



Comparison of Selected City Home Loan Programs & Housing Initiatives

Prepared by the Legislative Reference Bureau

Issue Briefing

December, 2014

Report by the Legislative Reference Bureau comparing and contrasting the City of Milwaukee's home-repair initiatives, including the identification of home loan programs and emerging initiatives.

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**COMPARISON OF SELECTED CITY HOME
LOAN PROGRAMS & HOUSING INITIATIVES
ISSUE BRIEFING**

City of Milwaukee, Wisconsin
December 2014

Prepared by:
Legislative Reference Bureau
City of Milwaukee
Room 307, City Hall
200 E. Wells Street
Milwaukee, WI 53202
www.milwaukee.gov/lrb

I. EXECUTIVE SUMMARY

This issue briefing describes and compares the City of Milwaukee's various initiatives relating to the repair and redevelopment of homes, tax-foreclosed buildings, vacant lots and surplus municipal facilities, many of which are administered in conjunction with community-based agencies, financial institutions, developers and other local foundations and agencies. This briefing highlights the City's most prominent efforts to improve Milwaukee's neighborhoods and promote equitable and sustainable housing opportunities for city residents.

The LRB has identified at least a dozen different existing City-led housing stock improvement programs currently operating. The history, current funding and impact of each program is described below, and additional details are provided in the charts and figures that follow.

A. Homeowners' Emergency Loan Program (HELP)

- *Summary:* According to DCD's website, "the Homeowners' Emergency Loan Program is available to income-eligible owner-occupants anywhere in the City of Milwaukee. HELP is available for emergencies that, if not corrected, would make the home uninhabitable."
- *Funding:* Funding for HELP was authorized by Common Council Resolution File Number 080539, adopted September 16, 2008. This resolution transferred \$700,000 in Kilbourn Tower Settlement Agreement funds to the Neighborhood Improvement Development Corporation (NIDC) to "support the development and rehabilitation of affordable housing for low- and moderate-income families in the City of Milwaukee." The resolution also established that NIDC will annually provide a report to the Common Council.
- *Impact:* NIDC issued its first HELP loan in 2010. Since then, 87 loans have been closed with a loan volume of \$626,000. NIDC expects that by the end of 2014, it will have loaned out the entire initial Kilbourn Tower Settlement.

B. Housing Opportunities, Management and Employment (HOME) Program

- *Summary:* The Common Council created the HOME program through Resolution File Number 140765 on October 14, 2014. The resolution directs DCD to prepare a Request for Qualifications relating to the maintenance, improvement, management, marketing, rental and sale of selected City-owned, tax-foreclosed residential properties and present this RFQ to the Council for approval within 30 days of the adoption of the resolution.
- *Funding:* Amendment 2B of the 2015 Budget added \$1 million in new borrowing for the

new Rental Housing Rehabilitation Program capital account, which will in part be used to fund HOME program activities.

- *Impact:* To be determined.

C. Housing Stock Improvement Program (HSIP)

- *Summary:* On October 14, 2014, the HSIP was adopted by the Common Council (Resolution File Number 140229). To be administered by the NIDC, the HSIP is designed to provide loans to owner-occupants of one- to 4-unit residential properties, with forgiveness available upon 10 years of consecutive owner-occupancy.
- *Funding:* The HSIP is currently unfunded.
- *Impact:* To be determined.

D. Me² Milwaukee Energy Efficiency Program

- *Summary:* According to its website, the Me² program is a federally-funded program to help homeowners and business owners make energy-efficiency improvements.
- *Funding:* Common Council Resolution File Number 100007, adopted July 27, 2010, authorized the Department of Administration to “enter into a cooperative agreement with the Wisconsin Energy Conservation Corporation to administer the Milwaukee Energy Efficiency program and accept a subgrant from the United States Department of Energy for the Energy Efficiency and Conservation Block Grant Retrofit Ramp-up program in the amount of \$1,433,400.”
- *Impact:* According to the Me² website, the program has conducted 2,248 home energy evaluations, improved 1,267 homes and completed 138 business projects. The average Me² participant has reduced his or her annual energy use by 30%.

E. Neighborhood Improvement Program (NIP)

- *Summary:* According to the DNS website, NIP was established to assist “eligible owner-occupants in repairing their homes. All repairs are based upon municipal building code violations, lead hazard reduction, health and safety concerns.”
- *Funding:* NIP repairs are authorized by DNS and funded through Community Development Block Grants and federal HOME funds.

