

**City of Milwaukee – Planning Commission
Madam Chair Stephanie Bloomingdale
809 N Broadway Milwaukee, WI 53206**

Subject: Request for Delay in the Adoption of the Grow MKE Plan

Dear Chair Bloomingdale and Members of the Planning Commission,

I hope this letter finds you well. On behalf of Walnut Way Conservation Corp, I want to express our gratitude for the opportunity to serve as the engagement contractor for the Growing MKE project. Through this process, we have discovered that much more engagement is needed, particularly because of the significant impact on the communities involved. Understanding the actual resources and strategies for implementation, along with the fragmentation of other relevant policy components, is crucial for making informed decisions about the future of GROW MKE.

While the effort to engage and involve the community was done with good intent, the limited resources available prevented the scale of involvement and engagement necessary for such a significant policy move. This decision should not be influenced by any perceived scarcity of resources within the municipality. The decisions made in this process will have long-standing consequences, and we want these to be as positive as possible, particularly for existing residents, as we set a vision for a climate migration to Milwaukee. Here are some of the potential implications and concerns we have identified existing residents:

Disconnect Between Proposed Solutions and Economic Realities

The current strategy of offering \$1 lots for new construction, with average building costs exceeding \$350,000, fails to address the affordability crisis faced by many Milwaukee residents. Even with subsidies and incentives, these homes remain beyond the financial reach of the target communities. This approach does not demonstrate true free market sustainability and risks further marginalizing low-income residents.

Rising Costs and Financial Vulnerability

Home insurance costs have risen by 10% or more, leaving many owner-occupants in Milwaukee's older housing stock without insurance. This leaves long-term residents vulnerable to financial ruin in case of property damage or loss. Additionally, recent property tax assessments have risen by an average of 17.4% citywide, potentially leading to increased tax burdens on existing residents. The assessment differential reveals stark contrasts in property values, highlighting challenges in fair assessment and signaling potential gentrification pressures.

High-Interest Rates and Variable-Rate Loans

The current high-interest rate environment and the prevalence of variable-rate construction loans further complicate the affordability issue. These factors combine to push the final cost of homeownership well beyond the reach of the target audience. Many residents are finding themselves trapped, unable to refinance due to high variable rates and facing potential displacement due to rising costs.

Impact of Institutional and Corporate Ownership

Approximately 14% of all rental homes in Milwaukee are owned by out-of-state landlords, a significant increase from 5% in 2005. Companies like VineBrook Homes, SFR3, and Highgrove Holdings collectively own thousands of properties. This concentration of ownership by large, often absentee landlords accelerated by the GROW MKE policy changes can lead to an increase in speculative market forces that drive up prices and reduce affordability for residents. The displacement pressures from such large-scale ownership are significant, often resulting in poorer maintenance, higher health risks, and higher eviction rates.

Subprime Mortgage Activity

Recent subprime mortgage activity has seen banks and lenders providing loans to individuals with credit scores below 620, often with down payment assistance. While this might seem like a positive step towards increasing homeownership, it positions less qualified buyers in unsustainable financial situations. Given Milwaukee's employment challenges and the significant wealth gap, these subprime loans could lead to higher default rates and subsequent foreclosures, mirroring the devastating impacts of the 2008 subprime mortgage crisis although the impact in Milwaukee was marginal in comparison to other similar sized markets at that time.

Tax Increment Financing (TIF)

TIF has been presented as a solution but proves to be a flawed experiment when considering existing owner-occupants. While TIF is designed to redirect future tax revenue from a defined area toward development projects, it will lead to increased property tax burdens for residents not included in the new development. This mechanism often operates more as a subsidy for redevelopment than a means of creating equitable housing opportunities. Given these complex issues, we strongly recommend that the City of Milwaukee:

1. **Reassess the New Construction Strategy:** Ensure it aligns with the financial realities faced by the target homeownership audience in historically disinvested neighborhoods.
2. **Develop Comprehensive Programs:** Address the rising costs of home insurance and property taxes for existing homeowners, particularly in older housing stock areas.
3. **Explore Alternative Financing Models:** Bridge the gap between construction costs and affordability for local residents, considering the current high-interest rate environment.
4. **Implement Protective Policies:** Shield long-term residents from rapid tax increases and provide support for those facing potential loss of homeowners insurance.
5. **Conduct a Thorough Analysis:** Study the impact of school referendums and other tax increases on housing affordability and develop strategies to mitigate these effects.
6. **Replace Lost Services:** Create programs to replace the services lost with the closure of the SDC, focusing on weatherization and energy efficiency to help reduce long-term housing costs.
7. **Address Affordability Deflation and Inflation Shock:** Develop strategies to mitigate the financial pressures residents are experiencing, particularly in relation to housing costs.
8. **Challenge the Need for More Inventory:** Reevaluate the claim of a housing shortage. While there is a recognized need for affordable housing, the current approach may not be addressing the real demand effectively. The market dynamics, including rising home prices and limited new construction, suggest that the issue may lie more in the distribution and accessibility of housing rather than a sheer lack of units.
9. **Analyze TIF Impact:** Conduct an in-depth analysis of how TIF projects impact existing property owners, focusing on both positive and negative effects. Ensure that TIF financing does not disproportionately benefit developers at the expense of long-term residents.
10. **Monitor Institutional Ownership:** Implement measures to track and manage the impact of large-scale, out-of-state corporate ownership on Milwaukee's housing market. Consider policies to support local ownership and mitigate the negative effects of absentee landlords.

- 11. Evaluate Local Subprime Mortgage Activity:** Scrutinize the recent surge in subprime mortgage lending to ensure that it does not lead to unsustainable homeownership and subsequent foreclosures. Develop safeguards to protect less qualified buyers from predatory lending practices.

While we appreciate the opportunity to have been involved in this process, we cannot approve the policy in its current state. The engagement contract for this project, at less than \$40,000, was an inadequate investment for such an impactful initiative with far-reaching consequences.

Milwaukee stands at a critical juncture. The decisions made now will shape the city's future for generations. We must ensure that in our pursuit of growth and development, we do not sacrifice the very communities and residents who have long been the heart of Milwaukee. We remain committed to working towards a vision of Milwaukee that benefits all its residents and look forward to further discussions on how to achieve this goal. The Growing MKE initiative has the potential to transform our city positively, but only if approached with care and community-centered focus.

Respectfully,



Antonio Butts

Executive Director

CC: Mayor Cavalier Johnson
Alderman Russell Stamper III
Department of City Development, Commission Lafayette Crump
[Environmental Justice and Infrastructure Initiative, Steering Committee](#)