
Strong Neighborhood Investment Plan

Budget Overview

Finance & Personnel Committee

October 8, 2013

Summary – Presentation Goals

- Tax foreclosures – “echo” of the financial crisis
- City’s unique role and 3-year approach to the problem
- Budgeted resources 2014 \$11.6 million:
 - Prevention: \$425,000, 6.0 FTE
 - Mitigation: \$8.4 million, 14.65 FTE
 - Revitalization: \$2.2 million, 5.0 FTE
 - Renewal: \$479,000, 1.0 FTE

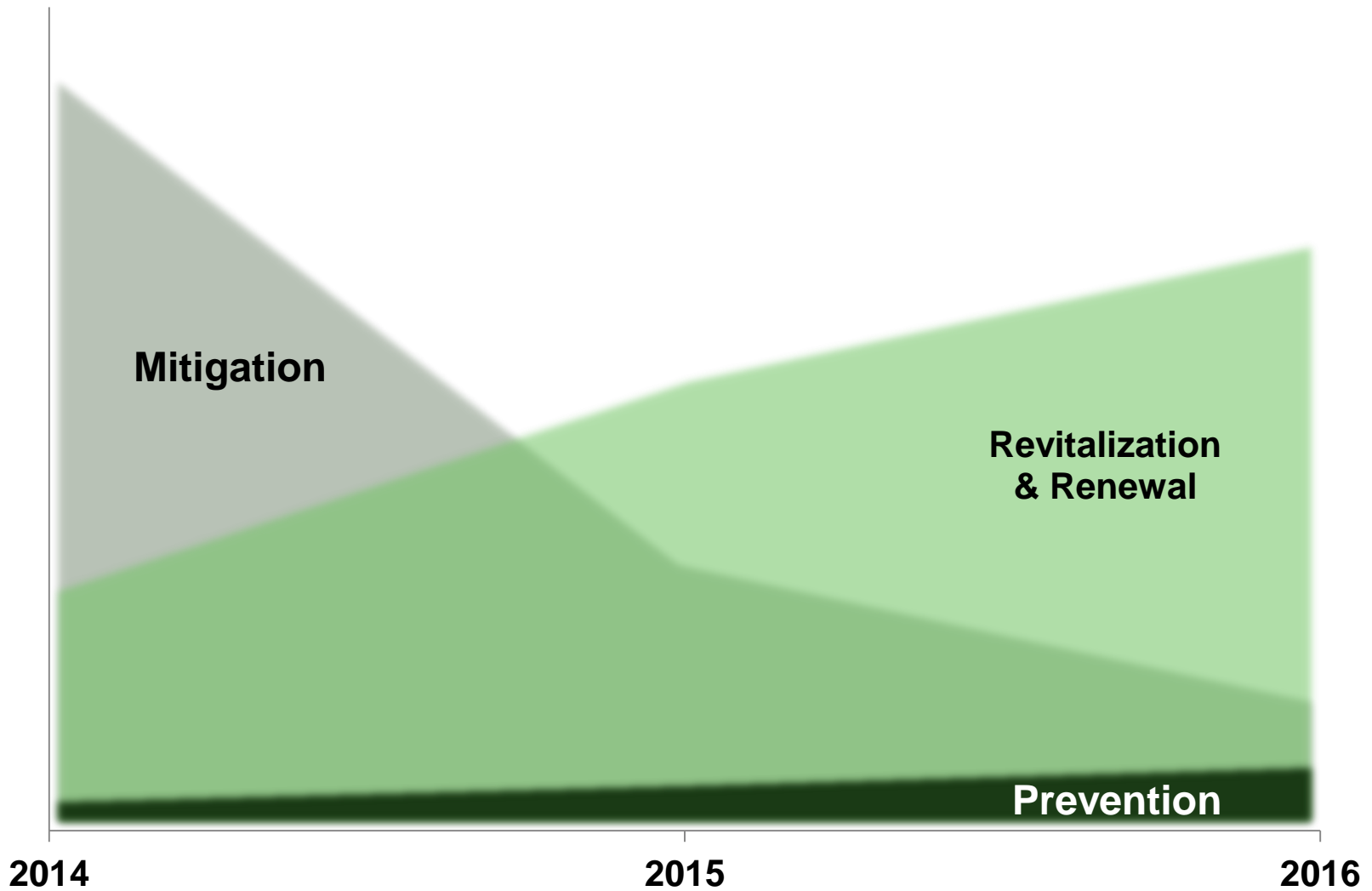
Context

- City is holding and maintaining more properties than ever
 - Real estate market “upside down” since 2009
 - City is the backstop for market failures
- Long-term costs and neighborhood impacts
 - Direct costs to the City budget & tax levy
 - Pre-acquisition vacancy, nuisance, and crime
 - Post-acquisition boarding, securing, maintenance, demolition
 - Drag on neighborhoods and neighbors
 - Co-located with private foreclosures
 - Risk to NSP and other accomplishments