F. Pilot Compliance Loan Program

- *Summary:* Administered by DNS, this program was created to help homeowners correct code violation orders issued against their properties. The pilot program consists of a no-interest loan payable upon transfer or conveyance of a property.
- *Funding:* Common Council Resolution File Number 130940, adopted February 11, 2014, established that “\$65,000 of the funds allocated to the Essential Services and Compliance Program Special Purpose Account (SPA) in the 2014 Budget...be transferred to a new Compliance Loan Program SPA account to be used for a Compliance Loan Program in 2014.”
- *Impact:* To be determined.

G. Pilot Re-Invest City Homes (RICH) Program

- *Summary:* Common Council Resolution File Number 140550, adopted October 14, 2014, created the RICH program “as a pilot program to facilitate the sale of City-owned single-family houses and duplexes in distressed neighborhoods to qualified buyers for \$1 after rehabilitations are completed.” Buyers repay the City for the cost of property improvements in monthly installments at 1% interest for 120 months.
- *Funding:* According to the above resolution, the RICH program will be funded with “\$600,000 redirected from other DCD funding; \$300,000 from the DCD’s 2014 *in rem* capital program and \$300,000 repurposed from 2013 Community Development Block Grant (“CDGB”) funding for DCD’s *in rem* rent-to-own program.”
- *Impact:* To be determined.

H. Strong Neighborhoods Plan (SNP) Challenge Grant Fund

- *Summary:* According to Common Council Resolution File Number 140897, adopted November 7, 2014, the Challenge Grant Fund will “provide gap financing to experienced developers who will purchase, rehabilitate, resell and/or manage groups of scattered site tax foreclosures. Disposition strategies for the properties may include homeownership, responsible rental property management and lease-to-own arrangements.”
- *Funding:* Funding for the Challenge Grant Fund will be made available through the adoption of the 2015 City Budget, as approved by the Common Council.
- *Impact:* To be determined. According to the Challenge Grant Fund term sheet, “projects

would be required to be geographically targeted to support past and current City investments and achieve the maximum impact for City neighborhoods. Funding will be awarded through a Request for Proposals (“RFP”) process.”

I. SNP Homebuyer Assistance Program

- *Summary:* According to the DCD website, “the Homebuyer Assistance Program provides funding to help prospective homeowners rehabilitate foreclosed homes they will occupy as their primary residence. Both financial and technical assistance are provided as part of the program.” The program is administered by the NIDC.
- *Funding:* Common Council Resolution File Number 131479, adopted March 4, 2014, authorized the DCD “to expend funds allocated in the 2014 City Budget for the In Rem Property Program capital improvement project account.” The Common Council appropriated \$1,900,000 in the 2014 City Budget for this account, including \$900,000 to the Home Buyer Assistance Subaccount.
- *Impact:* To be determined.

J. SNP Lease-to-Own Program

- *Summary:* The City’s Lease-to-Own program was created to convey City-owned properties to qualified tenants who were renting the properties when the City acquired them through in rem foreclosure.
- *Funding:* In March 2012, DCD was directed to create a plan to convey City-owned housing units to qualified existing tenants, develop a budget and recommend funding resources. \$150,000 was allocated in the 2013 Capital Budget for the program, and \$114,600 was allocated from the Contingent Fund for a full-time Housing Specialist to administer it. An additional \$300,000 was allocated through CDBG funding in July 2013, and the 2014 Strong Neighborhoods Investment Program Capital Budget included another \$300,000. As of September 5, 2014, approximately \$13,000 has been expended through the program.
- *Impact:* As of July 30, 2014, at least 153 single-family homes and 131 duplexes were owned and rented by the City. Of these:
 - 50 existing tenants have begun working through the Lease-to-Own program process.
 - 23 properties are in “technical” rehab review and nearing completion of the lease-to-

own process.

- One property has been sold to its tenant.

