Milwaukee HOME Program

Prepared by the Legislative Reference Bureau

Housing Opportunities, Management, and Employment Program
Discussion Document

October, 2014

Report by the Legislative Reference Bureau guiding the development the Milwaukee HOME Program, including the identification of key statistics and the outlining of necessary actions.

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MILWAUKEE HOME PROGRAM
DISCUSSION DOCUMENT

City of Milwaukee, Wisconsin
October 2014

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I. EXECUTIVE SUMMARY

This document is intended to guide the development of a Milwaukee Housing Opportunities, Management, and Employment ('HOME') Program. The Milwaukee HOME Program will provide the City of Milwaukee, together with numerous local stakeholders, the opportunity to better maintain, improve, manage, market, rent and sell City-owned, tax-foreclosed residential properties by strengthening the physical and programmatic connections between jobs, housing and economic development.

In Phase I of the program, the Department of City Development will issue a Request for Qualifications (RFQ) to develop a more efficient model for dealing with its inventory of real property. By seeking community development organizations and private development firms to partner with in maintaining, improving, managing, marketing, renting and selling groups of properties in targeted geographic areas, the City will be better able to connect and provide new and existing social resources to improve the health, safety, welfare, education, living conditions and livelihoods of Milwaukee families.

In Phase II of the program, the City will enter into agreements with various community development organizations and private development firms to return properties to productive use through innovate approaches to property development and management, including affordable lease-to-own programs. This discussion document will help guide the negotiation, preparation and execution of memorandums of understanding, requests for proposals and other necessary documents and legislation through the identification of key statistics relating to housing, employment and economic opportunity and the outlining of potential actions for improving area outcomes.

Milwaukee has for a number of years exhibited worrisome levels of poverty, unemployment and social deterioration. Some combination of rehabilitation, conservation or redevelopment of City-owned housing stock may be necessary to reduce socio-economic disparities and improve the City's tax base. To achieve these goals, the proposed HOME Program will focus on three key areas of action:

- Maintenance and improvement of affordable housing opportunities.
- Quality, family-sustaining employment opportunities.
- Community pride, engagement and development.

II. INTRODUCTION

A. The Players

The following entities will likely be key stakeholders in the development of the Milwaukee HOME Program.

Department of City Development

- *Mission:* Improve the quality of life in Milwaukee by guiding and promoting development that creates jobs, builds wealth, and strengthens the urban environment.

Department of Neighborhood Services

- *Mission:* Protect the value of investments in property throughout the city and strengthen the redevelopment capacity of city neighborhoods.

Department of Public Works – Operations Division

- *Mission:* Improve the safety, cleanliness, and sustainability of Milwaukee neighborhoods and the environment.

Housing Authority of the City of Milwaukee (HACM)

- *Mission:* Construction, management and provision of safe, affordable and quality housing with services that enhance residents' self-sufficiency.

Milwaukee Police Department

- *Mission*: Create and maintain neighborhoods capable of sustaining civic life. Reduce the level of crime, fear, and disorder through community-based, problem-oriented, and data-driven policing.

Various Community Development Organizations and Private Development Firms

- Such as: The Friends of Housing Corporation and ACTS Housing.

B. The Problem

According to a 2005 report by the National Vacant Properties Campaign (NVPC),[1] "*the evidence shows that vacant properties are an expense that local governments simply cannot afford – and that the expense grows with every year a property remains vacant or abandoned. Such properties produce no or little property tax income, but they require plenty of time, attention, and money*:

- A study in Austin, Texas, found that blocks with unsecured vacant buildings had 3.2 times as many drug calls to police, 1.8 times as many theft calls, and twice the number of violent calls as blocks without vacant buildings.
- More than 12,000 fires break out in vacant structures each year in the US, resulting in $73 million in property damage annually. Most are the result of arson.
- Between 2000 and 2005, St. Louis spent $15.5 million, or nearly $100 per household in the city, to demolish vacant buildings. Detroit spends $800,000 per year and Philadelphia spends $1,846,745 per year cleaning vacant lots.
- A 2001 study in Philadelphia found that houses within 150 feet of vacant or abandoned properties experienced an average net loss of $7,627 in value.
- Oklahoma City is losing out on more than $39.1 million because absentee owners are failing to maintain 12,000 vacant and abandoned properties within the city limits, according to a 2013 study.

What is perhaps more disquieting is that many of these statistics were compiled *before* the U.S. housing bubble burst in 2008. For instance, according to a 2009 report by the Public Policy Forum (PPF):[2]

> Few issues better capture the complex and controversial nature of urban problems facing Metropolitan Milwaukee than the issue of affordable housing. Encompassing matters of racial segregation, poverty and failed public-private partnerships, the Milwaukee metro area's struggle to provide a safe, decent and affordable supply of housing to low-income citizens has been a difficult one. Even before the national economic meltdown, countless

[1] National Vacant Properties Campaign. "Vacant Properties: The True Costs to Communities." August 2005.

[2] Horton, Ryan, et al. "Give Me Shelter: Responding to Milwaukee county's Affordable Housing Challenges." May 2009. Public Policy forum.

reports documented the severe housing burden facing low-income citizens in Milwaukee County. That burden, combined with the scarcity of affordable housing in suburban parts of southeast Wisconsin, has cemented the region's place as one of the most racially segregated in the country. In today's economy, those problems have intensified.

Despite these concerns, however, much optimism remains. The aim of this document is not simply to paint a picture of what has gone wrong, but to provide resources for the planning of what might go right.

C. The Plan

Introduction

Organizations both across the country and within the community are developing new and innovate ways to recapture the value in vacant properties and bring vitality back to once-blighted neighborhoods. For instance, in Kentucky, the City of Bowling Green "*systematically reviewed its property inventory and donated excess parcels to three local nonprofit housing agencies to develop affordable housing,"* according to a 2008 report by the United States Council of Mayors.[3]

The report further notes that through this initiative, "*property is placed back on the tax rolls, the City no longer has to maintain the property, the neighborhood's stability is positively affected, and the end product is attractive, affordable housing stock."* The aim of the Milwaukee HOME Program is to capture this and similar positive momentum and help build a more resilient Milwaukee. According to the 2005 NVPC report:

> Properties are often abandoned as a result of metropolitan-wide trends, such as sprawling development, consumer preference, job loss, and demographic shifts. But on an individual level, the most common reason a property is abandoned is that the cost of maintenance and operation exceeds the apparent value of the property…Most importantly for cities facing abandonment problems, the longer a property remains abandoned, the higher the cost of renovation. This leads to continued abandonment even when market conditions have dramatically improved.
>
> Cities must address the increasing number of vacant properties, not only because of the negative impact they have on the surrounding community, but because of the numerous costs they impose. They strain the resources of local police, fire, building, and health departments, depreciate property values, reduce property tax revenue, attract crime, and degrade the quality of life of remaining residents.

The HOME Proposal

The City of Milwaukee, in partnership with various community development groups, will work to develop innovate and efficient models for dealing with its inventory tax-foreclosed residential property. In addition to occupied City-owned properties, the City – through its RFQ – will identify community partners capable of maintaining, improving, managing, marketing, renting and selling

[3] U.S. Council of Mayors. "Vacant and Abandoned Properties.: Survey and Best Practices." June 2008. City Policy Associates, Washington D.C.

approximately 100 City-owned and tax-foreclosed properties with an estimated rehabilitation cost under $50,000.

At a minimum, all identified properties will be brought up to code using resources provided by the City and various additional sources, as outlined in this document. The City's partners will be responsible for managing and overseeing rehabilitation work and will provide reports to the Common Council at least bi-annually, including information on finances; number of properties rehabilitated, managed, or sold; and occupancy and tenant characteristics.

Through partnerships with community development groups in identified HOME target areas (see Appendix), the City hopes to improve housing stock, develop employment opportunities, reduce crime and nuisance activity, and generally improve the quality of life for all Milwaukee citizens. A more detailed framework for the Milwaukee HOME Plan can be found on page 42.

HOME Program Summary

- *Timeframe:* 3 years.
- *Goal:* Rehabilitate and rent/sell 100 City-owned, tax-foreclosed properties.
- *Funding:* $5 million in contingent borrowing.
- *Property Ownership:* Unspecified.
- *Property Rehabilitation:* Community development groups and private development firms.
- *Property Management:* Community development groups and private development firms.

D. The Payback

Vacant properties are a drain on public resources: they are often tax delinquent, depress property values across neighborhoods, and require a disproportionate amount of public investment in the areas of crime, health and other neighborhood services; and because property taxes are the single largest source of revenue under the control of local government, any loss in this income is not inconsequential. Through the Milwaukee HOME Program, the City hopes to achieve the following outcomes.

<u>Improved Housing Stock</u>
Even when a property goes into tax foreclosure, a municipality is still burdened with the sale of properties to recoup expenses: the longer it takes to sell, the greater the net deficit. For instance, according to the NVPC report:

> One study found that 83 percent of the balance due is lost on foreclosed properties. When cities try to recover delinquent taxes on parcels where homes have been demolished, not only are they not able to recover the taxes, but typically the demolition itself was costly – in St. Paul, the overall loss to the city for a single demolished house is about $7,789. And while tax sales provide a source of income for municipalities, they do not ensure that the abandoned property will be put to productive use. The properties are sometimes purchased by speculators without any intent to restore them, and the process fails to assemble marketable parcels of land.
>
> Even if the taxes are being paid, those taxes don't amount to much. In St. Paul, a vacant lot produces $1,148 in property taxes over 20 years; an un-renovated but inhabited home generates $5,650, and a rehabilitated property generates $13,145.

