

Summary of the Compliance Loan Program

November 3rd, 2022

I. Overview

The Compliance Loan Program is part of the city's Strong Neighborhoods Plan and is designed to prevent city tax delinquency and tax foreclosure by helping owner occupants address observable building code violations at their homes. The following is a summary of the Compliance Loan Program from 2014 to 2022, which includes information on loans, loan recipients, and their homes.

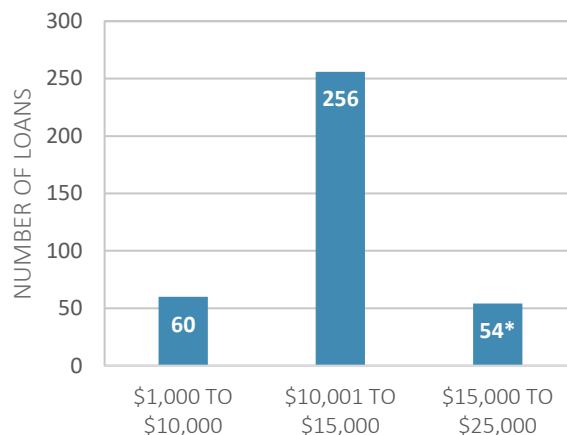
Summary of Compliance Loans: 2014-2022

Loans	
Number of loans	370
Average loan amount	\$14,295
Total amount of loans	\$4,686,561
Loan Recipient Characteristics	
Average age of loan recipients	59
Average household size	1.9 people
Average length of home ownership	19 years
Median annual household income	\$21,886
Housing Characteristics	
Median year built	1921
Median total property assessment	\$53,600
Average total property assessment	\$63,426

II. Characteristics of Loans

The program provides 0% interest, deferred payment loans up to \$15,000. Over 69% of loans provided from 2014 to 2022 were between \$10,001 and \$15,000, with an average loan amount of \$14,295. The majority of loans have been used to address exterior code violations including painting or siding, porch repair, roof repair, or paving and landscaping. In total, the program has provided more than \$4,600,000 in loans since 2014.

LOAN SIZE



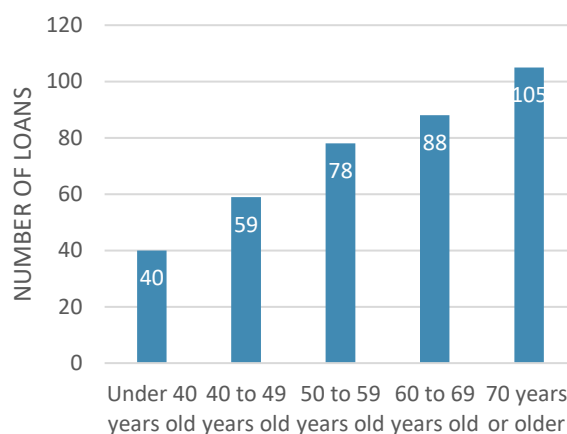
**Loans that range from \$15,000 to \$25,000 consist of projects which have had Change orders occur and not original loan amounts.*

III. Characteristics of Loan Recipients

Age of Loan Recipients

The Compliance Loan Program largely serves older homeowners. The majority of loan recipients (73%) are at least 50 years old. Additionally, 28% of loan recipients are at least 70 years old. Overall the average age of loan recipients is 59.

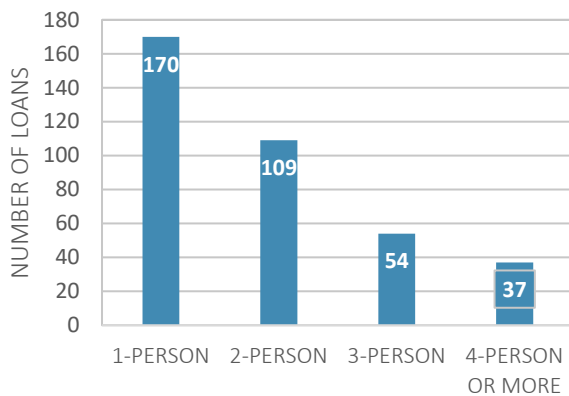
AGE OF LOAN RECIPIENTS



Household Size

Approximately 46% of loan recipients live alone, and 44% live in 2-person or 3-person households. The average household size of loan recipients is 2 people.