K. SNP Strong Homes Loan Program (SHL)

- *Summary:* According to Common Council Resolution File Number 140901, adopted November 7, 2014, the SHL Program is intended to “assist owner occupants of 1-4 family properties in making essential repairs to their homes. The program will help address the gaps that currently exist in home rehabilitation resources for Milwaukee homeowners.” The SHL Program is a repayable loan program, with 0% interest loans available to those making less than 50% of area median income, and up to 25% of the original principal amount of loans may be forgiven after 10 years, if homeowners continue to own and occupy the properties. Deferred payment loans are available to low-income elderly and disabled residents.
- *Funding:* The Mayor included \$500,000 for the SHL Program in his 2015 Budget, and an additional \$500,000 was provided through Amendment 2B of the 2015 Budget. Seventy-five percent of these funds are reserved for families with household incomes of less than 80% of the area median income and 25% of the funds available to families with incomes between 80% and 120% of the area median income.
- *Impact:* If the SHL Program is implemented as proposed in the 2015 Budget, the NIDC expects it will be able to provide a larger volume of loans per year than under the HELP program because it will expand the pool of eligible borrowers in 3 ways:
 - The current HELP program is limited to homeowners with emergency repair needs. The NIDC notes that a majority of loans have been for roof replacement for leaky roofs and non-functioning furnaces. SHL Program loans would be available to homeowners with code violations that are not “emergencies.”
 - HELP loans are all monthly payback loans. SHL Program loans would provide a deferred payment option to low-income homeowners 62 years or older who may not have qualified for monthly payback loans under the HELP Program.
 - The HELP program has a maximum loan-to-assessed value ratio of 150% as part of the underwriting criteria. SHL Program loans would have no LTV restrictions.

L. Tax Incremental District Loans

- *Summary:* According to the DCD website, “forgivable loans are eligible to assist owner-

occupants with repairs in a limited number of neighborhood-based Tax Incremental Districts... Each TID has a unique Project Plan, providing somewhat different resources for property owners.” NIDC currently helps administer 6 neighborhood-based TIDs, including the 20th and Brown, Bishop's Creek, Century City, Lindsay Heights, Metcalfe Park and Historic Mitchell Street TIDs.

- *Funding:* Tax incremental financing (varies by TID).
- *Impact:* According to the DCD website, “NIDC provides technical assistance in all the TIDs where we work. Experienced rehabilitation specialists perform a thorough inspection of the property, identifying problem areas. The rehab specialist works with the owner to write a scope of work (a list of the work that needs to be done) and then helps the owner get bids from contractors. Once the work starts, the rehab specialist makes periodic inspections to make sure the work meets program requirements.”

M. Targeted Investment Neighborhoods (TIN) Home & Rental Rehabilitation Loan Programs

- *Summary:* According to the DCD website, “the Targeted Investment Neighborhood (TIN) initiative is designed to sustain and increase owner-occupancy, provide high quality affordable rental housing, strengthen property values, and improve the physical appearance and quality of life of neighborhoods. TINs focus resources for three years on a small area, generally six to twelve city blocks.”
- *Funding:* Varies. Common Council Resolution File Number 971303, adopted January 9, 1998, authorized the execution of a Management Agreement between the City and the NIDC to further the preservation and revitalization of Milwaukee neighborhoods, including the management of the TIN Program.

Figure 1. Comparison of Property Types Eligible for Selected Programs.

