



Department of City Development  
City Plan Commission  
Redevelopment Authority of the City of Milwaukee  
Neighborhood Improvement Development Corporation

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April 30, 2014

Alderman Jose Perez  
Milwaukee Common Council  
City Hall, Room 205

Dear Alderman Perez:

I am writing to respond to the series of questions you raised in your letter of April 11, 2014, to Commissioner Rocky Marcoux.

Staffing levels dedicated to commercial corridors

The table below indicates the number of full-time staff whose job responsibilities were related to activities in commercial corridors since 2001. Their work included:

- Marketing and administration of incentives available to retail businesses, such as facade grants.
- Design of programs to assist commercial districts.
- Management of major development projects within commercial districts.
- Providing assistance in the formation and management of business improvement districts.
- Operating the Main Street Program (program ended at the end of 2011).
- Structuring incentive packages for commercial development.

Year	No. of full-time staff	Year	No. of full-time staff	Year	No. of full-time staff
2001	5	2006	5	2011	2
2002	5	2007	5	2012	2
2003	5	2008	6	2013	2
2004	5	2009	6	2014	2
2005	4	2010	3		

In addition to these full-time staff, DCD has a contract with the Community Design Services (CDS) unit at the University of Wisconsin-Milwaukee School of Architecture and Urban Planning (SARUP), through which CDS provides part-time SARUP students for commercial revitalization activities.

Current interaction and time dedicated to Business Improvement Districts

Milwaukee's Business Improvement Districts are the City's most critical partner in commercial district revitalization activities. BIDs are formed voluntarily by business and property owners, and they determine together how resources should be applied to improve the local business environment. Under State Statute, BIDs must be created by the local municipality, and their



operating plans must be approved annually by City government. There are currently 35 active BIDs; 18 of them were established since 2001.

The manager of the Neighborhood and Business Development Team estimates that she spends about 80 percent of her time dealing with BID activities. The following activities are included in this estimate:

- Assisting in the formation of new BIDs. Our staff provides technical assistance to groups promoting the creation of a BID; this includes mapping BID boundaries, assisting in collecting relevant data, suggesting the types of activities that would be appropriate for the initial operating plan, responding to questions from property owners and helping organizers to understand the Wisconsin BID Statute. Staff also shepherd the approval of each new BID by the City Plan Commission and Common Council, calculate the initial BID special charges for each property, and, if necessary, undertake research regarding the combination and division of properties within the BID. Staff developed templates for BID operating plans and have written an extensive BID handbook to assist groups that wish to form a BID.
- Assisting existing BIDs. Annually, each existing BID must review the properties within its boundary to determine whether changes in use, exempt status or combinations and divisions of properties will have an impact on the BID special charges. Our staff begins working on this annual review with all of the BIDs in June of each year. Additional work is done in October, after the annual property tax assessment appeal period ends. After BIDs calculate the special charges on properties within their boundaries, DCD staff reconciles the charges, researches and corrects special charges problems and submits data to the Office of the City Treasurer so that special charges can be placed on property tax bills. Also, staff works with BIDs to ensure that their annual operating plans and certified audits meet the requirements of State law, that all BID documentation is prepared for the annual public hearing on BIDs held by the Common Council's Community and Economic Development Committee and works with the BIDs to address any concerns identified by such Committee.
- Ongoing technical assistance. Milwaukee's BIDs cover a broad spectrum of size and capacity. Some have full-time or part-time staff; some depend completely on volunteers to accomplish their goals. DCD staff responds to a wide variety of questions raised by BIDs that are specific to their circumstances. In some cases, staff works with the Office of the City Attorney to determine how to respond. For example, several BIDs have recently been interested in expanding or combining two adjacent BIDs. DCD staff is responsible for determining the answers to questions like these. In addition, staff have been called upon by Common Council Members to assist in re-energizing existing BIDs that have lost significant board membership or have organizational problems.
- Special initiatives. DCD staff have worked with BIDs to create new initiatives to meet BID needs. For example, staff worked with BID No. 21 (Milwaukee Downtown) to create the white box grant program, which combines City and BID funds to assist property owners to update interior spaces of commercial properties to improve their market appeal. The white box program piloted in BID No. 21 is now available citywide. DCD staff helped to create the cross-jurisdictional BID involving BIDs in both Milwaukee and Greenfield to improve South 27<sup>th</sup> Street. Also, staff worked to apply a similar strategy that would have created BIDs in Milwaukee and Brown Deer to improve the Brown Deer Road commercial corridor. Ultimately, Brown Deer did

not proceed, but the Granville BID is now well-established. Several years ago, when the City budget provided contributions to a small number of BIDs, staff worked with the Common Council to create the BID CED fund, which provided grant funds for special events and projects to BIDs that did not otherwise receive direct City funding.