3-Year Strategy

- 3-year plan
 - Increase sales starting 2014
 - 2014 - mitigation (demolition, maintenance)
 - 2015-16 – increase rehab, renewal, re-use
 - Comprehensive, City-wide
 - City funds provide flexibility
 - Ongoing working group
 - Inter-City staff
 - Include HACM, Courts, external agencies
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3-year Strategy



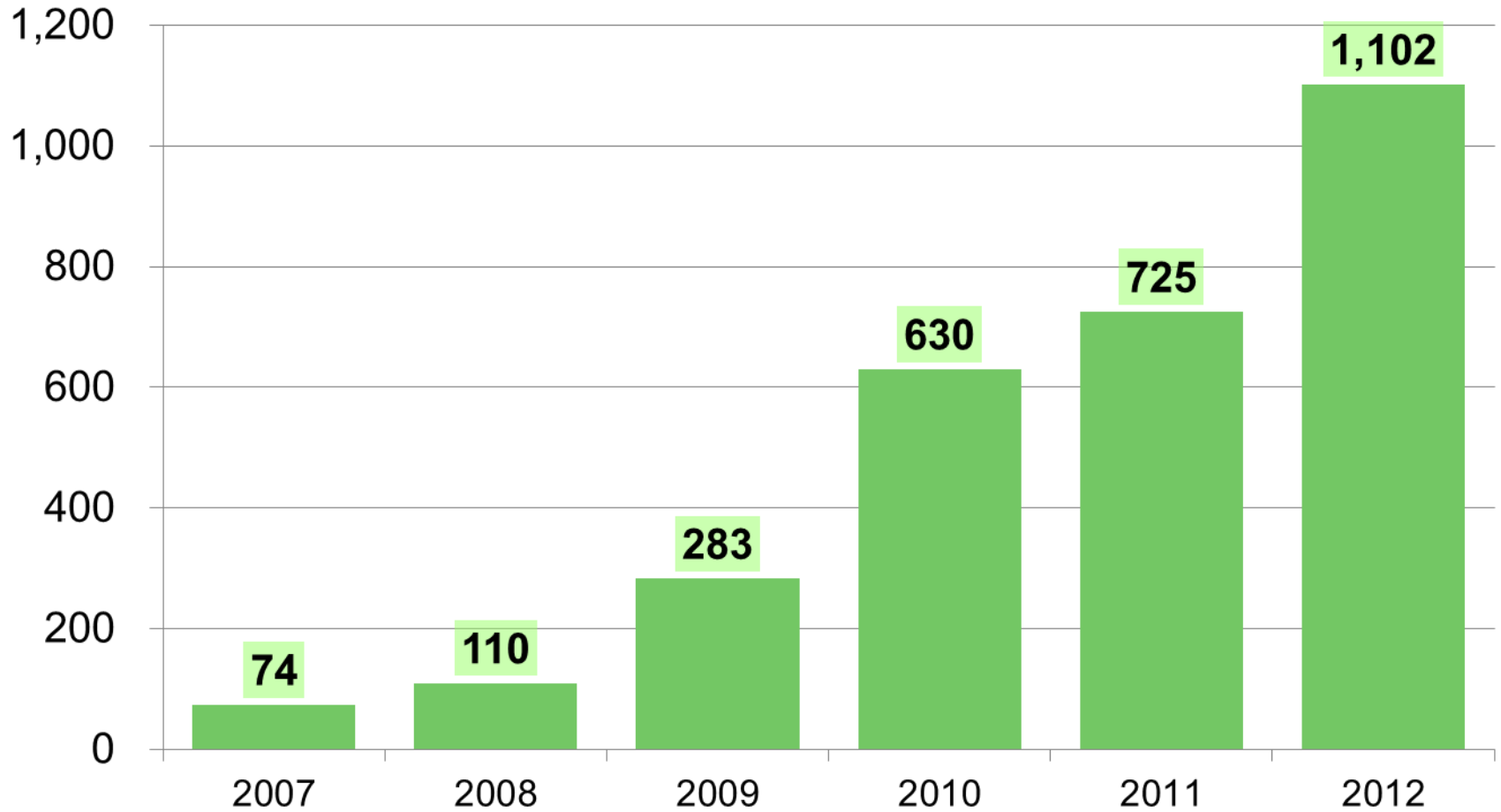
Definitions

	In Rem/Tax	Bank/Mortgage
Basis	City has lien on property within borders, taxes effectively “first security” ahead of all others. City uses 3 phase collection process and forecloses in <u>third year delinquent</u> .	Mortgage or other security with property as collateral. Re-finance or payment of loan balance removes lien. Foreclosure timing based on terms of the loan and lender prerogative.
Time to Judgment	File after 2 years of in house and contracted collections. Filing to award in ~100 days.	Varies based on lender procedure and filing, 2-12 months.
Redeem or Vacate	All taxes, special charges, and interest paid in full w/in 8 weeks of notice. After 8 weeks, additional 4 week answer period before City is awarded title. Petition period to vacate judgment is 90 days from award.	Redemption period begins with judgment. Lasts 6-12 months for owner-occupied, 3-6 months for investor-owned.
Title Transfer	Awarded to City after 12 week redemption/answer period.	Title sold at Sheriff’s auction at request of lender no sooner than 6 weeks post-judgment.
Considerations	“Uniformity clause” of WI Constitution requires uniform treatment of <u>all</u> taxpayers, from billing to foreclosure. The City cannot negotiate or reduce the amount due.	Foreclosing party may terminate or abandon proceedings prior to Sheriff’s auction, leaving owner responsibility in limbo. Lender may elect to pursue balance due after sale via deficiency, or write off.