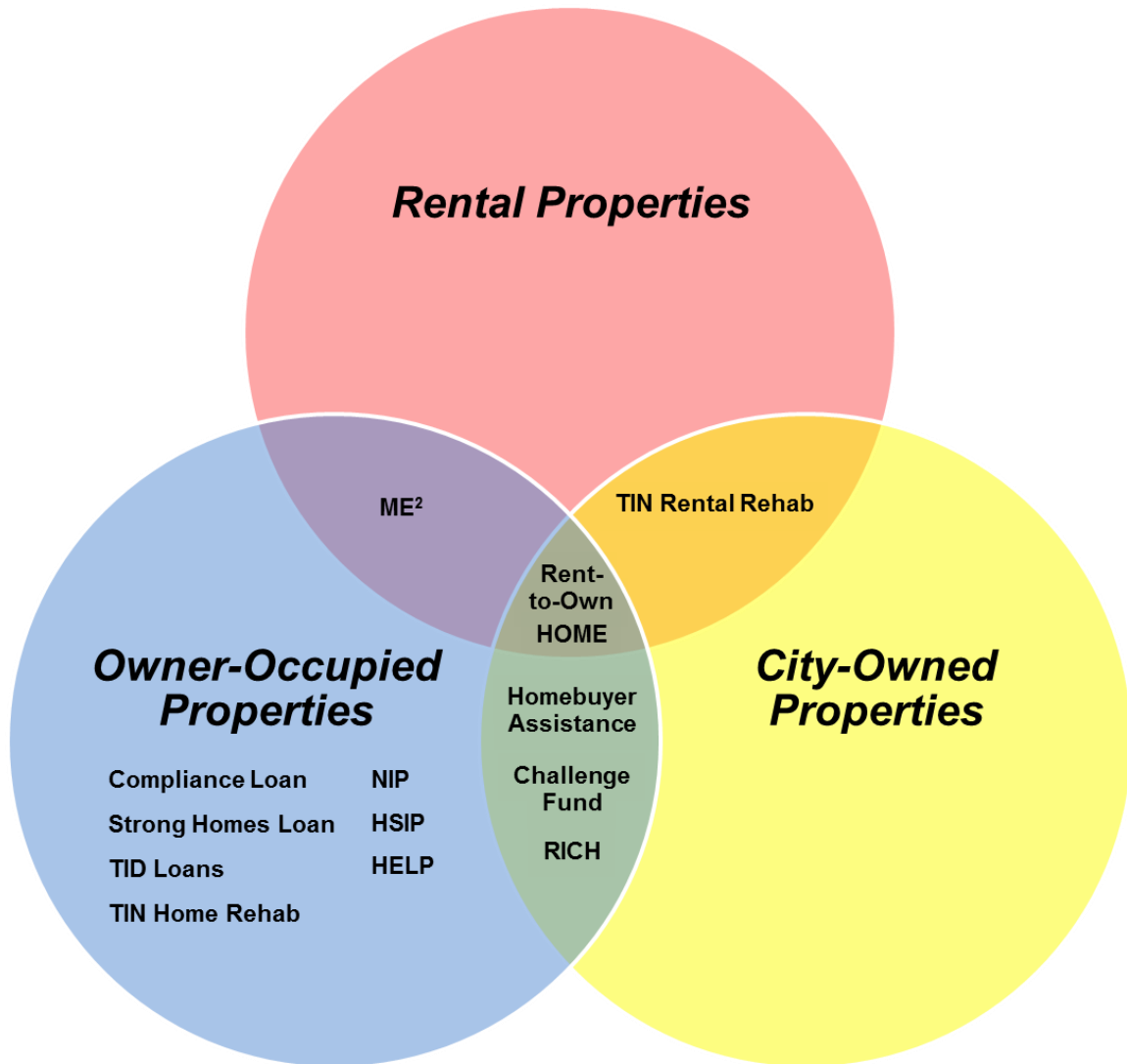


Figure 2. Summary of Selected Program Requirements and Characteristics.

	Forgivable?	Citywide?	Occupancy Requirement?	Available to >100% AMI?	0% Interest?	Scope of Work >\$20,000?	Matching Fund Requirement?
Homeowners Emergency Loan Program	Y	Y	N	N	N	N	N
Housing Opportunities, Mngmt & Employment Program	N/A	N	N	Y	N/A	Y	N
Housing Stock Improvement Program	Y	Y	Y	Y	Y	Y	Y
Me ² Milwaukee Energy Efficiency Program	N	Y	N	Y	N	N	N
Neighborhood Improvement Program	Y	N	Y	N	Y	Y	N
Pilot Compliance Loan Program	N	Y	N	N	Y	N	N
Pilot Re-Invest City Homes Program	N/A	N	Y	Y	N	N	N
SNP Challenge Fund	N/A	Y	N	Y	N/A	N/A	N
SNP Homebuyer Assistance Program	Y	Y	Y	Y	Y	N	Y
SNP Lease-to-Own Program	N/A	Y	Y	Y	N/A	N	N
SNP Strong Homes Loan Program	Partially	Y	N	Y	N	N	N
Tax Incremental District Loans	Y	N	N	Y	Y	N	Y
TIN Home Rehabilitation Loan Program	Y	N	N	N	Y	Y	Y
TIN Rental Rehabilitation Loan Program	Y	N	N	Y	Y	N	Y