- Streetscape projects. A number of Milwaukee BIDs have worked with the City to undertake streetscaping activities to improve the appearance of their commercial districts. There is commonly a two-part funding mechanism for these infrastructure projects. A grant from the City budget is provided to the sponsoring BID for half of the cost. The City has the ability to make a loan to the BID for the remaining cost and enter into an agreement with the BID that requires the BID to repay the loan over a period of years. (BIDs use a portion of the special charges paid by property owners within the BID to repay the loan.) DCD staff works closely with BIDs to develop a community consensus on the design for streetscape projects and to make the financial arrangements and agreements for streetscape grants and loans. The Department of Public Works supervises construction activities.
- Interaction with BID boards. DCD staff members attend BID board meetings at the invitation of BIDs or the local alderperson. DCD staff provide orientation to new BID board members to provide information about the responsibilities of the board. Before BID board member nominations are forwarded to the Mayor's Office for appointment, staff vets nominees to ensure they are in good standing with the City of Milwaukee.
- Citywide BID Council. The Citywide BID Council provides all Milwaukee BIDs with opportunities to exchange information, embark on joint activities and get presentations from City staff. DCD staff work with LISC-Milwaukee to organize monthly BID Council meetings.

#### How does DCD connect to businesses outside of BID boundaries?

DCD staff use a variety of techniques to provide services to commercial businesses located outside the boundaries of BIDs. The standard commercial development incentive programs – facade grants, retail investment fund grants and white box renovation grants – are available to any qualified business. Frequently, staff at DCD and the Milwaukee Economic Development Corporation (MEDC) “cross-sell” their products by referring their business clients to each other.

Staff members are available to explain the use of these programs at business resource workshops, business organization meetings and door-to-door visits in targeted areas. Program information is available on the DCD web site. Regularly, staff participates in local and regional meetings of the International Council of Shopping Centers; these activities put them in contact with retail businesses.

#### New tools deployed to engage businesses since 2008

Several new tools have been added to the City's commercial revitalization toolbox since 2008.

- White box renovation grants, first made available in BID No. 21, were made available City-wide in 2013.

- The Neighborhood Ambassador Program, which supports information distribution, commercial district clean-up and special events in commercial districts, was established in 2013 and will continue in 2014.
- Targeted business development funds were established with tax incremental district funding, benefiting the Mitchell Street business district (TID No. 71, established in 2008) and the Midtown business area (TID No. 42, amended in 2013 to create the business development fund).
- TID No. 76 was created in 2010 to facilitate retail development at a former car dealership at South 27<sup>th</sup> Street/West Howard Avenue.
- Staff worked with business owners from both Milwaukee and Greenfield to create two BIDs that work across municipal boundaries to enhance the business environment of South 27<sup>th</sup> Street. This was the first example of a cross-jurisdictional BID cooperation in Wisconsin. There were attempts to replicate the model for the North 76<sup>th</sup> Street business districts in Milwaukee and Brown Deer; ultimately, the village of Brown Deer chose not to create a BID on its side of the border. However, this tool is available for use in other local business districts that cross municipal boundaries.
- A special facade grant program was established in 2011 for the St. Paul Avenue business district, to allow non-retail businesses to improve the exterior of their buildings. This program is marketed by the Menomonee Valley BID.
- An online application process for facade grants was made available in 2013.

Enhanced efforts to increase sale of commercial in-rem properties/strategies for reducing the commercial property inventory

This question was the subject of a presentation to the Zoning, Neighborhoods and Development Committee in March 2014. Following is an update on measures outlined in that presentation:

1) Two DCD staff members, Matt Haessly and Dwayne Edwards, are dedicating their time to promote the sale of tax-foreclosed commercial property. Matt and Dwayne are responsible for arranging inspection of properties; arranging for property clean-out if required; preparing listings and determining asking prices; devising creative strategies to identify prospective buyers; vetting offers to purchase and working with buyers; and bringing offers to purchase to the Common Council for approval. Both Matt and Dwayne have considerable experience handling City-owned properties. This assignment capitalizes on their experience and allows them to devote more time to this activity.