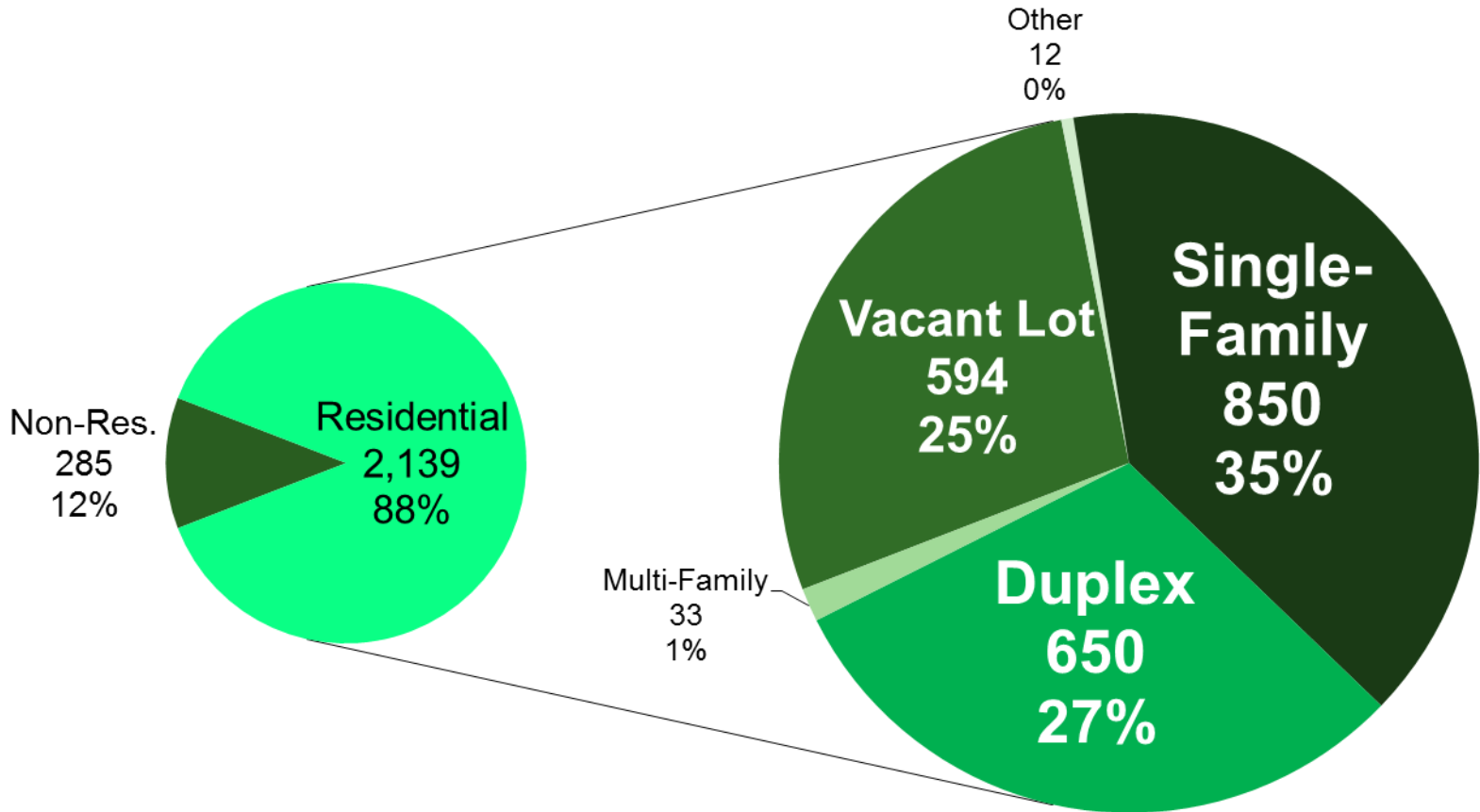
Previous Success vs. Foreclosure

- Milwaukee Foreclosure Partnership Initiative & Special Joint Committee
 - Established precedent and principles for addressing foreclosure impacts
 - DCD - NSP I, II, & III
 - \$22 million direct, \$140 million leveraged
 - 600+ jobs created, 1,300 total housing units impacted
 - 200 City-owned properties developed or renovated
 - DNS foreclosure mitigation
 - Demo (\$6 million/466 properties since 2010)