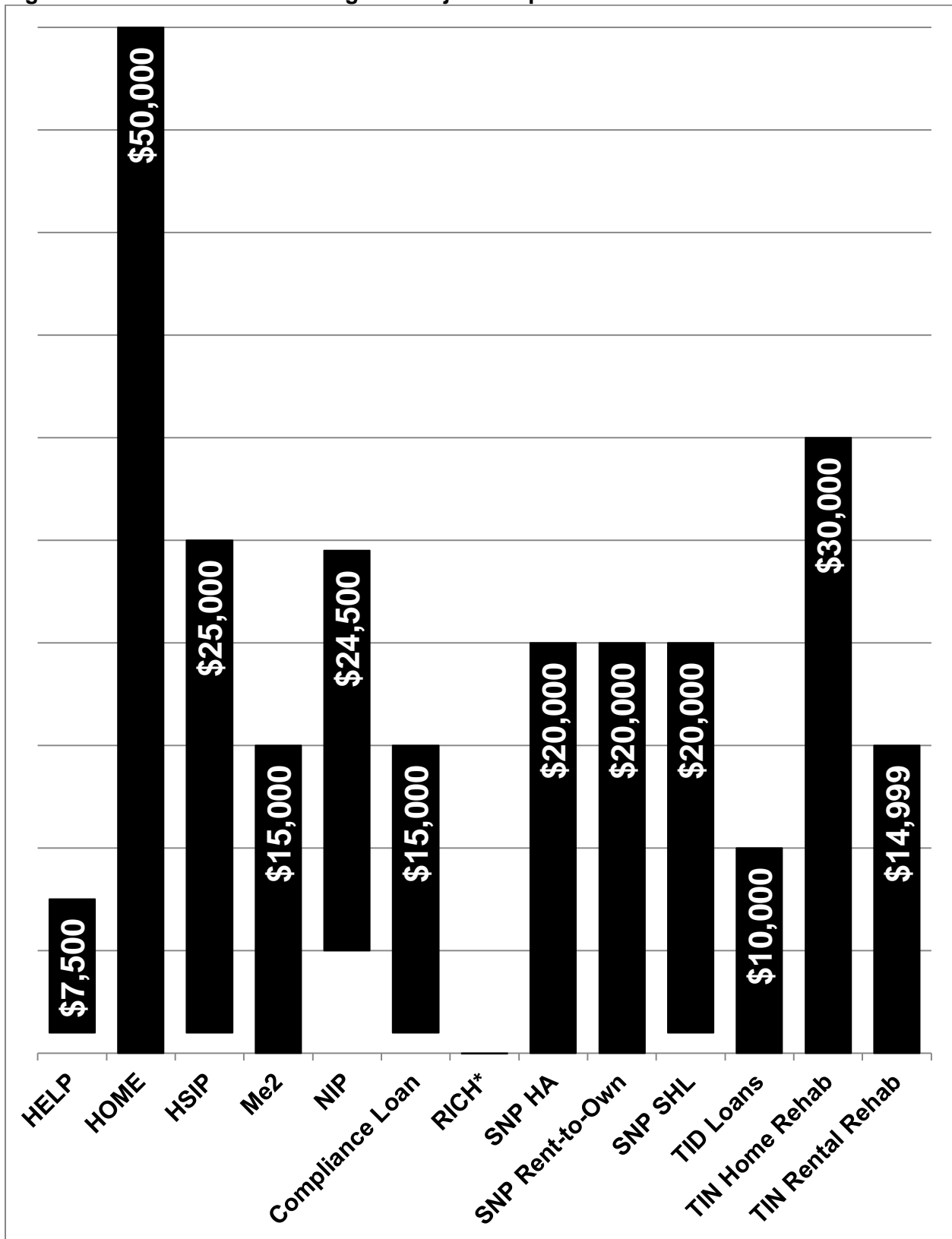
Table 1. Comparison of Selected Program Income Eligibility Requirements, by Loan Type.

	FORGIVABLE LOAN	DEFERRED PAYMENT LOAN	MORTGAGE LOAN
AVAILABLE TO THOSE >100% MEDIAN INCOME	<p>HSIP Homebuyer Assistance TID Loans Strong Homes Loan (up to 25% of principal)</p>		<p>Me² RICH Strong Homes Loan</p>
MUST BE LESS THAN 100% MEDIAN INCOME	<p>HELP NIP TIN Home Rehab TIN Rental Rehab</p>	<p>NIP Compliance Loan TIN Home Rehab</p>	<p>Strong Homes Loan</p>

Table 2. Comparison of Selected Program Area Eligibility, by Occupancy Requirements.

