
Special Deputy Comptroller

Michael J. Daun  
Special Deputy Comptroller

April 1, 2005

Members of the Zoning, Neighborhoods  
& Development Committee  
City Hall, Room 205  
Milwaukee, WI 53202

RE: File #041629, Amendment #2-TID 44  
Project Plan, Extend Housing Forgivable Loan  
Program

Committee Members:

Tax Incremental District #44 - Walnut-Locust Neighborhood Improvement Fund - was established in 2001 to provide grants ("forgivable loans") to support the construction and rehabilitation of housing. TID 44 is located in a 312 acre area bounded by West Locust and Walnut Streets on the north and south, and North 12<sup>th</sup> and North 20<sup>th</sup> Streets on the east and west. The initial focus of the TID was a demonstration project known as Lindsay Heights to provide new and rehabilitated housing on scattered sites within the TID. An amount of \$1,755,000 was appropriated to provide forgivable loans up to \$10,000 to property owners for this purpose. Funding was provided by the Local Initiatives Support Corporation (LISC) at an annual interest rate of 4.92 percent.

In July, 2004, Amendment #1 to the TID was adopted by the Common Council. Under the Amendment #1, The City authorized an additional \$2,200,000 for infrastructure, green space improvements and financing costs and authorized the sale of a 7.3 acre City owned site (currently a playfield) to the developer - The Josey Heights Development Partners, LLC. The City will sell this land for \$75,000 - an estimated \$425,000 discount to the developer. The City would finance the \$2.2 million through the issuance of General Obligation bonds with an estimated interest rate of 4.1%-4.25%. The developer will design the development, co-ordinate all construction activities and sell the housing units built. Assuming the development proceeds as planned, the necessary street, sidewalk and green space would be constructed and 53 single family homes and townhouses and improvements would be sold. Planned sale prices range from \$175,000 to \$250,000. The estimated Amendment #1 project development cost is \$11.6 million. Closing on the sale of the City property to the developer has been delayed, but is expected to be completed with the next 1-2 weeks.

File 041629, the proposed Amendment #2, provides an additional \$1,000,000 for forgivable loans to property owners within the District including an estimated 30 forgivable loans to buyers of newly constructed homes and 70 such loans to existing property owners over the next two years. This \$1,000,000 would also be advanced by the LISC at the same interest rate as the initial program - 4.92 percent. This compares to about 4.1% - 4.25% for City borrowing.

**Is the Proposed \$1,000,000 TID forgivable Housing Loan Program expansion likely to be successful?**

In assessing the proposed \$1 million housing forgivable loan expansion, review of the City's use of the initial \$1.7 million forgivable loans pool for this TID is appropriate. To date 165 TID program loans

have been made within the District. About one-third of these have been made for newly constructed homes while the other two-thirds have been applied to eligible rehabilitation work. Virtually all of the loans have been made to resident home owners. Over 50 new homes were constructed with the aid of these TID loans, adding an estimated \$7.7 million of property value. Since the rehabilitation work aided by the TID loans can only be applied to correct code violations, it is difficult to establish the extent that property values have increased for these properties. The rehabilitation improvements no doubt have provided a strong impetus behind the surge in property values within the District. Overall, since its formation in 2001, TID 44 property values have increased by \$8.8 million. **By any measure, this TID forgivable loan program has thusfar proven an outstanding success.**

**Should your Committee and the Common Council adopt this amendment #2,** the additional \$1 million (total \$2.7 million) in TID sponsored loans will be fully repaid including City interest cost by 2012 – 2014. Considering the additional \$2 million the City will spend pursuant to the previously approved Amendment #1, **the TID would be projected to successfully close in 2015-2017.**

**Is the proposed \$1 million TID Forgivable Housing Loan Program expansion necessary to maintain the rate of housing construction and rehabilitation within the TID area?**

DCD staff indicates that more than 90 percent of the Lindsay Heights construction activity has occurred south of West North Avenue. This was by design to focus on specific clusters of development within the area from West Walnut to North Avenues, North 12<sup>th</sup> to North 20<sup>th</sup> Streets. **The initial success of the \$1.7 million in housing forgivable loans supports the prospect of similar success for the area north of West North Avenue to West Locust Street.** In this larger area, relatively little new construction has occurred over the past five years. The demographics of this area, with over 80 percent of residents of low-moderate income, also speak to the need for financial assistance for improved housing.

Furthermore, a review of program eligibility and administration requirements indicate a well conceived program likely to produce intended results. For rehabilitation loans, the focus is on properties over 25 years old, 1-4 units maximum. Rehabilitation work is restricted to basic code correction work-primarily exterior repairs. General remodeling or improvements are not eligible. All property owners including landlords must be current on all property taxes, mortgage payments and homeowners insurance. In addition, landlords must have an adequate building inspection record on all of their City owned properties. Landlords are also restricted to a maximum annual five percent annual rent increase during the loan term.

Our Office has carefully reviewed both the original loan program and the proposed expansion. **The proposed forgivable loan program expansion is supported by its past success, a defined need and strong administrative procedures to promote successful construction and rehabilitation projects. This Office therefore recommends adoption of File 041629.**

Sincerely,

  
W. Martin Morics  
Comptroller

Cc Commissioner Marcoux

Maria Prioletta

James Sayers

Mjd/4-01-05