 - Vacant Building Registration Program (2010)
 - Residential Properties Pending Foreclosure (2009)
 - Work with banks on ownership responsibilities & reporting
 - 2014: CDBG & HOME will fund 100-125 rehabs
 - Tax foreclosures **risk** undermining tens of millions in City, State/Federal, & private investment since 2008
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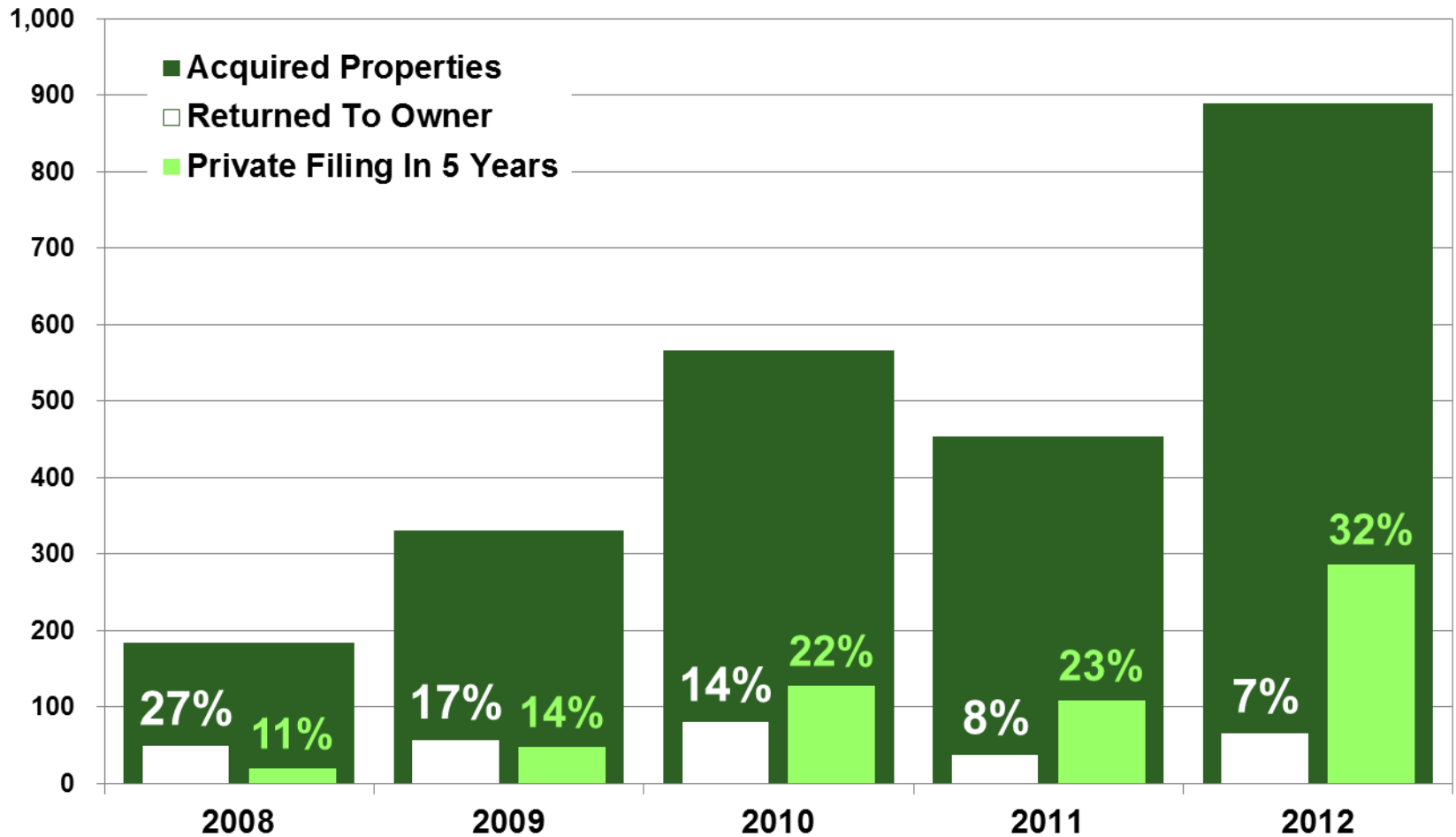
City Inventory – All Classes