Matt and Dwayne are currently in negotiations with prospective buyers for 12 properties. They are preparing to list 17 properties for sale in the coming weeks. Commercial property listings are now being posted on the Multiple Listing Service as well as the City's web site.

A third real estate staff member, Rhonda Szallai, has been tapped to prepare price opinions for commercial properties and facilitate demolition referrals.

2) The department is working with the Office of the City Attorney to create a new commercial offer to purchase. The new offer form will standardize language and streamline the administrative processes involved in property sales.

3) New "for sale" signs are now posted on City properties.

4) DCD is developing a 2015 capital budget request for funds to incentivize the purchase and renovation of commercial properties.

Regarding your question about price adjustments, as I indicated in my testimony at ZND, asking prices are adjusted as properties remain on the market. Most commercial sales are for well under the asking price.

#### Marketing efforts for the former Finney Library

The Finney Library was vacated in 2003 when the new Washington Park Library was opened. The property was declared surplus to municipal needs and turned over to DCD for marketing to a private buyer.

Following outreach to the Washington Park and Sherman Park community to get a sense of the sort of redevelopment that neighbors hoped to see at the property, DCD issued a request for proposals for the property in August 2004, with an asking price of \$290,000. Three proposals were received. The Common Council subsequently adopted File No. 040962, approving sale of the property to New Covenant Housing Corp. (NCHC) for re-use as a coffee shop, bookstore, ice cream parlor and community meeting space. In March 2005, the department and NCHC entered into a six-month option to purchase. At the request of NCHC, the option was extended five times, in October 2005, December 2005, March 2006, July 2006 and October 2006. The final extension expired April 30, 2007. When NCHC failed to close the purchase transaction, the department did not agree to any further extensions.

The property was again advertised for sale in late 2007 with an asking price of \$290,000. Three proposals were received in early 2008, but all were rejected.

The property was again advertised for sale in August 2008 with an asking price of \$290,000. Five proposals were received. Two were rejected because the proposers indicated they would seek to exempt the property from property taxation. The other three proposers were asked to submit additional information, such as evidence of financing and tenant agreements. Two of the proposers failed to submit the requested documentation. The third had inadequate financing to proceed.

In October 2009, the department learned that Pathways to College, a pre-college program operated by Wisconsin Lutheran College, had interest in the building. To ensure fairness, the property was advertised for sale in early 2010 with an asking price of \$125,000. Two proposals were received. The Common Council approved File No. 100270, approving the sale of the property to Pathways to College for \$125,000. Pathways' offer was contingent on raising sufficient funds to purchase and renovate the building. However, Pathways never raised the required funds and never closed on the sale.

In August 2013, the property was listed for sale for \$75,000. Three proposals were received. All prospective buyers were asked to submit additional information regarding financing, tenants and plans of operation. None has fully responded to our request for this information. One proposer has made a partial submission of information, and we are continuing to seek the remaining information. Our most recent request for information from this proposer was made in March 2014.

#### In-rem process for commercial buildings

For the purposes of City-owned real estate, the term “commercial properties” includes office buildings, mixed-use buildings, restaurants, taverns, apartment buildings, churches and day care centers—essentially any building that is NOT a one to four-family residential building. The largest property type constitutes small structures with first floor retail space with apartments above.

DCD’s interaction with tax-delinquent commercial buildings begins well in advance of a foreclosure judgment rendered by Milwaukee County Circuit Court. Prior to each foreclosure filing, the Office of the City Treasurer provides DCD with a list of tax-delinquent commercial properties. Staff members research the historic uses of each property to determine whether any previous use involved handling, storage or disposal of hazardous waste or materials in the normal course of business. Uses such as gas stations, dry cleaners, chemical manufacturing, metal plating and heavy manufacturing typically meet this definition and could pose an environmental liability to the City of Milwaukee if the City assumes ownership. These properties are placed on the City’s “Do Not Acquire” list. Although the City does not assume ownership of these properties, DCD staff members have the ability, under Chapter 75.106 of Wisconsin State Statutes, to facilitate the conveyance of these properties to buyers who will fully identify and remediate any environmental hazards in conjunction with redeveloping them.