HOUSEHOLD SIZE OF LOAN RECIPIENTS



Length of Homeownership

Many loan recipients are long-time homeowners. On average, loan recipients have owned their homes for 19 years.

Median Household Income

The Compliance Loan Program is designed to serve low income owner occupants. In order to qualify for the program, loan recipients must have a household income no greater than 60% of the Area Median Income. The median household income of loan recipients is \$21,886. In comparison, the median household income for the City of Milwaukee is twice that – at approximately \$43,000.

IV. Characteristics of Loan Recipient Homes

Housing Type

Approximately 65% of loan recipients reside in single family homes. The remaining 35% live in duplex homes.

Year Built

Because the homes of many loan recipients are around 100 years old, they can require substantial resources for upkeep and maintenance. The median year that loan recipient homes were built is 1921.

Housing Value

Nearly all loan recipient homes are assessed at values below the city average residential assessed value (\$115,700 in 2020). Total property assessments for loan recipients ranged from \$11,900 to \$232,500 with a median property assessment of \$53,600.

V. Geographic Distribution of Loans

Over 60% of loans have been made in the four districts with the greatest proportion of tax foreclosures – districts 1, 6, 7, and 15.

Loans by Aldermanic District

Aldermanic District	Number of Loans
1	50
2	27
3	4
4	4
5	8
6	84
7	44
8	17
9	5
10	29
11	7
12	36
13	0
14	9
15	46

Request for Additional Funding Per Project:

In response to challenges experienced by Compliance Loan Program staff, we are requesting the following change to the program:

- Increase from \$15,000 to \$25,000 the amount permitted to be spent per project

Justification for Request:

- Higher contractor bids related to increases in material and labor costs. To date in 2022, due to the \$15,000 program cost cap, the Compliance Loan Program has had to deny assistance to seven homeowners with an average repair estimate of \$20,884. Four of those homeowners are currently subject to residential code enforcement action. Additionally, 40% of approved projects have required the removal of certain code violation repairs from the scope of work in order to obtain a contractor bid within the cap. By comparison, between 2014 and 2019, approximately 11% of approved projects required scope revisions; with that number increasing to 25% for the years 2020 to 2021.
- Ability to assist individuals with more extensive repair requirements. At the present time applicants whose scope of work costs exceed the \$15,000 limit are either denied assistance, or required to provide personal funds to make up the funding shortage. Denying assistance prevents applicants from obtaining the help needed to correct code violations at their residence, while asking low income applicants to provide money out of pocket compounds the financial hardship that led them to apply to the program.
- To narrow the gap between what the program's two contractors can earn doing CLP work versus working for other entities, such as the Milwaukee Health Department and Neighborhood Improvement Project, which pay more on a per unit cost basis. With many repair programs, and private individuals, hiring from the same pool of contractors, it is more important than ever to maintain project funding at a competitive level.

Summary

In summary, if the requested change is approved, the program's staff feel they will be better positioned to assist more applicants without significantly altering the existing spending limits of the program. In fact, it is expected that the average cost per project will end up in the \$16,000 to \$17,000 range, as some lower cost projects balance out the extra funds allocated to more dilapidated properties. The goal is to approve approximately 61 projects per year over the next three years while using ARPA funds to support the program.

Additionally, applicants with more extensive property repair needs are more likely to have been issued code enforcement orders. An increased cost cap will allow the program to help those most likely subject to enforcement fees and possible court fees and fines, while still proactively helping other homeowners repair their properties to code compliant condition, providing positive outcomes for more homeowners and the neighborhoods they reside in.