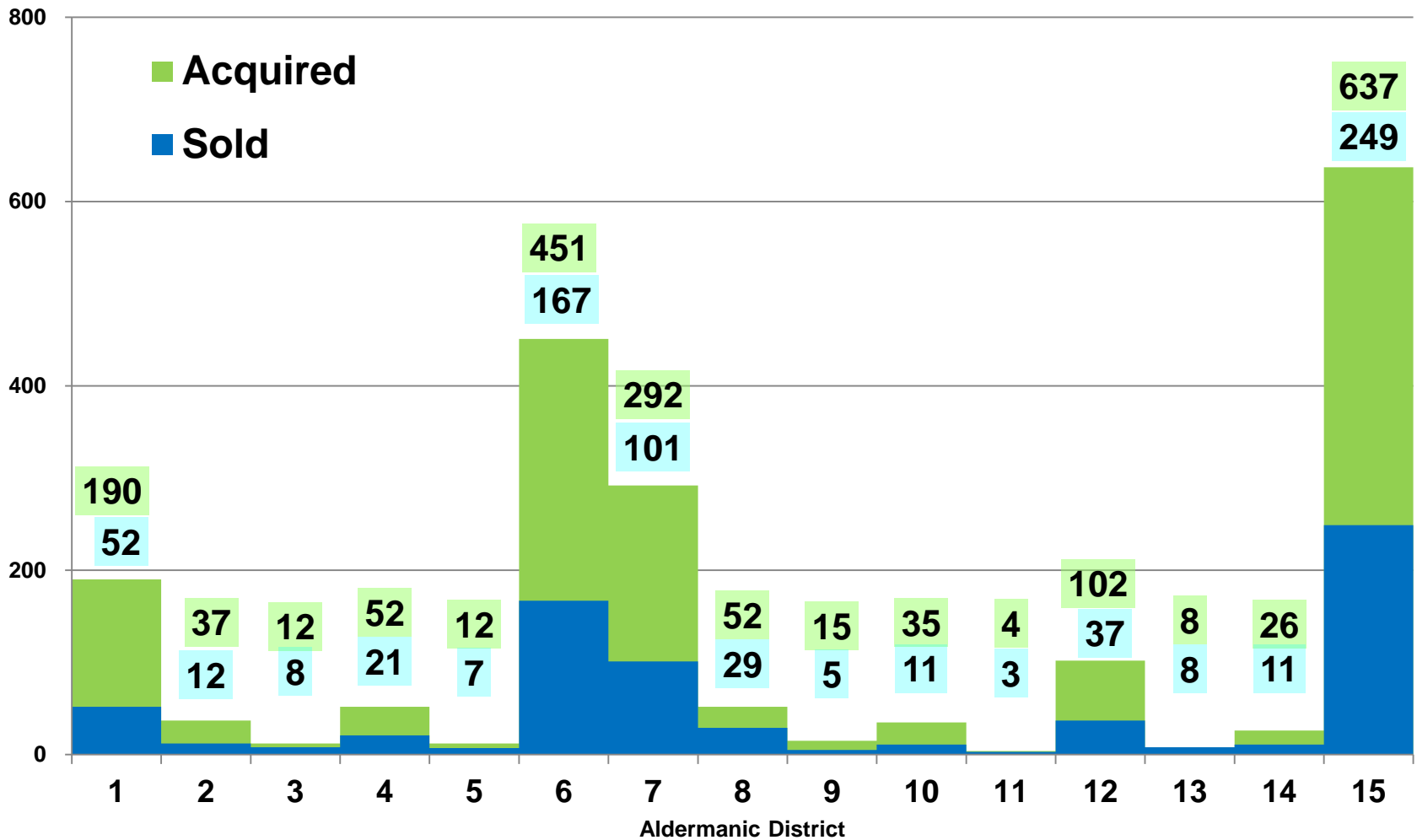
Property Types 2008-12



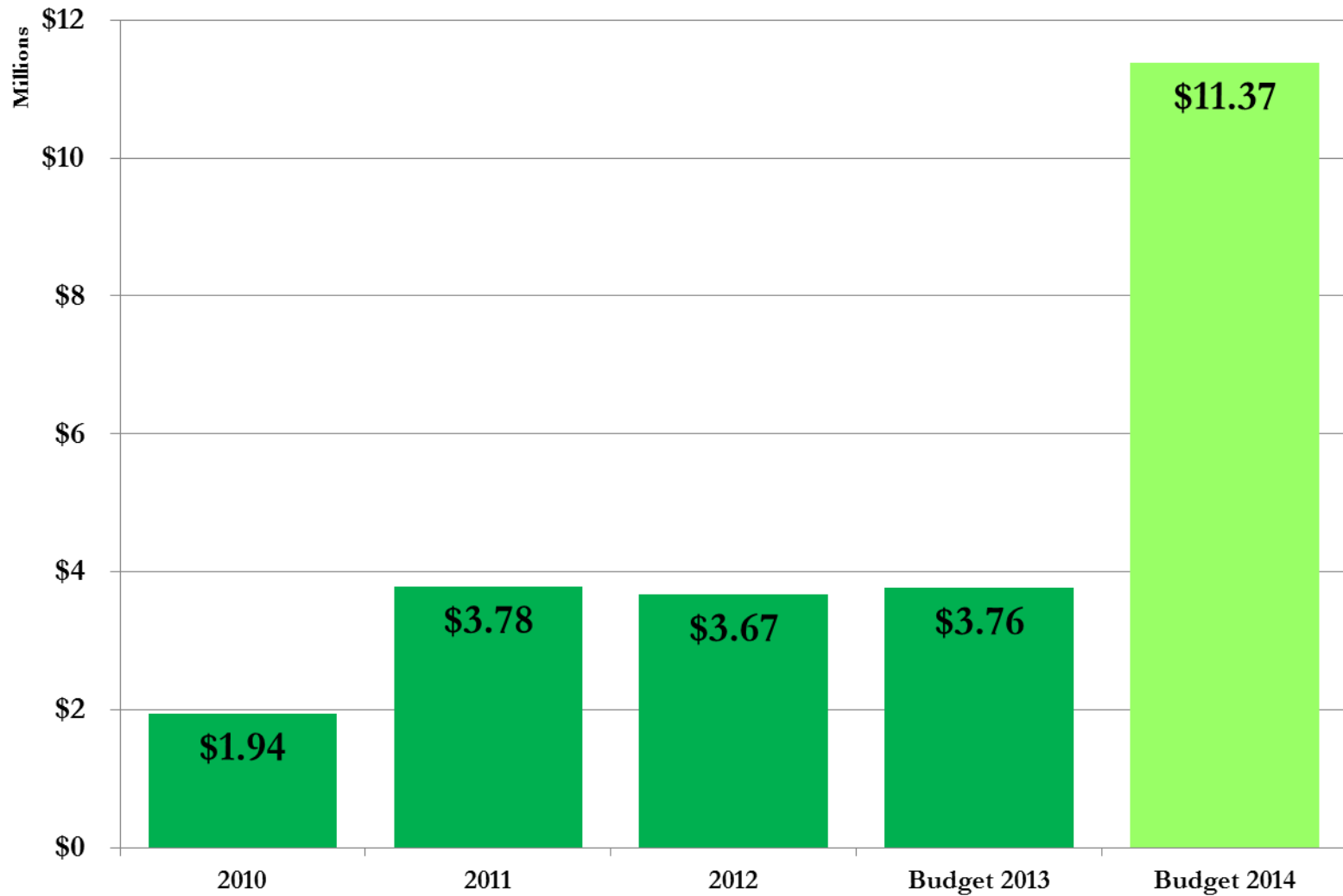
Acquisitions 2008-12



Residential Acquisitions & Sales 2008-12



Levy-Supported Spending on Tax Foreclosures



Direct Costs

- 1-year pre-acquisition (*\$60,000 assessed value*)
 - \$615 in City taxes
 - \$1,230 in delinquent tax debt (County, MPS, etc.)
 - \$540 in lost service revenue
 - \$566 in DNS & DPW services
 - **\$2,951 in costs & lost revenue**
- Holding costs post-acquisition
 - \$750-1,000/year/property

Indirect Costs

- Vacancy and abandonment allows spaces for crime and disorder
- Visual blight reduces values and quality of life
- Assessment and sale effects on neighboring property owners
- Reduced City tax base and increased demand for service costs all taxpayers

Challenges

- The City owns and maintains more than 1,000 properties
- Over 550 raze orders pending City-wide
 - 88% emergency, Priority 1 & 2
- City-acquired properties since 2008 are:
 - Vacant (78%)
 - Residential (88%)
 - Investor-owned (55-70%)
 - Depleted in value and quality (150% rehab:value ratio)
- The buck stops **here**

Opportunities

- Maximize value for all properties
 - Rent-to-own
 - Direct rehab financing
 - HACM Section 8
 - Vacant lot re-use and beautification
 - In Rem - broker pilot
- Leverage investment via
 - Direct City expenditure, similar to NSP
 - Partner and private equity investment