The report also notes that "*In a 2001 study, researchers from Philadelphia found that houses within 150 feet of a vacant or abandoned property experienced a net loss of $7,627 in value. Properties within 150 to 300 feet experienced a loss of $6,819 and those within 300 to 450 feet experienced a loss of $3,542*." This study also found that "*all else being equal, houses on blocks with abandonment sold for $6,715 less than houses on blocks with no abandonment*."

The NVPC report also points to a recent University of Minnesota study evaluating the fiscal benefits of renovating abandoned houses. According to the NVPC, the study found that:

> While a renovated property did not negatively affect surrounding property values,

> demolishing a vacant building and leaving a vacant lot in its stead led to $26,397 in lost property tax revenue over a twenty-year period. These lower property values represent a hit in the pocketbook for both homeowners and the city. But a focused effort to bring vacant properties back can restore value – and taxes – for the city.

<u>Quality Employment Opportunities</u>

The redevelopment, rehabilitation and maintenance of vacant properties, whether permanent or temporary, can both preserve a neighborhood's existing resources and catalyze investment. Perhaps more importantly, however, property maintenance activities provide an opportunity for the employment of the very people whom these activities benefit. In this way, the revitalization of vacant properties is not only an asset in itself, but a net economic generator capable of adding value to residents themselves. If such employment efforts can be strategically managed over time, vacant property reclamation efforts have the potential to provide opportunities to both existing and future residents, as well as the business community.

<u>Crime and Nuisance Reduction</u>

According to the U.S. Fire Administration, over 12,000 vacant structure fires are reported each year in the United States, causing as much as $73 million in property damage. Though sometimes the result of poor maintenance, such nuisances are often caused by people burning materials within or around a vacant property, such as drug users or the homeless. The National Fire Protection Association estimates that more than 70 percent of vacant or abandoned building fires are the result of arson or suspected arson.

Fires are but one of the challenges presented by vacant buildings. Others might include the buildup of trash, illegal dumping, asbestos and lead contamination, and rodent infestations. Crime is also a serious issue to consider. According to the NVPC:

> The City of Richmond, VA, conducted an analysis of citywide crime data from the mid-90s. Of all the economic and demographic variables tested, vacant/abandoned properties had the highest correlation to the incidence of crime. Another study focusing on crime in abandoned buildings in Austin, Texas, found that crime rates on blocks with open abandoned buildings were twice as high as rates on matched blocks without open buildings. The survey also found that *41 percent of abandoned buildings could be entered without use of force; of these open buildings, 83 percent showed evidence of illegal use by prostitutes, drug dealers, property criminals, and others. Even if 90 percent of the crimes prevented are merely displaced to the surrounding area, securing abandoned buildings appears to be a*

> *highly cost-effective crime control tactic for distressed neighborhoods*.

The rehabilitation of vacant buildings is likely to have an appreciable impact on the environment, health and safety of neighborhood residents.

<u>Increased Quality of Life</u>

Aside from a smaller number of residents bearing a greater portion of the tax burden, vacant properties also present numerous indirect costs to a community. From higher insurance premiums to increased social fragmentation, these other, less easily measured costs are detrimental to quality of life. This is especially the case in lower-income neighborhoods, where residents may not have the resources or the desire to leave.

According to social scientists James Q. Wilson and George Kelling, as informal community controls break down, especially in relation to the physical environment, a community becomes more susceptible to isolation, neglect, disorder and other symbols of disinvestment. Their "broken window" theory suggests that "*if the first broken window in a building is not repaired, then people who like breaking windows will assume that no one cares about the building and more windows will be broken…The disorder escalates, possibly to serious crime."* According to the NVCP:

> Individuals who live in communities with an increasing number of vacant buildings begin to feel isolated, weakening the community as a whole. A large number of vacant buildings in a neighborhood symbolizes that no one cares, increasing the likelihood that property values will continue to decline and that further abandonment will set in. In the case of vacant properties, the problem is out in the open, for all to see. The aesthetic impact of abandoned properties, while not easily quantified in dollars, is another cost.

The impacts of vacant properties extend beyond economic loss. In addition to convincing potential investors that a community has value, an important component of the Milwaukee HOME Program is restoring community pride and engagement, both within Milwaukee and throughout the region.

III. HOUSING IN MILWAUKEE

A. Community Needs

Poverty is no stranger to Milwaukee. Compounding the fact that many Milwaukeeans make less money than their peers in other areas of the region is a general shortage of quality affordable housing. Consider the following statistics (presented graphically on pages 14 and 15):[4]

- Over 28% of Milwaukee residents are below the federal poverty level, compared to 20.9% in the county and 12.5% in the state. Poverty is more prevalent in target areas, measuring above 40% in 2 of the HOME Program's identified target areas.
- Over 41% of Milwaukee residents under the age of 18 are below the federal poverty level, compared to 31.1% in the county and 17.2% in the state. Again, all 3 of the HOME Program's target areas experience greater levels of childhood poverty, with Area 2 nearing a rate of close to 60%.
- The median household income in the city of Milwaukee is $35,823, compared to $43,599 in Milwaukee county and $52,627 in the state. The median household income in identified HOME target areas is nearly less than half the state's median household income.
- Over 38% of home owners and 58% of renters in the City spend more than 30% of their monthly household income on housing costs, compared to 33.2% and 54% in the county and 27.8% and 48.2% in the state.

[4] United States Census Bureau / American FactFinder. "DP04: Selected Housing Characteristics" and "DP03: Selected Economic Characteristics." U.S. Census Bureau's American Community Survey Office, 2012 5-Year Estimates. Web. 8 Aug. 2014 <http://factfinder2.census.gov>.

Figure 1. Comparison of Poverty Rates Across Selected Areas.

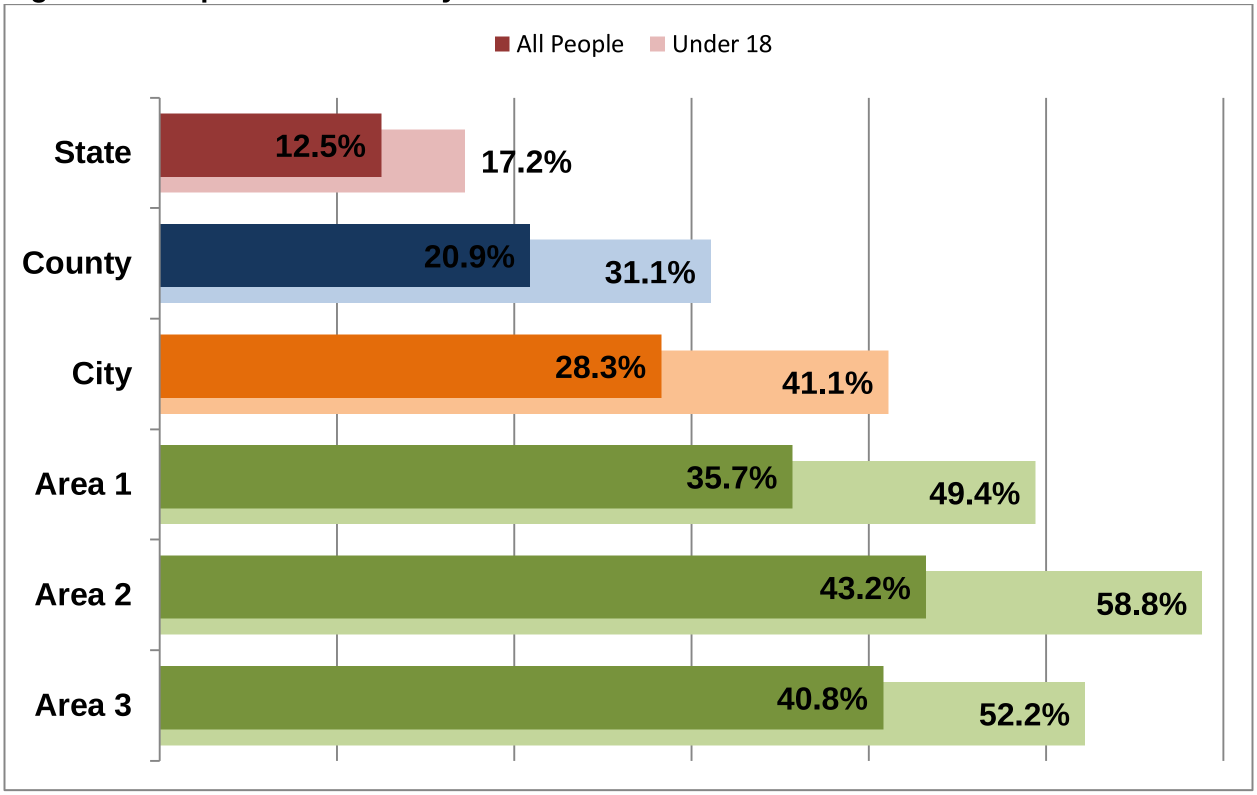


Figure 2. Comparison of Median Household Income Across Selected Areas.

