



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

March 17, 2014

Ald. Terry Witkowski
 Aldermanic District #13
 City Hall, Room 205

Dear Ald. Witkowski:

This letter responds to questions you raised in your letter of February 17, 2014 regarding commercial property acquired by the City of Milwaukee through property tax foreclosure.

From the perspective of DCD's real estate operations, a "commercial property" is any improved property other than a one- to four-family residential property. The City of Milwaukee owns 142 improved commercial properties, including 139 that came into City ownership through tax foreclosure and three properties formerly occupied for municipal use. There are 317 City-owned vacant lots within commercially-zoned districts.

The improved properties are generally small: 95 are less than 5,000 s.f.; 21 are between 5,000 and 10,000 s.f.; and 13 are greater than 10,000 s.f. The smallest building is about 320 s.f. and the largest is 435,000 s.f.

The most typical single building type in the inventory is a small, mixed-use property with commercial space on the first floor and residential unit(s) above. There are about 60 buildings that fall into that category. The inventory also includes a dozen churches, a dozen taverns, six buildings previously used for day care, eight multi-family buildings, seven former restaurants, and a trailer park.

The table below and a map included with this file show the distribution of these properties by aldermanic district as of March 1, 2014. A separate table accompanying this file provides the specific data you requested for each building in the inventory, including address, aldermanic district, lot size, building size (when available), acquisition date, most recent land use, and list price for those that are advertised. We were not able to access the most recent assessed value, so that information is not included. However, the file contains this information (when available) for the actively marketed properties.

District #	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Properties	15	4	1	7	3	36	12	6	1	6	0	10	2	1	37



Twelve improved properties are currently advertised for sale, either through a competitive request for proposal format or on an extended listing. Marketing information sheets for several of these properties are included in the file to serve as examples of the types of buildings in the inventory. These properties are listed for sale on the City Real Estate web site and also on the Multiple Listing Service. To supplement these Internet listings, staff reaches out to representatives of the local Business Improvement District (BID), if one is in place, to ask for the BID's help in getting the word out about the availability of the property and determining a marketing strategy. In line with industry standards, the City pays a 7% broker commission (minimum \$3,000).

The table below summarizes the status of the improved commercial properties in the inventory as of March 3, 2014.

Number of Properties	Disposition status
12	Actively marketed for sale
35	Designated for demolition
6	Property owner appealing to Common Council to vacate foreclosure judgment
11	Offer received, not yet closed
31	To be advertised, pending completion of Historic Land Use Investigation and preparation of marketing materials
28	Disposition undecided pending further inspection and evaluation of property
19	Other (to be transferred for municipal use, on hold for future development, etc.)

As you are aware, we have been in triage mode with respect to the management and marketing of foreclosed properties in recent years. Since 2011, DCD, DNS and DPW have collectively focused unprecedented efforts to improve the management and disposition of the one- to four-family residential properties that make up 90% of the City's property inventory. We have added staff, modified procedures, and experimented with new approaches such as the rent-to-own, broker listing and deconstruction initiatives. We greatly appreciate the support of the Common Council for the Strong Neighborhoods Plan, which provided significant new resources in the 2014 City budget to support these efforts. By year's end, we are confident that we will record a significant increase in the number of residential properties sold and demolished compared to previous years when fewer resources were available.

We need to adopt new strategies in order to make similar gains with the commercial inventory. Here are some of the measures we are taking to increase sales and reduce the inventory.

1) To tackle the backlog, I have assigned two DCD staff members, Matt Haessly and Dwayne Edwards, to dedicate their efforts to the sale of tax-foreclosed commercial property. Matt and Dwayne are responsible for arranging inspections of properties; arranging for property clean-out, if required; preparing listings and determining asking prices; devising creative strategies to identify prospective buyers; vetting offers to purchase and working with buyers; and bringing offers to purchase to the Common Council for approval. Both Matt and Dwayne have considerable experience handling City-owned properties. This assignment will capitalize on their experience and allow them to devote more time to this activity.

2) We have begun a review of City sales processes and policies to determine whether any pose inappropriate barriers to the sale of property and what revisions are needed.

3) We have new "for sale" signs for commercial properties on order, and expect to begin to post them by the end of March.

4) We have scheduled an April presentation about the City's commercial property inventory to the Citywide Business Improvement District Council, as a first step in forming more effective marketing partnerships with BIDs.

5) We are assembling a focus group with several commercial real estate brokers to get their advice about disposition strategies for this inventory.

6) We have had discussions with several parties about the concept of forming an entity that could purchase and renovate City-owned commercial properties and make them available at low rents to start-up businesses, while also providing technical assistance to those businesses.

7) The Department's 2015 capital budget request will include funds to incentivize the purchase and renovation of commercial properties.

The management and marketing of the commercial inventory is especially challenging because the neighborhoods in which most of the City's foreclosed properties are located are among the oldest in Milwaukee. The inventory is located in the parts of the city in which population loss has depressed market demand for property. Many of the buildings taken in tax foreclosure are functionally obsolete, in

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fair or poor condition, and in need of significant investment to upgrade or replace mechanical systems and make cosmetic improvements. Though sales prices are low, prospective buyers often have difficulty securing the financing needed to make repairs.

Policymakers have impressed upon us that DCD's responsibility is to not only sell property, but to sell it to buyers whose ownership and occupancy are sustainable. This policy was reinforced by the Common Council's recent adoption of File #131142, which requires the Department to submit a "due diligence checklist" providing detailed information about the buyer, property re-use, and financing involved with the sale of any development property. We welcome the Council's suggestions to assist us to find buyers who will re-use the commercial inventory in ways that help to stabilize and improve Milwaukee neighborhoods.

DCD Deputy Commissioner Martha Brown will be at the March 25, 2014 meeting of the Zoning, Neighborhoods and Development Committee to respond to questions about this matter.

Sincerely,



Rocky Marcoux
Commissioner