

LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS

ZONING, NEIGHBORHOODS & DEVELOPMENT COMMITTEE

MARCH 19, 2010

Item 4, File #091494

File Number 091494 is a resolution authorizing the sale of approximately 40 City-owned vacant lots in the Metcalfe Park and North Division neighborhoods to Gorman & Company, Inc., for development of scattered-site, single-family rent-to-own housing

Background

1. Gorman & Co., Inc., is an Oregon, WI-based developer of residential and mixed-use projects with considerable experience in the Milwaukee market. Gorman specializes in urban infill housing and in adaptive re-use of existing structures using public/private financial partnerships, including state and federal tax credits for historic preservation and affordable housing. Examples of Milwaukee projects completed by Gorman include the Majestic (renovation of historic 14-story building on Wisconsin Avenue into 135 apartments), Historic Fifth Ward Lofts (conversion of a 5-story former warehouse at 133 W. Oregon Street into 98 apartments) and the Metcalfe Park Owner Initiative (a scattered-site development of 30 rent-to-own single-family homes in the area near 35th and North).
2. Gorman & Co., Inc., has submitted an unsolicited offer to purchase approximately 40 City-owned vacant lots in two areas on the Near North Side: Metcalfe Park (bounded by 27th and 30th Streets, Meinecke Avenue and Center Street) and North Division (bounded by 8th, 11th, Center and Locust Streets). The proposed sale price is \$1 per lot.
3. Gorman has proposed the construction of rent-to-own single-family homes on the lots in question. The project would be financed in part with federal affordable housing tax credits. Federal regulations require that the homes be rented out for a period of 15 years, after which they are to be sold to residents for homeownership.

Discussion

1. This resolution accepts Gorman & Co.'s unsolicited offer to purchase approximately 40 vacant, City-owned lots in the Metcalfe Park and North Division neighborhoods for \$1 apiece. It further authorizes the Commissioner of City Development to execute the necessary sale documents, including any deed restrictions and releases of those restrictions, and to close the sale transaction in accordance with the land disposition report attached to the file.
2. The sale of these lots will be contingent upon Department of City Development approval of the final site and building plans for the individual homes.

3. Although the lots are being sold for only \$1 each, the City's surplus property disposition ordinance provides that sales "may be to designated persons or entities for adequate fair market consideration, which consideration may recognize monetary as well as nonmonetary consideration," including but not limited to "public policy consideration s of property and neighborhood stabilization, health, safety and welfare concerns, future improvements to or development or remediation of the parcel, returning the parcel to the tax rolls, and promoting home ownership" (s. 304-49-4 and 7 of the Code of Ordinances). Gorman's purchase and development of these lots will serve to stabilize neighborhoods that have been challenged by numerous vacant and/or blighted properties. The development of privately-owned rent-to-own housing will also return these parcels to the tax rolls and, ultimately, increase home ownership in the Metcalfe Park and North Division neighborhoods.
4. This resolution also provides that, in the event that additional City-owned vacant lots in the two target neighborhoods become available for development, the Commissioner of City Development is authorized to amend Gorman & Co.'s offer to purchase to include those lots for this housing development project, subject to the consent of the local Common Council member.

Fiscal Impact

1. Adoption of this resolution will have a negligible direct fiscal impact on the City – total revenue of approximately \$40.
2. In the long term, as homes are constructed and properties returned to the tax rolls, the Gorman project will result in considerable additional tax revenues for the City each year. Existing similar homes in the Metcalfe Park Owner Initiative are generating about \$435 each in annual City property tax revenues.

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