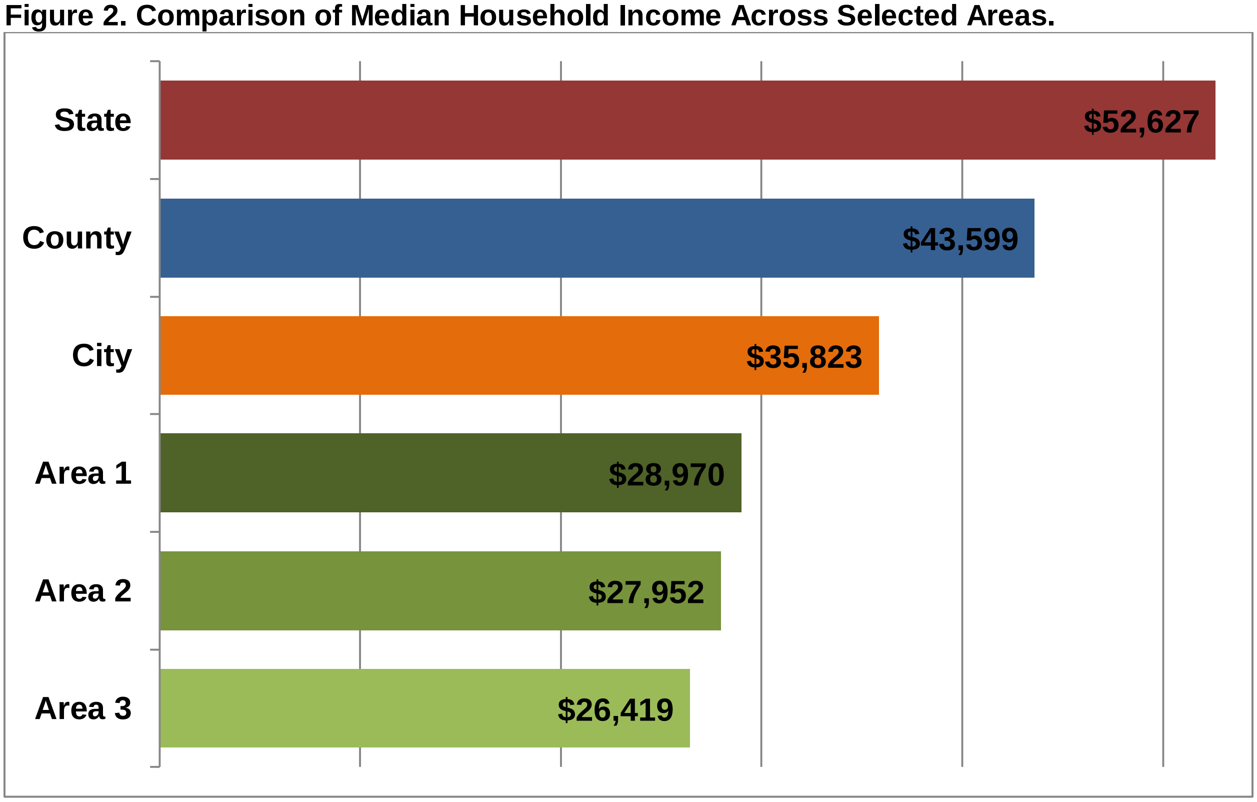
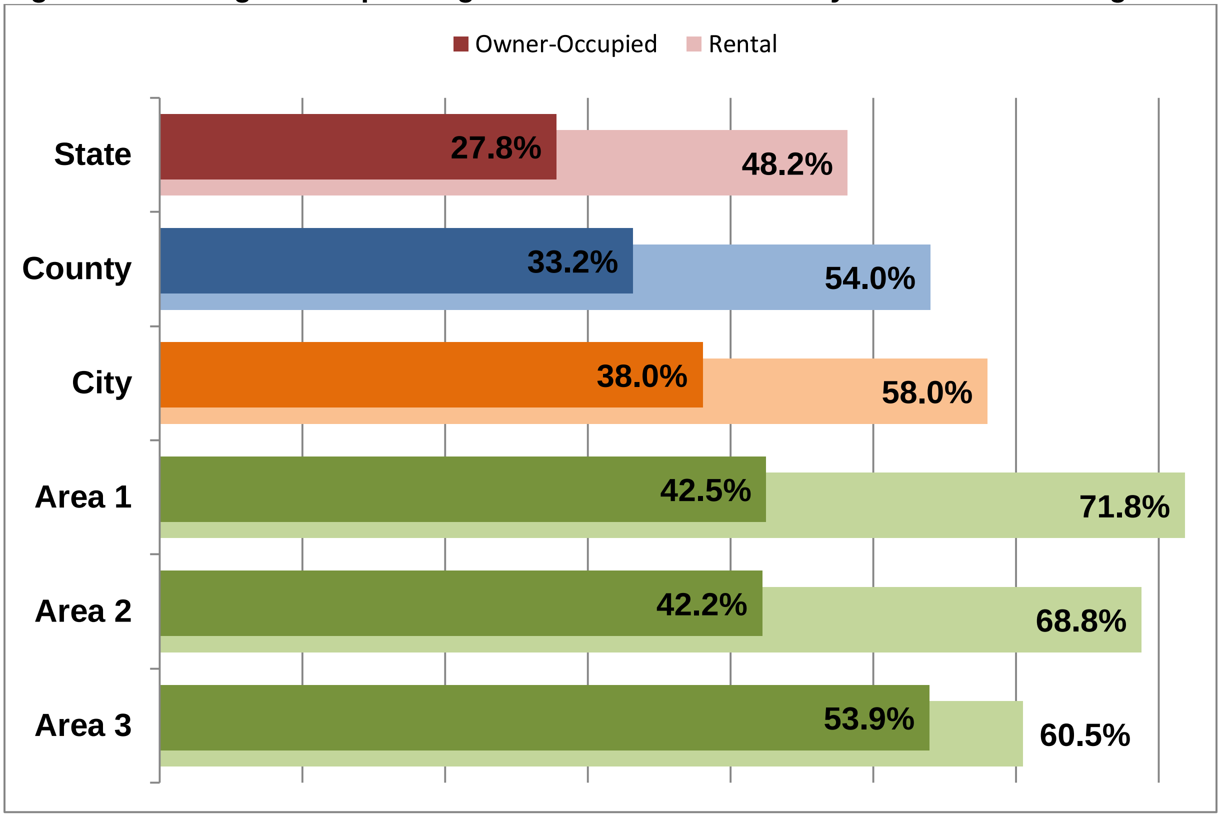


Figure 3. Housing Units Spending More than 30% of Monthly Income on Housing Costs.



In addition to geographic differences in income, socio-economic disparities exist. For instance, according to a 2013, Bloomberg article,[5] the unemployment rate for blacks in the United States is nearly twice that of whites, and black homeownership rates are the lowest since 1995.

A 2011 report by the Pew Research Center[6] further notes that the wealth gap between whites, blacks and Hispanics in the United States has reached record levels, with median wealth falling by 66% for Hispanic households and by 53% for black households between 2005 and 2009, compared to 16% among white households over the same period. Additionally, according to a 2013 Milwaukee Journal Sentinel article,[7] the average annual household income for families in Milwaukee public housing is $18,365. Figures 4 to 7 on pages 16 to 19 illustrate these disparities.

[5] Gopal, Prashant. "Black Homeownership Dying Where Obama Revitalized." Bloomberg. 3 Sept. 2013.

[6] Taylor, Paul. Et al. "Wealth Gaps Rise to Record Highs Between Whites, Blacks and Hispanics." Pew Social and Demographic Trends. 26 July, 2011.

[7] Pabst, Georgia. "Waiting Lists Soar for Public Housing, Rental Assistance." Milwaukee Journal Sentinel. 10 Aug. 2013.

Finally, in addition to the above issues, the 2009 PPF report[8] - which "*explores the affordable housing landscape in Milwaukee County, what it will take to create a sound and sustainable infrastructure to support the development of affordable housing in the county, and how existing publicly funded affordable housing programs might be coordinated more effectively*" – provides several key findings regarding Milwaukee's housing market, including:

- Milwaukee's affordability crisis is driven by low household incomes, not high rents.

"When compared to other large counties in the United States, Milwaukee is not an expensive rental market. Its average household income, however, was 103rd lowest out of the country's 112 most populous counties at the time of the last [2000] Census. Median family incomes in Milwaukee County declined another 10.3% between 2002 and 2007, further exacerbating the housing cost burden among renters. Although not the focus of this study, any affordable housing strategy in Milwaukee would not be complete without a specific strategy to bolster low incomes."

- Milwaukee's housing affordability crisis is most severe among extremely low-income households—those households making less than 30% of the Area Median Income.

"There are 47,200 extremely low-income households in Milwaukee County, but only 30,700 units that would be affordable to this rental cohort. Consequently, future comprehensive efforts to improve housing affordability in the Milwaukee area might best be aimed specifically at Milwaukee County's lowest income earners, as opposed to the general low-income population."

- The vast majority of Milwaukee County's low-income renters do not receive public rental subsidies.