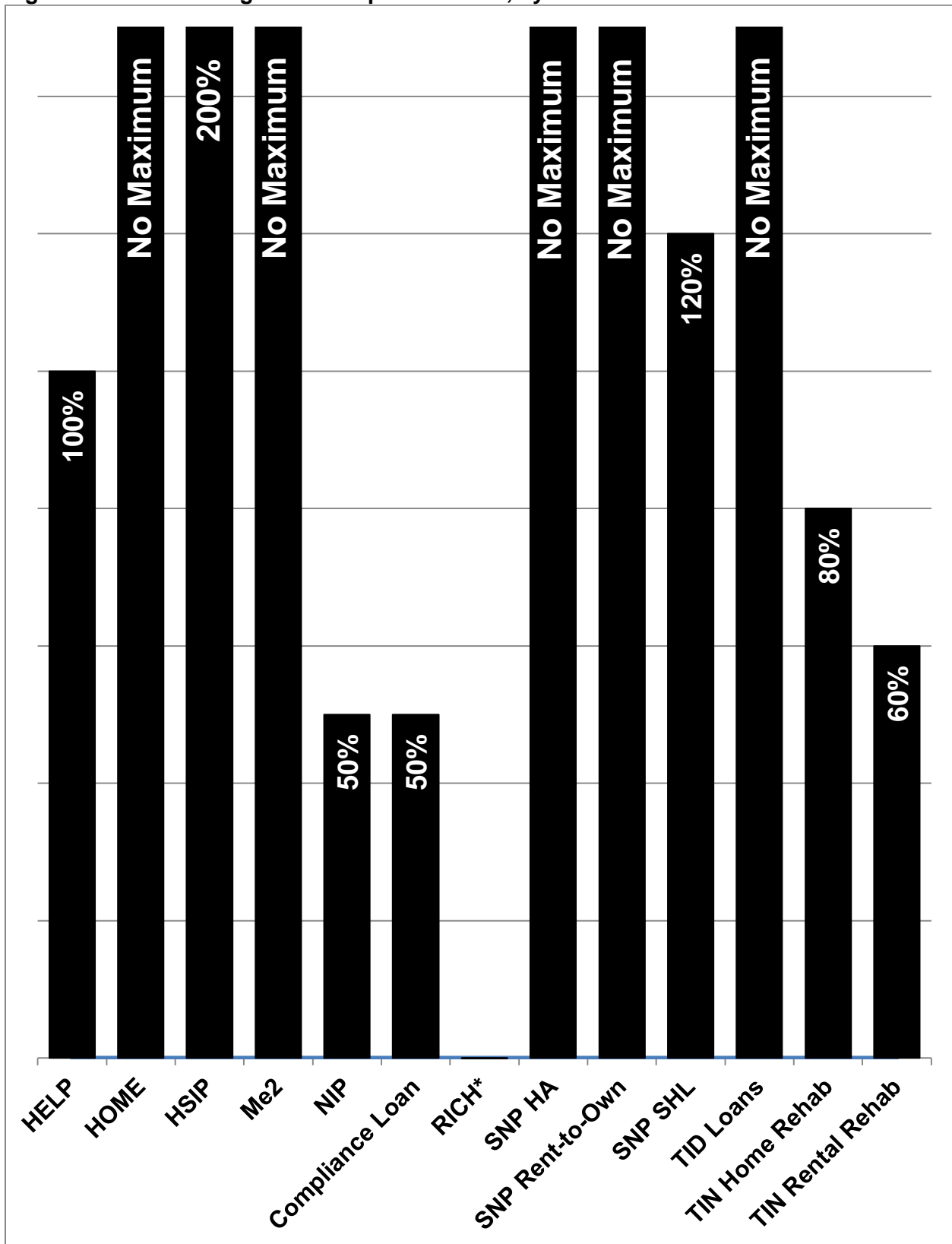
	NO OCCUPANCY REQUIREMENT	5-YEAR OCCUPANCY REQUIREMENT	10-YEAR OCCUPANCY REQUIREMENT
CITY-WIDE	HELP Me² Compliance Loan Rent-to-Own* Strong Homes Loan	Homebuyer Assistance	HSIP
DESIGNATED AREA	HOME TID Loans TIN Home Rehab	NIP RICH TIN Rental Rehab	

Figure 3. Limits on Selected Program Project Scopes of Work.



*Eligible RICH projects must cost <120% of median assessed value for comparable properties.

Figure 4. Selected Program Participation Limits, by Percent of Median Income.



*RICH program limits are based on mortgage debt and total debt ratios, not median income.

Table 3. Program Comparison by Type, Eligibility and Area of Availability.

