

..Number

140229

..Version

SUBSTITUTE 1

..Reference

130460, 131751

..Sponsor

ALD. BAUMAN AND PÉREZ

..Title

Substitute resolution creating a Housing Stock Improvement Program to be administered by the Neighborhood Improvement Development Corporation.

..Analysis

This resolution creates a Housing Stock Improvement Program for owner-occupants of one- to 4-unit residential properties to maintain or improve their properties through interest-only loans forgivable upon 10 years of consecutive owner-occupancy from the date of loan approval. The program shall be administered by the Neighborhood Improvement Development Corporation.

..Body

Whereas, Section 66.1105(6)(g), Wis. Stats., provides that after the date on which a tax incremental district (“TID”) created by the City of Milwaukee pays off the aggregate of all its project costs, the life of the district may be extended for one year and the additional tax incremental revenues used to benefit affordable housing and to improve the housing stock in the city; and

Whereas, On September 24, 2013, the Common Council adopted File No. 130460, creating s. 304-96, Code of Ordinances, which provides for the extension of TIDs for one year to benefit affordable housing and improve the housing stock in the city; and

Whereas, On May 13, 2014, the Common Council adopted File No. 131751, establishing a framework for using tax increments to benefit affordable housing and improve the housing stock in the city; and

Whereas, A January 2013 report by Harvard University’s Joint Center for Housing Studies indicated that combined United States home improvement activity in 2011 was below 2005 levels; and

Whereas, Due to the recent economic recession, homeowners of all income levels in the City may have put off regular and necessary home maintenance; and

Whereas, According to the 2014 report, “Underwater America,” from the University of California at Berkeley, 40 percent of Milwaukee homeowners were underwater on their mortgages at the end of 2013, with some zip codes over 50 percent underwater; and

Whereas, State-mandated changes to the City’s residency requirements have further provided a disincentive for homeowners to live and invest in residential properties in the city; and

Whereas, According to a report released May 1, 2014, by the National Association of Home Builders, every \$100,000 spent on home remodeling in the local economy yields 0.89 full-time equivalent jobs and \$29,779 in new tax revenue; and

Whereas, The maintenance and improvement of Milwaukee's housing stock is integral to the preservation of the City's tax base and the stabilization of its neighborhoods; and

Whereas, An October 2013 report by Fitch Ratings, Inc., projected increased home renovation spending in 2014; and

Whereas, According to Harvard University's Joint Center for Housing Studies, the home remodeling market saw lower-than-expected increases in the first quarter of 2014; and

Whereas, A forgivable loan program may help address problems associated with deferred maintenance on residential properties, promote investment in the city's housing stock and improve the local economy; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee, that there is created a Housing Stock Improvement Program to be administered by the Neighborhood Improvement Development Corporation ("NIDC"); and, be it

Further Resolved, That future tax incremental revenue made available for housing stock improvement by the extension of the life of TIDs, according to the provisions of s. 304-96 of the Code of Ordinances, shall be made available for use in a new Housing Stock Improvement Program SPA account through the adoption of the City Budget as approved by the Common Council; and, be it

Further Resolved, That all of the following criteria shall be required for participation in the Housing Stock Improvement Program:

1. The property is an owner-occupied, one- to 4-unit residential property in the city of Milwaukee.
2. The property owner is current on property taxes against the property and against any other property owned in the city, if applicable, or is on an approved payment plan.
3. The property owner is current on the repayment of any existing mortgage on the property and on any other property owned in the city, if applicable, and these properties are not in foreclosure.
4. The property owner is current on any utility payments on the property and on any other property owned in the city, if applicable.
5. Prior to loan disbursement, the property owner matches between 0 and 50 percent of approved project costs, depending on income thresholds determined by the NIDC and less the determined value of any match credit, as provided in the term sheet attached to this file.
6. The property does not have any building code violations upon completion of approved Housing Stock Improvement Program projects.
7. The property owner agrees to enter into a written agreement to provide the City with a mortgage against the property to secure payment to the City should the property owner not fulfill the terms of the loan.

; and, be it

Further Resolved, That the NIDC may, at its discretion, and subject to fund availability, cause the City to enter into a loan agreement with the owner and to accept and record a mortgage against the owner's property; and, be it

Further Resolved, That under the loan agreement, the property owner shall:

1. Grant the City and its contractors the right to enter upon the premises to inspect the property for code violations and verify that work has been completed as approved.
2. Agree to own the property and live there as a primary residence for at least 10 years from the date of loan approval, subject to additional terms and conditions as described in the term sheet attached to this file.
3. Agree to grant to the City a mortgage on the property to secure the owner's duty to pay the City's expense associated with approved Housing Stock Improvement Program projects, should the property owner fail to fulfill the terms of the loan agreement.
4. Attest to the fact that the owner meets the eligibility requirements for participation in the Housing Stock Improvement Program.

; and, be it

Further Resolved, That borrowers shall make monthly payments of interest only until the terms of the loan are fulfilled; and, be it

Further Resolved, That interest payments shall be calculated annually based on the outstanding principal balance of the loan, less 10 percent each year for the life of the loan; and, be it

Further Resolved, That interest shall be fixed for the life of the loan at the same rate as the Federal Reserve's core personal consumption expenditures price index or the federal funds effective rate, whichever is lower on the origination date of the loan; and, be it

Further Resolved, That loans shall be due and payable in full upon any default of loan terms or conditions, except that deferral of loan repayment may be allowed under continued terms once per loan at the discretion of the NIDC in the following cases:

1. The transfer of the property to a surviving spouse upon the death of the borrower, provided the spouse provides proof of primary residency at the property within 6 months of transfer of the property.
2. The transfer of the property to a beneficiary in a will as a result of the death of the borrower, provided the beneficiary provides proof of primary residency at the property within 6 months of transfer of the property.
3. The transfer of the property to an executor or administrator of the borrower's estate, including transfer into a living trust or joint tenancy.

; and, be it

Further Resolved, That under deferred loan repayment, a new property owner intending to live in the home as a primary residence but unable to afford monthly payments or exhibiting other long-term hardships resulting from the death of the borrower may negotiate a new loan agreement, at the discretion of the NIDC; and, be it

Further Resolved, That borrowers may at any time and without penalty pay all of the outstanding balance due; and, be it

Further Resolved, That payments the City receives from owners under loans in the program shall be deposited into a revenue account to be created by the City Comptroller and used by the NIDC for further use in the program; and, be it

Further Resolved, That the NIDC may impose other or additional restrictions, qualifications or conditions as reasonably required; and, be it

Further Resolved, That the appropriate City officers are authorized to take such acts as are necessary to implement the provisions and intent of this resolution, including signing and causing the City to enter appropriate loan agreements as called for herein, to be prepared by the NIDC in consultation with the City Attorney's Office; and, be it

Further Resolved, That the NIDC shall submit an annual report to the Common Council, beginning no later than July 31, 2015, regarding its activities under the Housing Stock Improvement Program, including the status of any loan agreements entered into under this Program; and, be it

Further Resolved, That the implementation of the Housing Stock Improvement Program shall be guided by the term sheet attached to this file.

..Requestor

..Drafter  
LRB152356-1  
Andrew R. VanNatta  
6/4/14