"In fact, public subsidy programs help less than one out of every three extremely low income and very low income renter households in Milwaukee County. This finding suggests either the need for new, local sources of funding aimed at providing additional rental subsidies to those who qualify, or more private investment into the production and rehabilitation of rental units that can meet the substantial private market demand at the lowest end of the county's income scale without public subsidies."

- The health of Milwaukee's current private rental stock is failing.

[8] Horton, Ryan, et al. "Give Me Shelter: Responding to Milwaukee county's Affordable Housing Challenges." May 2009. Public Policy forum.

"More than 40% of renters in Milwaukee County are living in housing that is inadequate either because it is too expensive, too crowded or in fewer instances does not have adequate plumbing and kitchen facilities. Consequently, a strong rental unit rehab program likely should be a critical component of any comprehensive affordable housing strategy in Milwaukee."

- Public efforts to address the housing needs of low-income residents in Milwaukee County are fragmented, and the multiplicity of public programs is confusing for both housing developers and investors, as well as for low-income renters.

"This suggests the need for more unified governance in select programmatic areas to help increase service quality and impact. Between 2006 and 2007, even before the upheaval began, the number of renter households in the Midwest increased by 226,000 families, while the number of homeowner households decreased by 140,000. In Milwaukee, the rather dramatic turnover from ownership to rental has hit low-income neighborhoods particularly hard."

Figure 4. Milwaukee Census Tracts with a Poverty Rate of 20% or Higher.

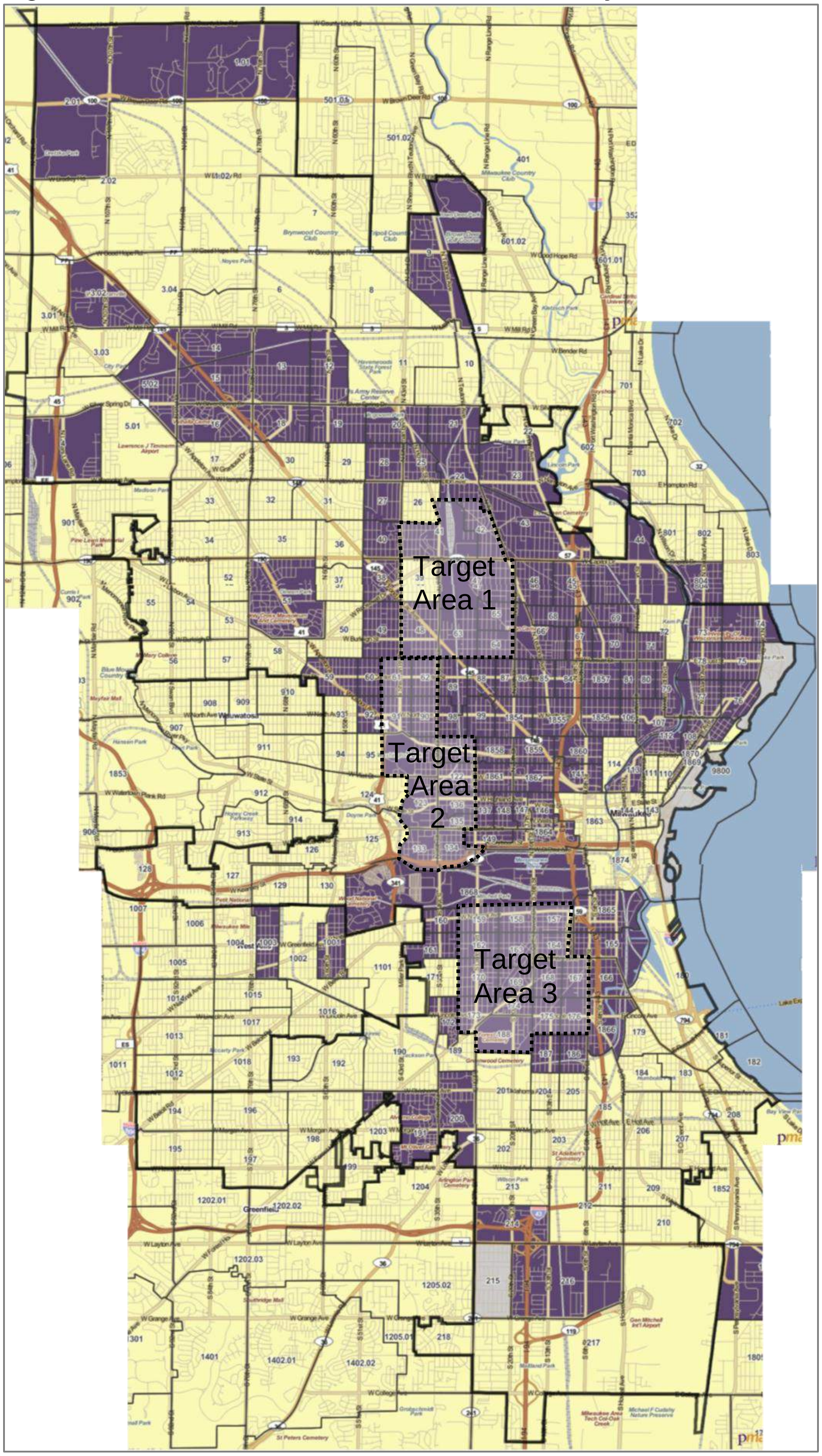


Figure 5. Milwaukee Census Tracts with Median Incomes at 80% or Less of the AMI.

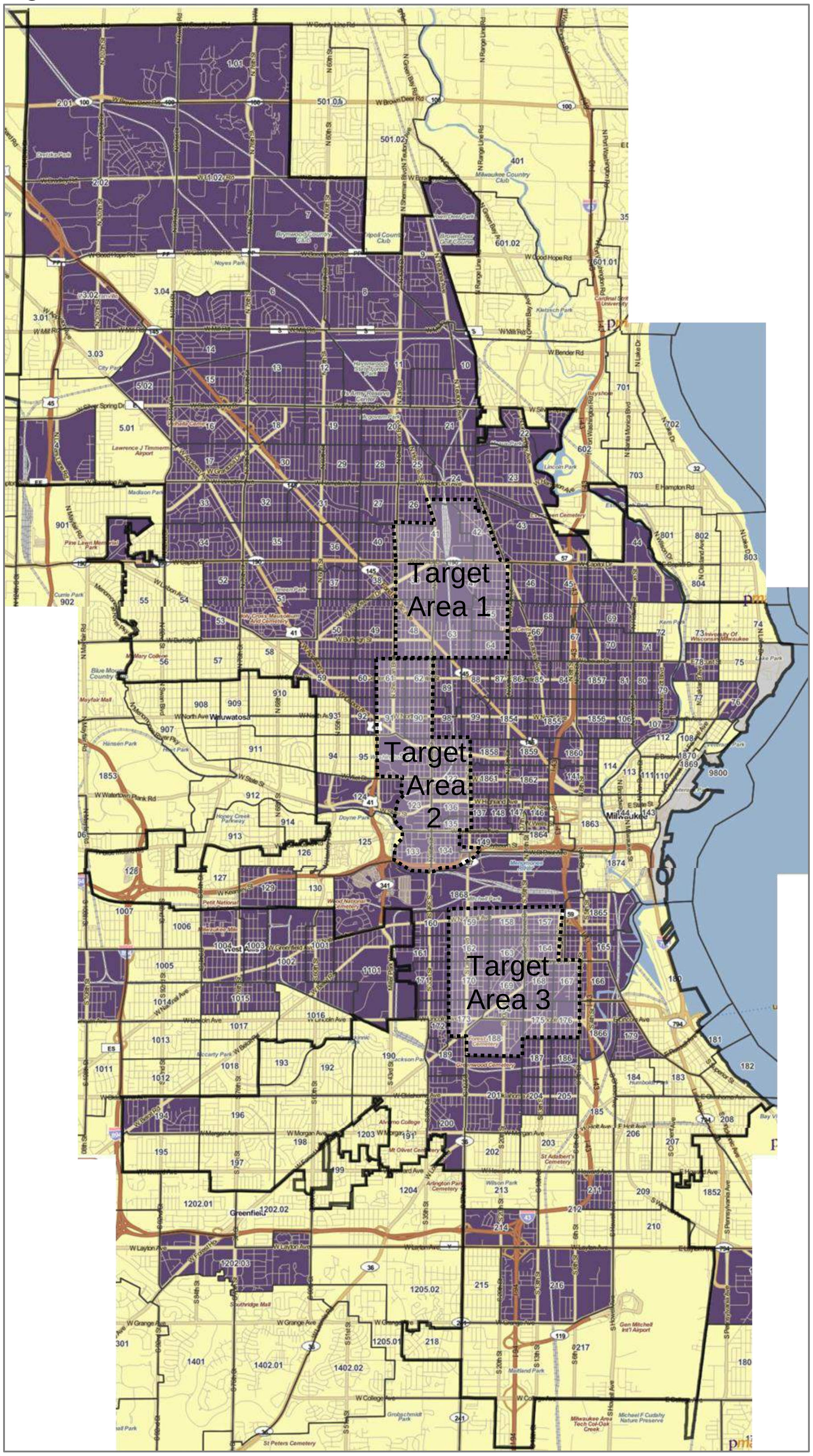


Figure 6. Percent of all People Living in Poverty, 2006 to 2010, by Census Tract.