Most tax-delinquent commercial buildings have little or no risk of environmental liability and the City completes the foreclosure process for them. Within two weeks of taking ownership of a commercial property, DCD staff members conduct a drive-by inspection, take an exterior photograph and create a record of the property in the DCD real estate database. If the property is not boarded and could be occupied, staff send a letter addressed to “occupant” at each property, advising the occupant that the City is the new owner of the property and that the occupant should no longer pay rent to the previous owner.

Staff examines DNS records of code violations for each property and arrange for a joint inspection of each property involving representatives of DCD, DNS, the Redevelopment Authority’s Brownfields team and the Health Department. Based on the condition of the building, staff determines whether the property is a candidate for demolition, or whether it can be marketed. The inspection also determines to what extent the property should be boarded; whether the property has safety hazards that must be addressed by repairs; and whether steps must be taken to protect the value of the property (such as tarping a leaking roof). If the property is vacant and utilities remain connected, they are disconnected. If the property is occupied and habitable, a DCD property manager meets with the tenant to discuss the tenant’s interest in and capacity to continue occupying the building under a lease with the City. The property manager communicates the conditions under which the City is willing to grant a lease; for example, the occupant may be

required to abate health department orders, provide insurance or no longer keep a dog at the property.

During these inspections, staff takes photos of the building and grounds to document conditions and use for marketing purposes. These photos become part of the database record of the property.

If the inspection determines that the condition of the property warrants demolition, DCD staff seeks aldermanic approval for the demolition and forwards the property to DNS, which contracts for demolition work. If the property can be marketed, DCD staff prepares a price opinion that reflects both market conditions and the cost of renovation required for the property to be placed into service. Prior to marketing the property, staff also must prepare a Historic Land Use Investigation for the property. Planning staff are asked to look at the property in neighborhood context to suggest re-use strategies or combination of the property with adjacent City-owned properties. Occasionally, properties have been used for storage or contain considerable amounts of garbage; in these cases, staff contract for disposal of items prior to marketing.

A listing page is developed for each property; the listing provides property characteristics, indicates which uses are preferred and which are prohibited and states the asking price. The listing is shared with the local alderperson prior to public release.

Properties are listed for sale on the City's real estate web site and on the Multiple Listing Service. "For sale" signs are posted at the properties. Prospective buyers are instructed to contact a licensed real estate broker for showings. Brokers present offers to purchase on behalf of their clients; brokers are paid a commission of 7%, minimum \$3,000. Offers to purchase below the asking price are accepted, and asking prices are reduced over time if properties fail to sell. Properties located within vibrant corridors and larger properties are offered for sale through requests for proposals that are due on a certain date. These RFPs are posted on the DCD web site, and notification of RFPs is available through the e-Notify system. However, the majority of the listing pages are not RFPs and offers are accepted on a continuous basis until an offer is accepted.

Buyers are required to provide information about the use they propose for the property, the renovation they plan and the source of financing for purchase and renovation. This information is evaluated before any offer is brought to the Common Council for approval. Offers may be rejected because the buyer owns other Milwaukee properties with significant code violations or tax delinquency.

All offers to purchase commercial property are brought to the Common Council for approval. In some instances, although the Common Council approves a sale, the sale does not close, because the buyer is unable to obtain financing or encounters conditions that require significantly higher rehabilitation expenditures than originally anticipated. To avoid this scenario, we encourage buyers to utilize the DNS Commercial Courtesy Inspection Program to get a thorough evaluation of the repairs that must be completed in order to obtain an occupancy certificate.

Signs are posted at each City-owned commercial property indicating that the City is the owner and providing a telephone number to report problems. The Department of Neighborhood Services and Milwaukee Police Department assist DCD to monitor the condition of commercial properties. DNS

and MPD field personnel report problems to DCD's property management staff, which also monitors properties on a regular basis.

I will attend the meeting of the Zoning, Neighborhoods and Development Committee on May 6, 2014, to respond to the questions of committee members on these matters.

Sincerely,



Martha L. Brown  
Deputy Commissioner

c: Alderman Jim Bohl, Chair, Zoning, Neighborhoods and Development Committee