



Department of City Development

City Plan Commission
Historic Preservation Commission
Neighborhood Improvement
Development Corporation
Redevelopment Authority

Rocky Marcoux
Commissioner

Martha L. Brown
Deputy Commissioner

March 25, 2011

Mr. Steven L. Mahan, Director
Community Development Grants Administration
200 East Wells Street, Room 606
Milwaukee, WI 53202

RE: Budget Amendment NSP 2 program

Dear Mr. Mahan:

As follow up to our conversations with your staff regarding the reallocation of funds among activities in our NSP 2 Program budget, we have enclosed an amended budget for the NSP 2 Program, as well as a brief summary of the proposed funding shifts.

Should you have any questions, please feel free to contact me at X5903.

Sincerely,

Maria Prioletta
Redevelopment and Special Projects Manager

Proposed Changes to Neighborhood Stabilization Program 2 Budget

The City of Milwaukee submitted a proposal for NSP 2 funding to HUD in September of 2009. The proposal included a budget which allocated \$25 million in funding among a number of different programmatic areas.

Based on actual experience with the NSP 1 program (which was fully obligated in September of 2010), and efforts in the NSP 2 program, several budget shifts are being proposed to more accurately reflect and respond to current market conditions and program demand.

The changes are itemized in the attachment and summarized below:

- A reduction is being made to the Homebuyer Assistance Program. Given that the NSP 2 target area is significantly smaller than the NSP 1 area, demand for the Homebuyer Assistance Program has diminished considerably. This is due to the relatively poorer condition of the foreclosed housing stock in the NSP 2 target area. These properties require higher levels of rehabilitation, making them more difficult and challenging – and less appealing – for prospective homeowners to purchase.
- Transfers are being made between the Rental Rehabilitation Program and the Large Rental Projects Program. Again, conditions of foreclosed properties in the NSP 2 target area are more challenging for small investors. However, there has been increased demand for the rehabilitation of foreclosed multi-family buildings, and the City has identified developers who have expressed a willingness to take on larger numbers of scattered site duplexes. The shift in funding between the Rental Rehabilitation and the Large Rental Projects categories reflect these changes in program demand.
- A reduction is being made in the Buy In Your Neighborhood Program. Despite continuing marketing and outreach efforts, there has not been demand for the program. Should conditions change, applications for the acquisition and rehabilitation of foreclosed properties by neighborhood owners will be funded under the Rental Rehabilitation Program, as the uses of funds are consistent.
- Funding for the Acquisition/Rehabilitation Program has been increased. The program has been very successful and there has been a demonstrated strong demand for houses developed under the program. As indicated above, given the condition of properties in the NSP 2 area, this is a viable alternative to developing and promoting homeownership opportunities in the NSP 2 target area.
- A reduction is being made to the land bank, due to increasing numbers of City foreclosed properties, which are being provided at nominal cost for the Neighborhood Stabilization Program for both homeownership opportunities and responsible rental property development.
- Vacant Land Reprogramming funds are being eliminated which were to be used for the improvement of vacant lots resulting from the demolition of foreclosed property. While the

City's NSP 2 application was approved with this program activity, HUD later determined that it was not an eligible use of NSP 2 funds. Funds from this category are being transferred to the Vacant Land Reuse (new construction) category.

- Demolition is being increased up to the maximum allowable amount (10% of the total NSP grant), to reflect increasing numbers of foreclosed properties that are blighting and economically infeasible to rehabilitate.
- A direct allocation of funds is being budgeted for the Housing Authority of the City of Milwaukee (HACM). HACM acquired and rehabilitated 2 properties under the NSP 1 Program to provide affordable rental opportunities. They will be utilizing NSP 2 funds for the acquisition and rehabilitation of foreclosed properties for homeownership. As HUD has indicated that Housing Authorities should be classified as "sub-recipients," a specific allocation of funds is being set-aside in the revised NSP2 budget.

	<u>Current Budget</u>	<u>Units</u>	<u>Proposed Budget</u>	<u>Units</u>	<u>Change - \$</u>	<u>Change Units</u>
Homebuyer Assistance	\$4,000,000	160	\$2,000,000	80	-\$2,000,000	-80
Rental Rehabilitation	\$2,250,000	150	\$1,250,000	83	-\$1,000,000	-67
Rental Large Projects	\$2,400,000	80	\$3,400,000	113	\$1,000,000	33
Buy In Your Neighborhood	\$480,000	80	\$0	0	-\$480,000	-80
Acquisition/Rehabilitation	\$3,450,000	46	\$5,450,000	73	\$2,000,000	27
Land Bank	\$3,000,000	100	\$2,000,000	67	-\$1,000,000	-33
Vacant Land						
Reuse (new construction)	\$3,200,000	40	\$3,400,000	85	\$200,000	45
Reprogramming (land improvements)	\$200,000	100	\$0	0	-\$200,000	-100
Demolition	\$2,020,000	125	\$2,500,000	156	\$480,000	31
Leveraged Loan Fund	\$1,500,000	120	\$1,500,000	120	\$0	0
Housing Authority of the City of Milwaukee	\$0	0	\$1,000,000	13	\$1,000,000	13
	\$22,500,000	1001	\$22,500,000	790		-211