



Tom Barrett
Mayor, City of Milwaukee

October 2, 2014

To the Honorable, the Common Council
of the City of Milwaukee

Honorable Members of the Common Council:

I am vetoing file #140229, which creates the “Housing Stock Improvement Program” (HSIP). This proposal appears attractive on the surface, as it helps homeowners pay the costs of essential home repairs. However, upon closer examination, I have concluded that implementation of HSIP would constitute an inappropriate expenditure of property tax dollars.

HSIP would provide interest-free, fully-forgivable loans to owner-occupants who may be “underwater” on their mortgages and want to make home improvements. The design of the program means that ordinary taxpayers could bear the costs of a new roof for households with six-figure incomes. For example, a family of four earning up to \$140,600 could qualify for an HSIP forgivable loan, and never pay any principal or interest.

While file #140229 did not provide funding for HSIP loans, this program would most certainly compete for scarce resources in the 2015 budget. Given the many needs before us, I believe a program that spends taxpayer dollars to pay for home repairs undertaken by families whose income is sufficient to afford these projects, or who have the capacity to repay a loan for these purposes, is not a high priority.

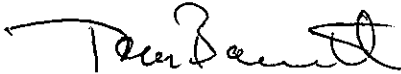
For many years, the City of Milwaukee has provided housing rehabilitation financing for city homeowners. These resources have been targeted to low-income households that cannot afford to make repairs or provided as a component of targeted neighborhood initiatives. For the most part, federal grants, rather than property taxes, have supported these lending programs.

Recognizing that similar assistance is needed by moderate-income families and families residing in areas not served by federally-funded loans, I have proposed the creation of the STRONG Homes Loan Program in my 2015 budget. This program makes loans for emergency and essential rehabilitation work, as a key part of my Strong Neighborhoods Plan. Loan repayment is required; higher-income borrowers pay higher interest rates than lower-income borrowers. The loan repayment requirement of this program ensures that funds allocated in the 2015 budget will be recycled into additional loans over a period of years, allowing larger numbers of homeowners to receive assistance.

Three-quarters of the loan pool will be reserved for lower- and moderate-income households (\$56,250 or less for a family of four). One-quarter of the loans will be available to middle-income families (up to \$84,360 for a family of four). Unlike HSIP where a mortgage of 90% or more of value is required to qualify for a forgivable loan, STRONG loans would also be made available to homeowners who have paid off their mortgages. This includes providing deferred payment loans to elderly homeowners who have faithfully made mortgage payments over the years but do not have current income sufficient to make essential repairs.

I understand there is not a "one size fits all" approach to addressing critical housing needs. However, in an era in which the City budget is strained by the responsibilities of owning a large inventory of tax-foreclosed properties, it is crucial that we maximize the impact of every property tax dollar spent for housing programs. A new loan program that meets the needs of borrowers across a range of incomes, requiring repayments that can be used to make additional loans, meets that test. A program that uses property tax dollars to repair homes of higher-income households, with no repayment required, does not.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Barrett", with a stylized flourish at the end.

Tom Barrett
Mayor