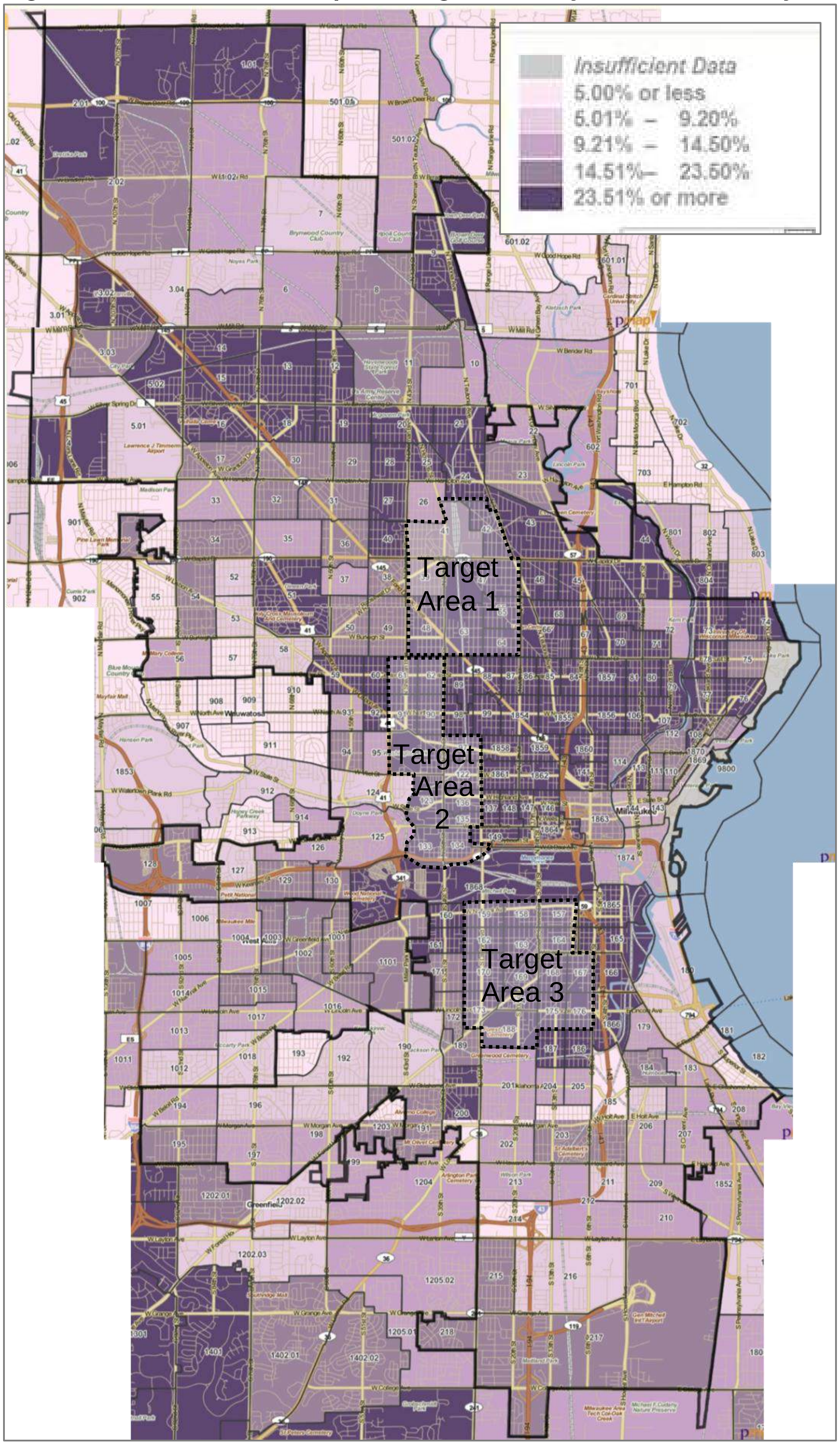
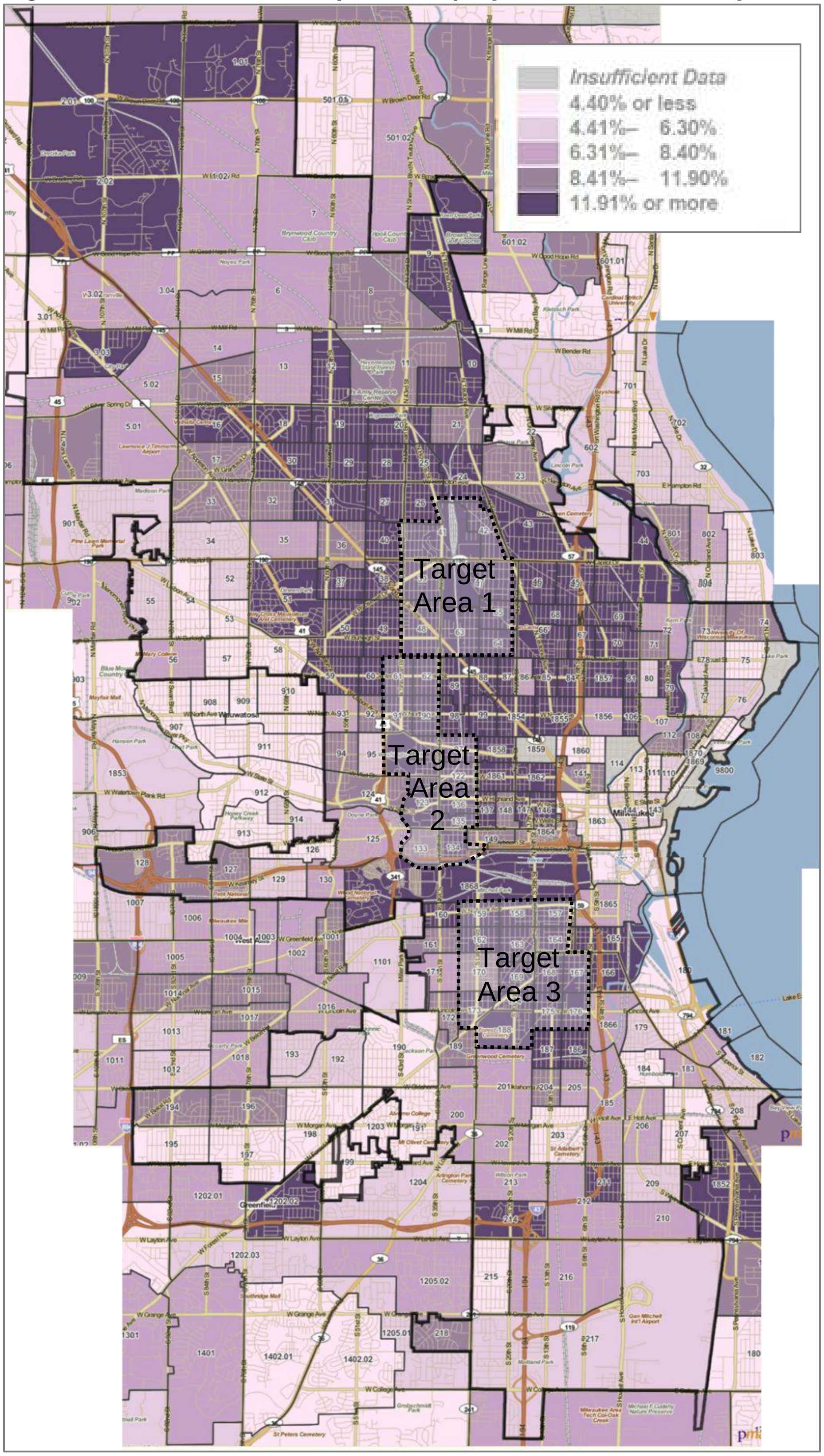


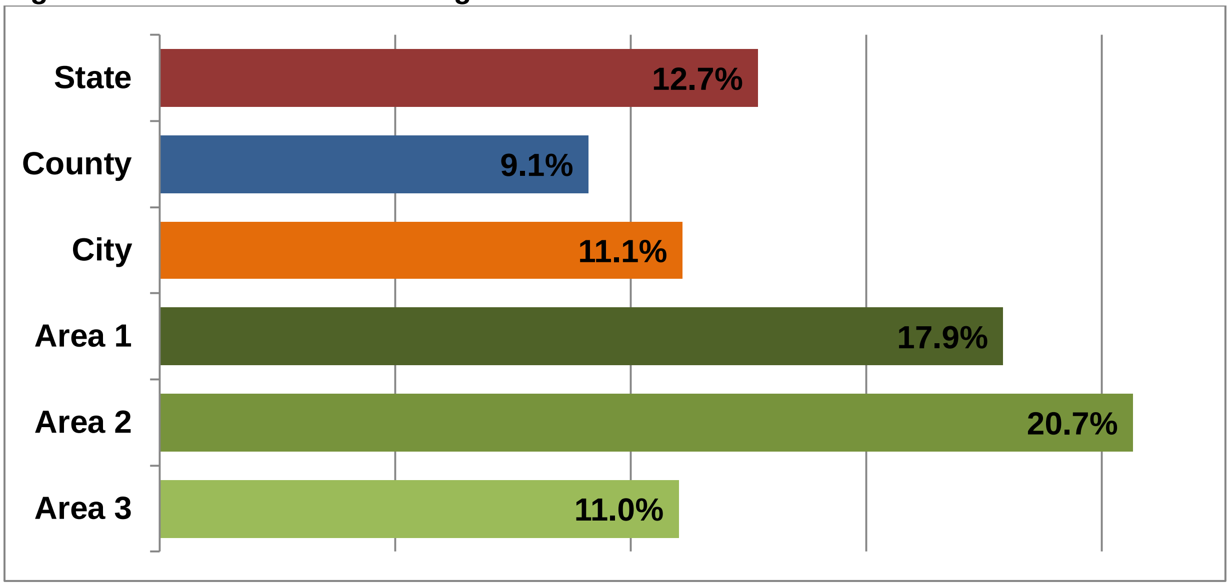
Figure 7. Percent of all People Unemployed, 2006 to 2010, by Census Tract.