 - Community participation

Approach

4 strategies:

- **Prevention**
- **Mitigation**
- **Revitalization**
- **Renewal**

Involves multiple City agencies:

- DCD
- DNS
- DPW
- HACM
- DOA
- MPD
- Assessor's Office
- Mayor's Office
- Treasurer's Office
- City Attorney
- Common Council
- +external

Has budget line items in:

- O&M
- Capital
- Grants & Aid

In multiple departments:

- DCD
- DNS
- DPW
- Mayor's Office

Includes:

- **New
- **Expanded
- &
- **Existing
- Activities

Goals

- Blight prevention & elimination
 - Demolition
 - Maintenance and upkeep
 - Responsible disposition
 - Reduction in City-owned inventory
 - Increase sales
 - Incentivize rehab
 - Revitalize neighborhoods & housing stock
 - Increase private sector investment in neighborhoods
 - Increase quality of life
 - General economic opportunities for City residents
 - Transitional jobs
 - Resident contractors
 - Affordable housing
-

Metrics – Performance & Outcomes

- Inventory
 - Sold – Demolished - Infill/re-use
- Delinquencies-foreclosure-acquisition pipeline
- Vacant Lots improved
- Leveraged investment – private & foundation
- RPP & City resident employment
- Adjacent values & sales
- Calls for Service – MPD & DNS
- MPS transfer/transience data
- Unit costs
 - City vs. vendors – demo
 - City vs. brokers – market and maintain
- Post-sale outcomes
 - Tax delinquency
 - DNS & DPW requests