Program	Program Type	Eligibility	Area of Availability
Homeowners Emergency Loan Program	Mortgage Loan Program	Owner-occupied, one-to 4-unit res. properties	Citywide
HOME Program	Home Rehabilitation Program	City-owned properties	Designated HOME project areas
Housing Stock Improvement Program	Forgivable Loan Program	Owner-occupied, one-to 4-unit res. properties	Citywide
Me² Milwaukee Energy Efficiency Program	Mortgage Loan Program	Single-family homes, duplexes or triplexes	Citywide
Neighborhood Improvement Program	Forgivable and Deferred Payment Loan Program	Owner-occupied, single-family homes / duplexes	CDBG areas
Pilot Compliance Loan Program	Deferred Payment Loan Program	Owner-occupied, single-family homes / duplexes	Citywide
Pilot Re-Invest City Homes Program	Home Purchase and Rehabilitation Program	City-owned, single-family homes / duplexes	Distressed census tracts
SNP Challenge Fund	Home Purchase and Rehabilitation Program	City-owned properties	Citywide
SNP Homebuyer Assistance Program	Forgivable Loan Program	City-owned, one- to 4-unit residential properties	Citywide
SNP Lease to Own Program	Rent-to-Own Program	Renter-occupied residential properties	Citywide
SNP Strong Homes Loan Program	Mortgage Loan Program (deferred payment option)	Owner-occupied, one-to 4-unit res. properties	Citywide
Tax Incremental District Loans	Forgivable Loan Program	Owner-occupied, one-to 4-unit res. properties	6 different TIDS
TIN Home Rehab. Loan Program	Forgivable and Deferred Payment Loan Program	Owner-occupied, one-to 4-unit res. properties	Target Investment Neighborhoods
TIN Rental Rehab. Loan Program	Forgivable Loan Program	City-owned, tax-foreclosed, multi-unit properties	CDBG and TIN areas

Table 4. Comparison of Program Occupancy, Ownership and Income Requirements.

Program	Required Prior/Ensuing Occupancy	Restrictions on Ownership of Other Properties	Household Annual Income Eligibility Restrictions
Homeowners Emergency Loan Program (HELP)	None	None	At or below 100% of area median income
HOME Program	None	None	Goal to create units for households paying <30% income on housing
Housing Stock Improvement Program	No Minimum / 10 Years	None	Less than 200% of area median income
Me² Milwaukee Energy Efficiency Program	None	None	None
Neighborhood Improvement Program	5 Years / 5 Years	May not own other properties.	At or below 50% of County median income
Pilot Compliance Loan Program	None	None	<50% of County median income; may be waived
Pilot Re-Invest City Homes Program	No Minimum / 5 Years	Borrowers may not be a City homeowner within the last 2 years	Mortgage debt ratio must be <30%; total debt ratio must be <40%
SNP Challenge Fund	N/A	None	None
SNP Homebuyer Assistance Program	No Minimum / 5 Years	Program not available for properties already purchased	No maximum limits; 8 hours homebuyer counseling required
SNP Lease to Own Program	Must be renting property when City acquires it	None	None
SNP Strong Homes Loan Program	None (optional forgiveness component)	None	75% of funds for those at <80% AMI; 25% for those at 80-120% AMI
Tax Incremental District Loans	None	None	None, generally
TIN Home Rehab. Loan Program	None	None	Established by federal government (80% AMI)
TIN Rental Rehab. Loan Program	Periodic re-inspections over 5-years	None	Tenants must earn less than 60% AMI

Table 5. Comparison of Program Loan Guidelines.

Program	Underwriting	Loan Interest	Maximum Loan Term
Homeowners Emergency Loan Program	Must be current on mortgage and City of Milwaukee property taxes	3% if <50% AMI; 6% if 51-100% AMI	5 years (10 for projects involving roof replacement)
HOME Program	N/A	N/A	N/A
Housing Stock Improvement Program	Minimum loan to value ratio of 90%	0%	10 years
Me² Milwaukee Energy Efficiency Program	Must have a debt to income ratio less than 45%	~4.5-5.25% (Summit Credit Union)	Up to 15 years
Neighborhood Improvement Program	Must be current on all property taxes, mortgage and utility payments	0%	Portion forgiven after 5 years; mechanical work repaid when property sold
Pilot Compliance Loan Program	Must be current on all property taxes, mortgage and utility payments	0%	No monthly payments; loan payable upon sale or transfer of ownership
Pilot Re-Invest City Homes Program	One year continuous employment or 2 years self-employment required	1%	10 Years
SNP Challenge Fund	Investors, developers and nonprofits to submit proposals for restoring clusters of city-owned, tax-foreclosed homes; program to provide gap financing to developers to purchase, rehabilitate, resell or manage properties		
SNP Homebuyer Assistance Program	Copy of a pre-approval from a lender or evidence of funds required	0%	Loans are forgiven annually in equal amounts over a 5-year period.
SNP Lease to Own Program	Must complete Individual Homebuyer Plan w/i 2 yrs.	N/A	N/A
SNP Strong Homes Loan Program	No maximum loan-to-value ratio	0% if <50% AMI; 3% if >50% AMI;	15 years; deferred payment and partial forgiveness available
Tax Incremental District Loans	Each TID has a unique Project Plan	0%	5 years
TIN Home Rehab. Loan Program	Must be current on all property taxes, mortgage and utility payments	0%	15 years; deferred payment available for some elderly/disabled
TIN Rental Rehab. Loan Program	Must be current on property taxes & have good record with DNS	0%	5 years

Table 6. Comparison of Program Project Guidelines.