B. Housing Availability

Census Bureau data indicate that approximately 28,700 (11.1%) of Milwaukee's housing units are vacant, compared to 9.1% in the county and 12.7% in the state. Despite these vacancies, however, it appears there is a need for affordable housing options in Milwaukee.

Figure 8. Percent Vacant Housing Across Selected Areas.



For instance, The Community Development Grants Administration's (CDGA) 2015-2019 plan[9] notes that the availability of housing units does not meet the needs of Milwaukee's population because there is a shortage of:

- Affordable, decent housing for all low-income populations.
- Large rental units for large families with children (3 or more bedrooms).
- Permanent housing units and units with supportive services for those who are homeless, handicapped or have mental, physical or developmental disabilities.
- Accessible housing for disabled and elderly populations.

The CDGA also notes[10] that the Housing Authority of the City of Milwaukee (HACM) manages 3,926 subsidized housing units – including 3,451 public housing units – and has approximately 5,600 Section 8 units currently under contract. The Section 8 Housing Choice Voucher Program

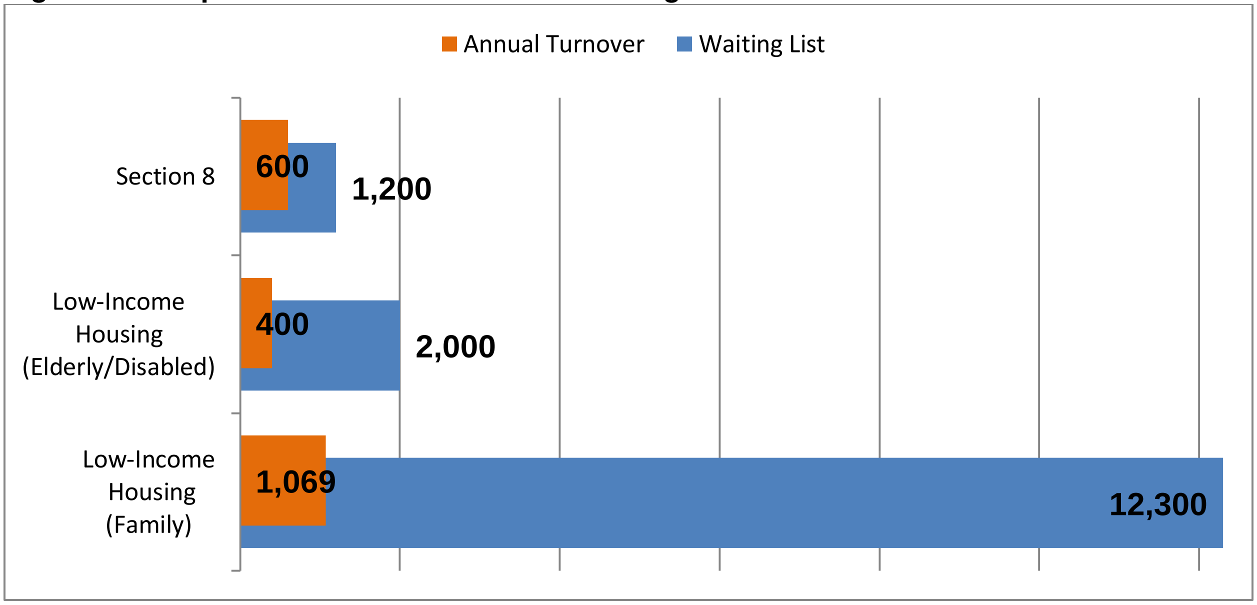
[9] Community Development Grants Administration. "'Draft' 2015-2019 Five Year Consolidated Plan and Strategy" City of Milwaukee, Wisconsin. 18 June, 2014.

[10] Ibid, pg. 88.

helps renters by paying for any rent costs exceeding 30% of the renters' income. However, according to the CDGA:[11]

- There are over 12,300 families and nearly 2,000 elderly/disabled families currently on HACM's wait lists for public, low-rent housing, and over 1,200 on the Section 8 wait list.
- Approximately 87% of families and 89% of elderly or disabled families on these lists make less than 30% of the area median income.
- Nearly 88% of families and over 75% of elderly or disabled families on these lists are African-American.
- The annual turnover for the family waiting list is 1,069, for the elderly or disabled waiting list is 400, and for the Section 8 waiting list is 600.

Figure 9. Comparison of Selected HACM Waiting Lists.



According to HACM's website, the waiting lists for low-income family housing and the Section 8 Program are currently closed, and, due to federal budget cuts, there are currently no plans to open these lists. These waiting lists have historically only been opened for short periods. For instance, between January 17, 2012, and July 20, 2012, HACM opened its waiting list for public, low-rent family housing, during which time it received approximately 13,900 applications. The list was previously opened in 2008 for 6 months, during which time HACM received approximately 8,100 applications.[12]

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[11] Ibid, pgs. 91-92.

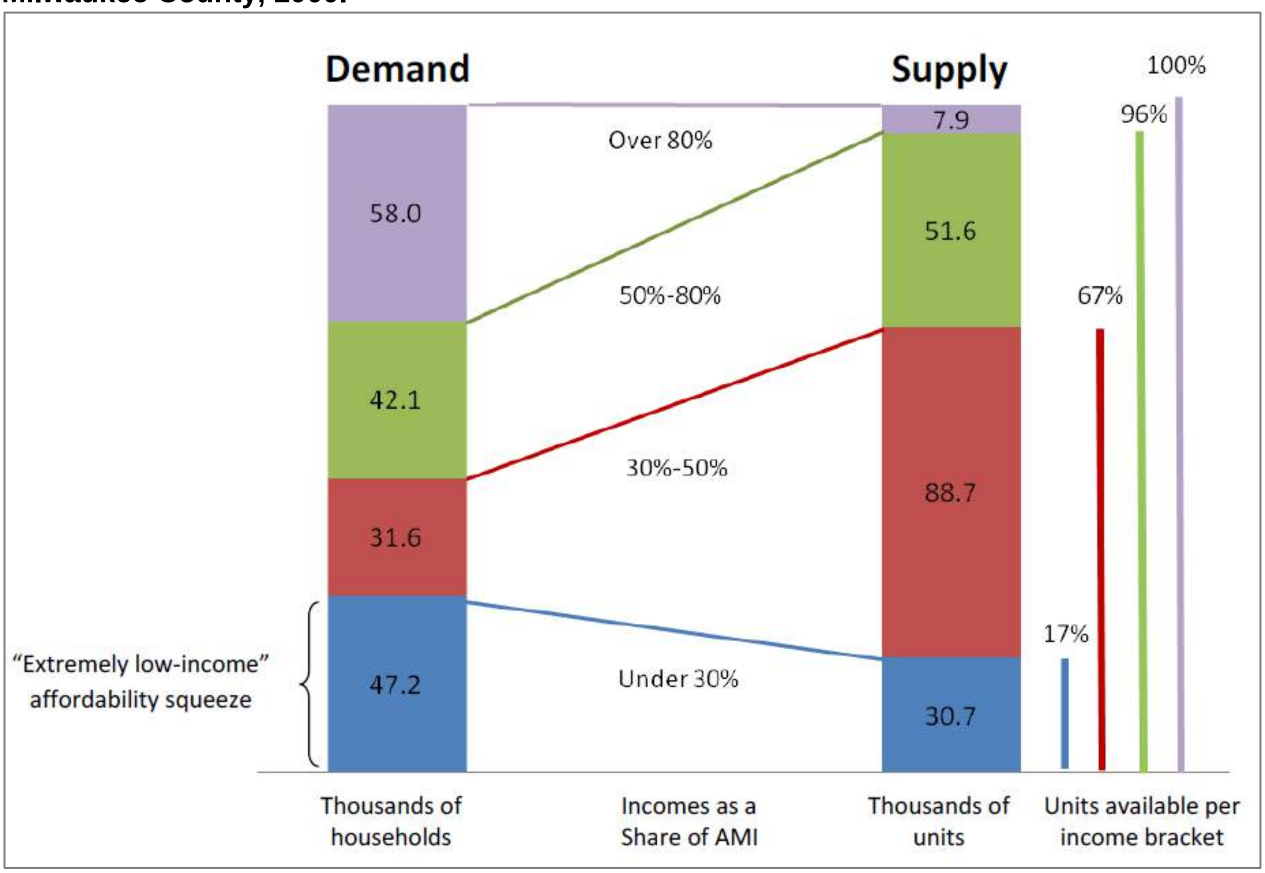
[12] Ibid, pg. 90.