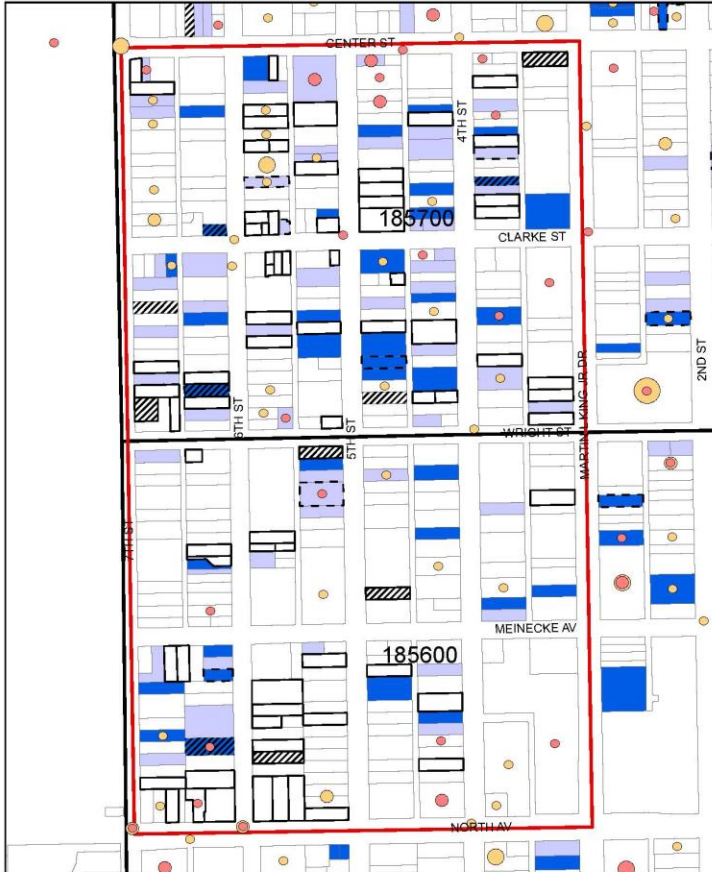
Data-driven approach

- Similar to NSP
- Look at total impact of City-owned property & likely City acquisitions
- Plan approach based on
 - Neighborhood strengths and risks
 - Neighborhood input
 - Partner capacity
 - Future needs & established plans

Data-driven approach

Martin L King to 7th / Center to North

Jan 1, 2008 through Sept 30, 2013
 Priority 1-2 Calls for Service: 3,510
 Total Calls for Service: 6,095



Census Tract	Unemployment Rate	Below Poverty	Median Income	Median Age	Under 20	Sq. Miles
TRACT 185600	17.6	39.2	25570	30	34.2	0.26
TRACT 185700	21.3	57.1	21117	25.7	39.4	0.26

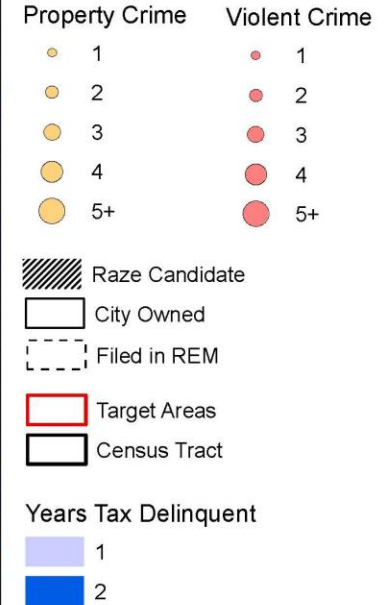
23rd to 27th / Townsend to Vienna

Jan 1, 2008 through Sept 30, 2013
 Priority 1-2 Calls for Service: 3,322
 Total Calls for Service: 5,869



Census Tract	Unemployment Rate	Below Poverty	Median Income	Median Age	Under 20	Sq. Miles
TRACT 4700	20.3	34.3	25743	25	38.8	0.55
TRACT 6500	39.7	51.5	18045	28.1	41.7	0.19

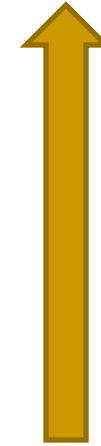
City of Milwaukee Milwaukee Police Department Budget & Management Division



Crime data retrieved from the Milwaukee Police Department Daily Crime Summary (DCS). Violent crime includes homicide, rape, robbery, and aggravated assault. Property crime includes burglary, motor vehicle theft, and theft / larceny. Crime includes offenses occurring between 1/1/2013 and 9/30/2013. Raze data retrieved from the Department of Neighborhood Services on 7/3/2013. Demographic data for census tracts retrieved from the US Census Bureau 2007-2011 American Community Survey. Tax delinquency data retrieved from the City Treasurer's Office. Property ownership data retrieved from the Assessor's Office.