Program	Minimum / Maximum Scope of Work	Eligible Projects	Matching Requirement
Homeowners Emergency Loan Program	\$1,000 to \$7,500	Emergency repairs; excludes non-emergency code-compliance repairs	None
HOME Program	Homes repairs <\$50,000 targeted	Repairs necessary to make property rentable or marketable	None
Housing Stock Improvement Program	\$1,000 to \$25,000	Various "essential" property work	Yes, income-based
Me² Milwaukee Energy Efficiency Program	\$15,000	Energy efficient improvements	None
Neighborhood Improvement Program	\$5,000 to \$24,500	Code violations, lead hazard reduction & mechanical work	None
Pilot Compliance Loan Program	\$1,000 to \$15,000	Abatement of building code violations; not a remodeling loan program	None
Pilot Re-Invest City Homes Program	<120% of median assessed value for comparable properties	Code violations; additional improvements desired of buyer	None
SNP Challenge Fund	Unknown; \$500,000 total proposed program funding	Projects must involve the acquisition & redevelopment of 15 City-owned tax foreclosed properties over 12 months	
SNP Homebuyer Assistance Program	Up to \$20,000; limited to no more than one half of the total cost	Code violations; emphasis on exterior & energy conservation	Dollar-for-dollar (at least \$1,000 of own funds)
SNP Lease to Own Program	Up to \$20,000	Code violations; roof, plumbing, electrical & heating	~\$500 in rent for 2 years
SNP Strong Homes Loan Program	\$1,000 to \$20,000	Various "essential" property work	None
Tax Incremental District Loans	Up to \$10,000	Generally only code-related exterior work	Dollar-for-dollar in some TIDs
TIN Home Rehab. Loan Program	Up to \$30,000; \$15,000 may be forgivable over a 5 year period	Roofing, siding & porch repairs, lead abatement, energy conservation, plumbing, electrical, heating; remodeling possible	Forgivable portion matched dollar-for-dollar via 0% loan
TIN Rental Rehab. Loan Program	Up to \$14,999/unit & \$29,998/duplex (up to half the cost of rehab.)		Dollar-for-dollar (bank loan, cash, etc.)

Table 7. Comparison of Program Administration and Funding.

Program	Administering Agency	Funding Source	Additional Considerations
Homeowners Emergency Loan Program	NIDC	Kilbourn Towers Settlement	None
HOME Program	DCD	City Budget; contingent borrowing	Proposals employing City residents preferred
Housing Stock Improvement Program	NIDC	Capital borrowing	Properties must be code compliant on completion
Me² Milwaukee Energy Efficiency Program	Office of Env. Sustainability	Federal funding	None
Neighborhood Improvement Program	Local NIP service agencies	CDBG/federal HOME funds	Must not have received prior NIP or other City home repair assistance
Pilot Compliance Loan Program	DNS	Essential Services and Compliance Program SPA	Property must have current outstanding DNS building code orders
Pilot Re-Invest City Homes Program	NIDC	Various City sources (DCD, capital borrowing) and CDBG funds	RICH participants may apply other NIDC funds rehabilitation costs
SNP Challenge Fund	DCD	City Budget	Homeownership, rental property management & lease-to-own encouraged
SNP Homebuyer Assistance Program	NIDC	Unspecified	Buyers may be required to make add'l repairs beyond code compliance
SNP Lease to Own Program	DCD	Capital Borrowing, Contingent Fund, CDBG Funds	Properties must be code compliant on completion
SNP Strong Homes Loan Program	DCD	Tax Incremental Financing	Properties must be code compliant on completion
Tax Incremental District Loans	NIDC	Tax Incremental Financing, Capital Borrowing	Landlord training may be required
TIN Home Rehab. Loan Program	NIDC	Federal HOME funds	Applicants with previous loans from City reviewed on case-by-case basis
TIN Rental Rehab. Loan Program	DCD	Federal HOME funds	Must complete Landlord Training Program

Prepared by: Andrew VanNatta, Legislative Fiscal Analyst - Lead

Edited by: Ted Medhin, Legislative Research Supervisor

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