Interestingly, the average length of stay for a household in public housing is 8.5 years, nationally, and 4.75 years for the Section 8 voucher program, according to the PPF. The PPF also notes that:

> Currently [2009], most former residents of public housing in Milwaukee move out due to homeownership or because they are removed for bad behavior. Increasing investment in transition programs to help families graduate from public housing into the private rental market could result in more opportunities for the lowers income households to move into public housing units.

It should also be noted that the number of applicants on HACM's waiting lists is not a product of a lack of affordable housing, per se, but rather a "mismatch" in supply and demand. Figure 5, below, demonstrates that 96% of units in Milwaukee County are available to those making less than 80% of the area median income (AMI); however, those earning less than 30% of AMI can only afford 17% of all units in the market.

Figure 10. Comparison of rental housing supply and demand by income group in Milwaukee County, 2000.



Source: Public Policy Forum.

According to the PPF,[13] this "affordability squeeze" is worsened by the fact that "*households of higher incomes often 'rent down' by renting units that could be affordable to lower income households, further tightening the lower end of the market."* That is to say, those making more than 80% of AMI can choose from 100% of rental units in Milwaukee County. This brief analysis demonstrates how Milwaukee's affordable housing issues are as much or more a product of income as they are a product of housing availability.

The PPF further supports this concept by noting that "*despite the tendency of households to rent down and the critical shortage of affordable apartments for extremely low-income households, vacancy rates for units that are affordable to those making less than 30% AMI are high."* At the time of the PPF report, 10.3% of units affordable to extremely low-income renters were vacant, compared to 2.6% for units available to low-income renters making between 50% and 80% of AMI. "*How can there simultaneously be a high vacancy rate* and *a lack of affordable units at the lowest end of the affordability scale?"* the report asks. Possible explanations include:

- Units are unattractive to renters because of poor quality or undesirable neighborhoods.
- Landlords are purposely not renting units.
- Units are vacant due to code compliance issues.

For their part, it appears than landlords also have concerns with Milwaukee's housing market. According to the PPF, property managers and representatives from property management firms in Milwaukee have 2 main concerns regarding vacancy issues in the city:

- First, the City of Milwaukee already has enough housing for low-income families—the need is not for more rental units, but for higher family incomes.
- Second, an abundance of renters in this category are simply unqualified due to past evictions, extremely poor credit, or criminal histories including drug convictions.
- Another issue raised by property managers is the city's reluctance to hold tenants accountable for nuisance-related violations (noise, trash, abandoned vehicles, loitering, drugs, etc.).

[13] Horton, Ryan, et al. "Give Me Shelter: Responding to Milwaukee county's Affordable Housing Challenges." May 2009. Public Policy forum.

C. City-Owned Inventory

As the PPF report notes:

> The affordability squeeze…, the renting down phenomenon…, and the high vacancy rates… all work in tandem to push extremely low income renters into poor quality, crowded or more expensive units that are outside of their affordability range. In addition, it is important to note that a portion of Milwaukee County households are pushed out of housing altogether. In fact, 1,644 adults and children are homeless in Milwaukee County, as documented by the Milwaukee Continuum of Care's "Point in Time Survey" conducted on January 28, 2009. The preliminary data show an almost 12% increase in our community's homeless population since the 2007 count was conducted.

Between 2007 and 2012, the City acquired over 2,100 properties through tax foreclosure,[14] and it currently owns and maintains approximately 1,300 tax-foreclosed residential properties. This inventory is likely to increase due to lagging tax foreclosure actions. Because properties acquired through tax foreclosure are frequently neglected and low in value, leasing or selling City-owned properties is a lengthy and difficult process.

Given the issues described above, the City has an interest in a more efficient model in dealing with its inventory of real property. Vacant properties might be returned to productive use through innovative property development and management services, especially if offered to renters at affordable rates at scattered sites and with the possibility of eventual ownership. The following figures and notes provide a brief overview of tax-foreclosed properties currently owned by the City in each alderperson district. The yellow dots on each map depict the location of residential properties deemed 'habitable' by the Department of City Development, according to the Strong Neighborhood Plan mapping tool. To better display each district, maps are not presented at the same scale and portions of districts with no habitable City-owned residential properties are cropped.

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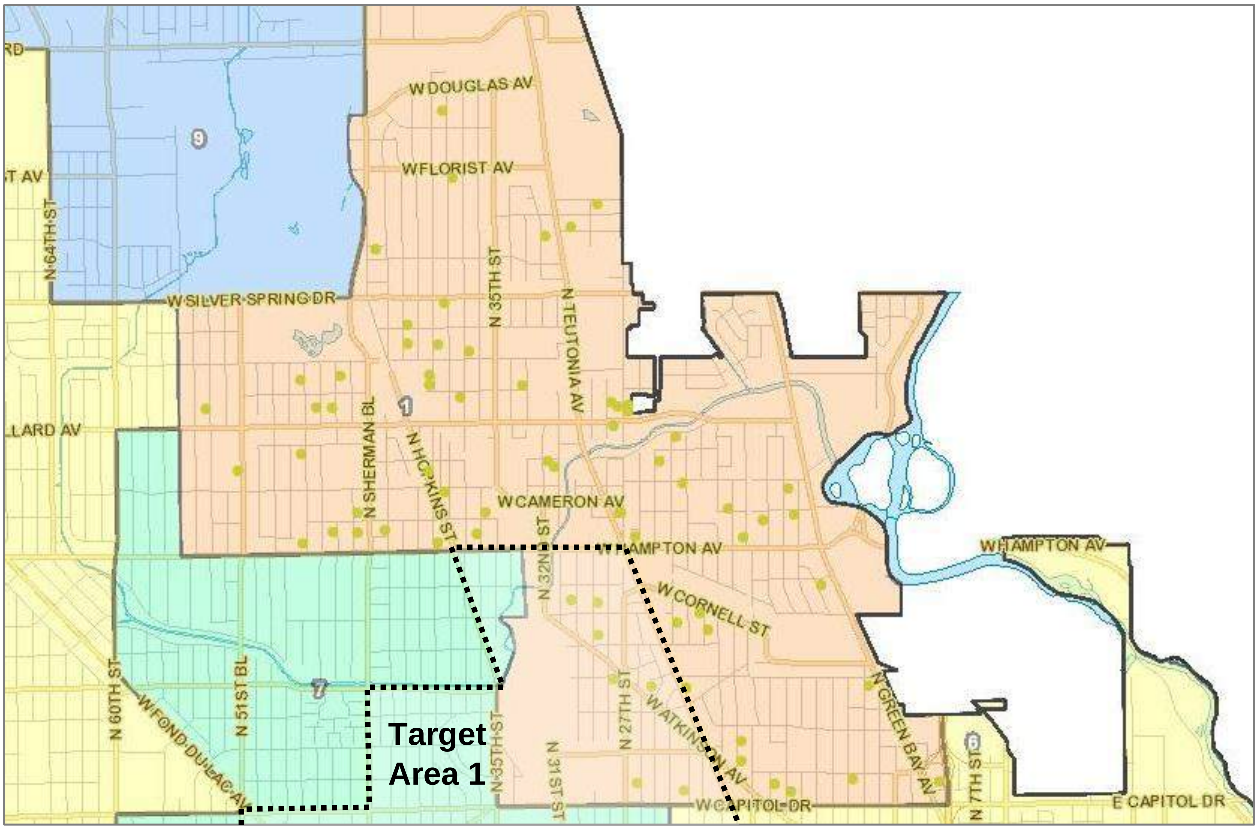
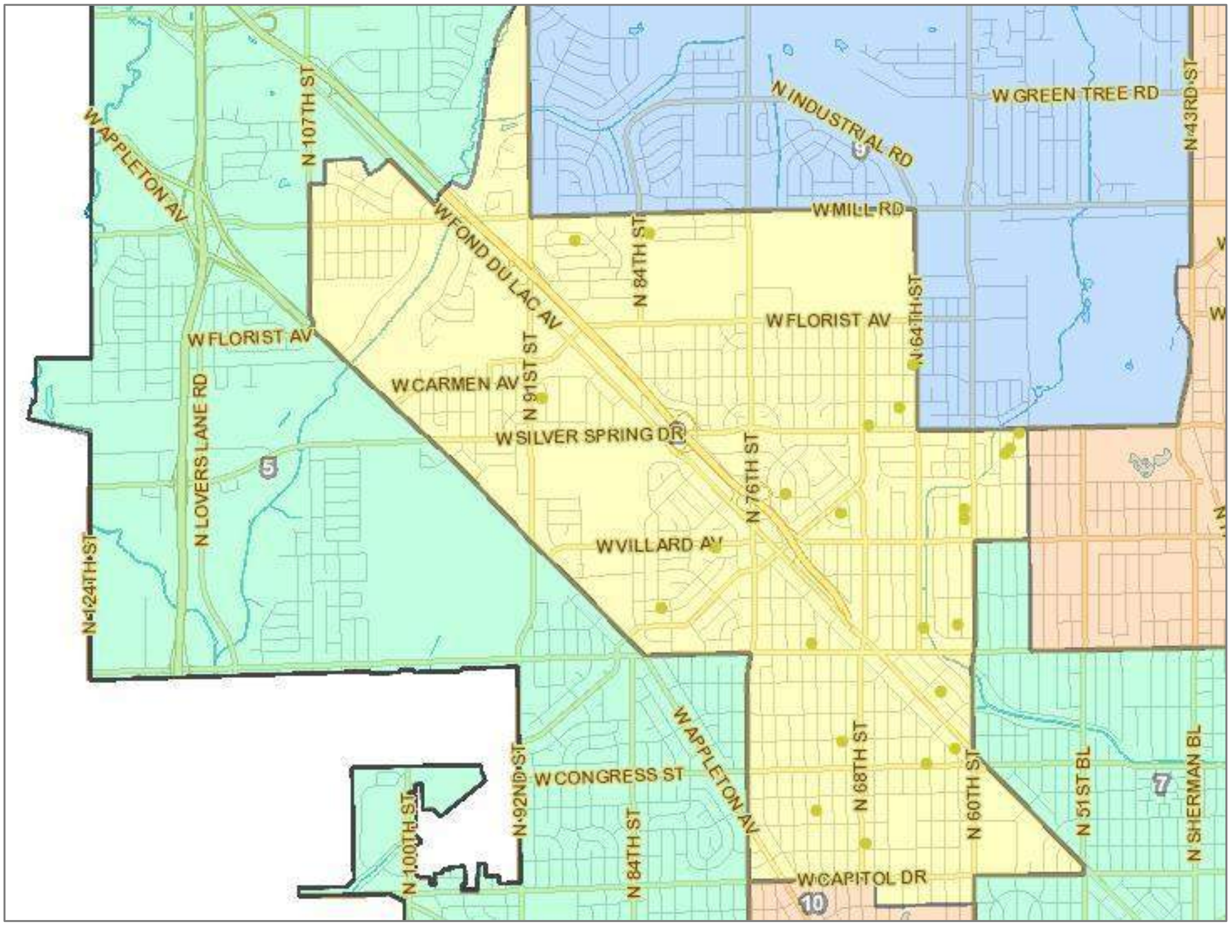
[14] Walker, Don. "Barrett Proposes $11.7 Million Plan Aimed at City's Foreclosed Homes." Milwaukee Journal Sentinel. 14 Sept. 2013.