Breakdown by Strategy

\$425,000



PREVENTION

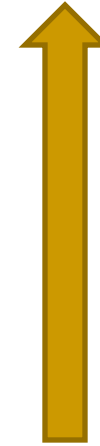
- Multi-agency approach to early intervention
- Vacant Bldg Registration (\$295,000)
- Essential Services (\$130,000)
- NSP Transition
- Pursuing Changes to State Legislation

Prevention Activities

- DNS Essential Services
 - \$130,000 for low-cost code corrections
 - Performed by contractors via DNS
 - Avoid special charges to tax bill
- DNS Vacant Bldg Registration
 - Address vacant properties prior to City acquisitions
 - Prevent stripping & preserve value for REO or In Rem buyers
- State legislation changes
 - Mandatory deed recordation
 - Clarify expectations and responsibilities of banks in foreclosure
 - Raise Property Tax Deferral Loan income limit to \$30K
 - Tenant protections for tenants in foreclosed properties

Breakdown by Strategy

\$8.4 million



MITIGATION

- Demolition backlog elimination (\$5.3 million)
- Maintenance (\$3.1 million)
- “Good Neighbor” approach to maintaining properties
- Coordinate City and private demolition for maximum impact
- Remove blight & opportunity for crime and disorder

Mitigation Activities

- DPW – “In House” Demo
 - \$2.2 million 6.0 FTE, 2.0 new
 - O&M cost/property = \$16,120 vs. \$15,700 private avg.
 - 100 City-owned properties
- DNS private demo
 - \$1 million O&M, \$2.2 million capital
 - Supplemented with recent State grants and City match
 - 200 properties funded via budget, 200 via State funds
- DPW & DCD Maintenance
 - DPW continues all grass and snow
 - Cost to continue = \$2+ million, +1.5 FTE
 - “Good neighbor” approach

Demo Candidates

- DNS sets priority based on condition:

- **Emergency**
- Pending razings – Priority 1-3



Emergency

- *Immediate danger to life & safety*
- *Structurally compromised*



Priority 1 – 22%

- *Uninhabitable*
- *No HVAC or mechanical*
- *Severe exterior/interior damage*



Priority 2 – 66%

- *No doors/windows*
- *No HVAC/mechanical*
- *Compromised roof/exterior*
- *Negative influence on neighbors*

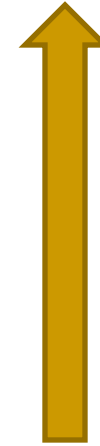


Priority 3 – 12%

- *Exterior intact*
- *Interior stripped/damaged*
- *Financially prohibitive to repair/rehab*

Breakdown by Strategy

\$2.2 million



REVITALIZATION

- Rehab activity:
 - *Rent-to-own* (\$394,000)
 - *Post-sale rehab* (\$1.5 million)
 - *Preservation* (\$300,000)
- Use NSP program infrastructure and City funding
- Leverage additional resources and investment
- Complement & supplement existing CDBG/HOME programs, target City-owned property

Revitalization Activities

- Move existing NSP rehab programs to City-funded
 - Increase buyer base, more options for rehab scope
 - Leverage SDC, WHEDA, and private rehab funds for buyers
 - Goal: 75-100 units
- Fully implement rent-to-own program
 - 2-year process of rehab, repair, and counseling
 - Up to \$20,000 per property for 30 properties
- Housing Infrastructure Preservation Fund
 - Mothball significant and historic properties for future sale
 - Weatherize
 - Avoid costly demolitions

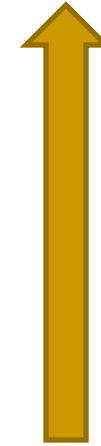
Revitalization – Precedents on N 4th.



- 2400 block N. 4th
 - 2 NIDC rehabs (left & center)
 - Secure/stabilize vacant property (right)
 - Simultaneous work with other development

Breakdown by Strategy

\$479,000



RENEWAL

- Vacant lot beautification (\$200,000)
- Innovative housing partnerships (\$200,000)
- Interagency Housing Coordinator (\$79,000)
- Increase value of City-owned and adjacent properties
- Increase use and opportunity for neighbors and residents

Renewal Activities

- Vacant lots
 - Productive use and re-use
 - Preserve value and development potential
 - Community, Home Gr/Own, stormwater
- Innovative housing partnerships
 - Work with agencies and CBOs with capacity
 - Alternative to traditional mortgage transactions
 - Low price, low margin transactions
 - “Bulk sales” for development and rehab
- City-wide coordination
 - Achieve the best value for investment
 - Position city and neighborhoods for long-term success

Renewal: Vacant Lot Reuse Initiatives



Community garden on vacant city lot in Washington Park neighborhood



“Here Mothers Are” art installation on vacant city lot in Amani neighborhood



Pop up art installation on vacant city lot in Washington Park neighborhood



Implementation

- Interagency Housing Coordinator
 - Lead internal/external work group and design changes to existing processes and programs
 - Measure and report to Mayor and Council on progress and outcomes
 - Engage with banks, private equity, other jurisdictions, foundations, and community partners
- Interagency working group
 - City departments
 - HACM
 - Courts
 - State
- External partners
 - CBOs and other organizations with capacity to contribute
 - Transitional employment and training organizations

Value of Strong Neighborhood Investment Plan

- Without concerted action, negative impacts will continue to increase
- Collective drain on the City's fiscal sustainability
- Comprehensive approach to the challenge
- Ongoing evaluation and reporting of outcomes