District 1



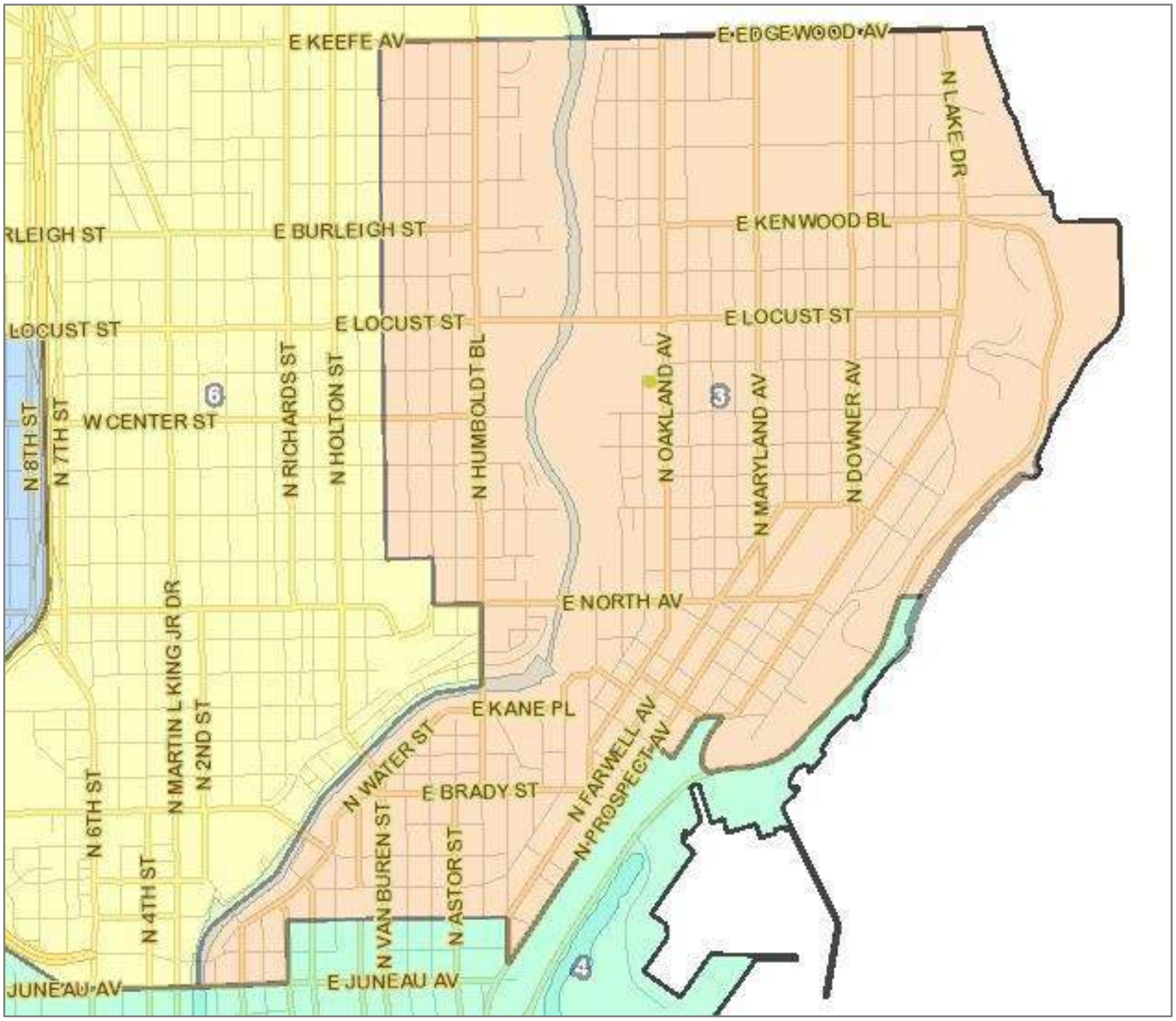
- 69 City-owned improved residential properties defined as ‘habitable’.
- A low-end rehabilitation cost estimate is available for 53 of these properties.
- 45 properties have a low-end rehabilitation cost estimate less than $50,000.
- The average low-end rehabilitation cost estimate of these 53 properties is $30,615.
- Of the 53 properties, 27 are vacant.
- Approximate number of properties within target areas: 7

District 2



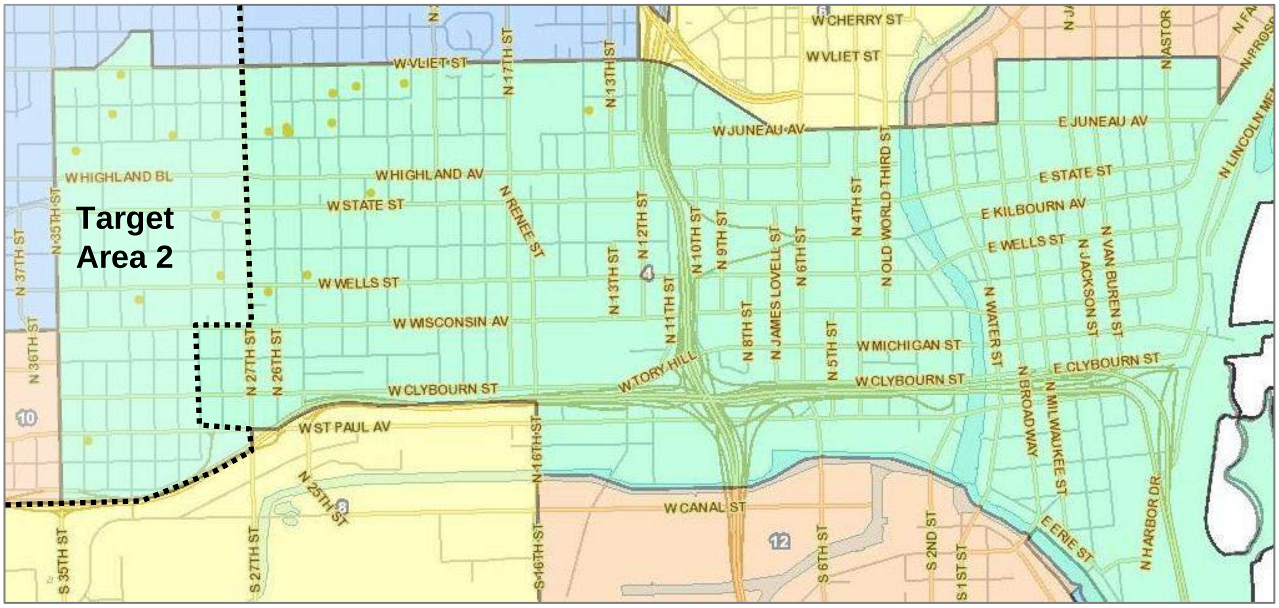
- 24 City-owned improved residential properties defined as 'habitable'.
- A low-end rehabilitation cost estimate is available for 19 of these properties.
- 18 properties have a low-end rehabilitation cost estimate less than $50,000.
- The average low-end rehabilitation cost estimate of the 19 properties is $27,488.
- Of the 19 properties, 14 are vacant.

District 3



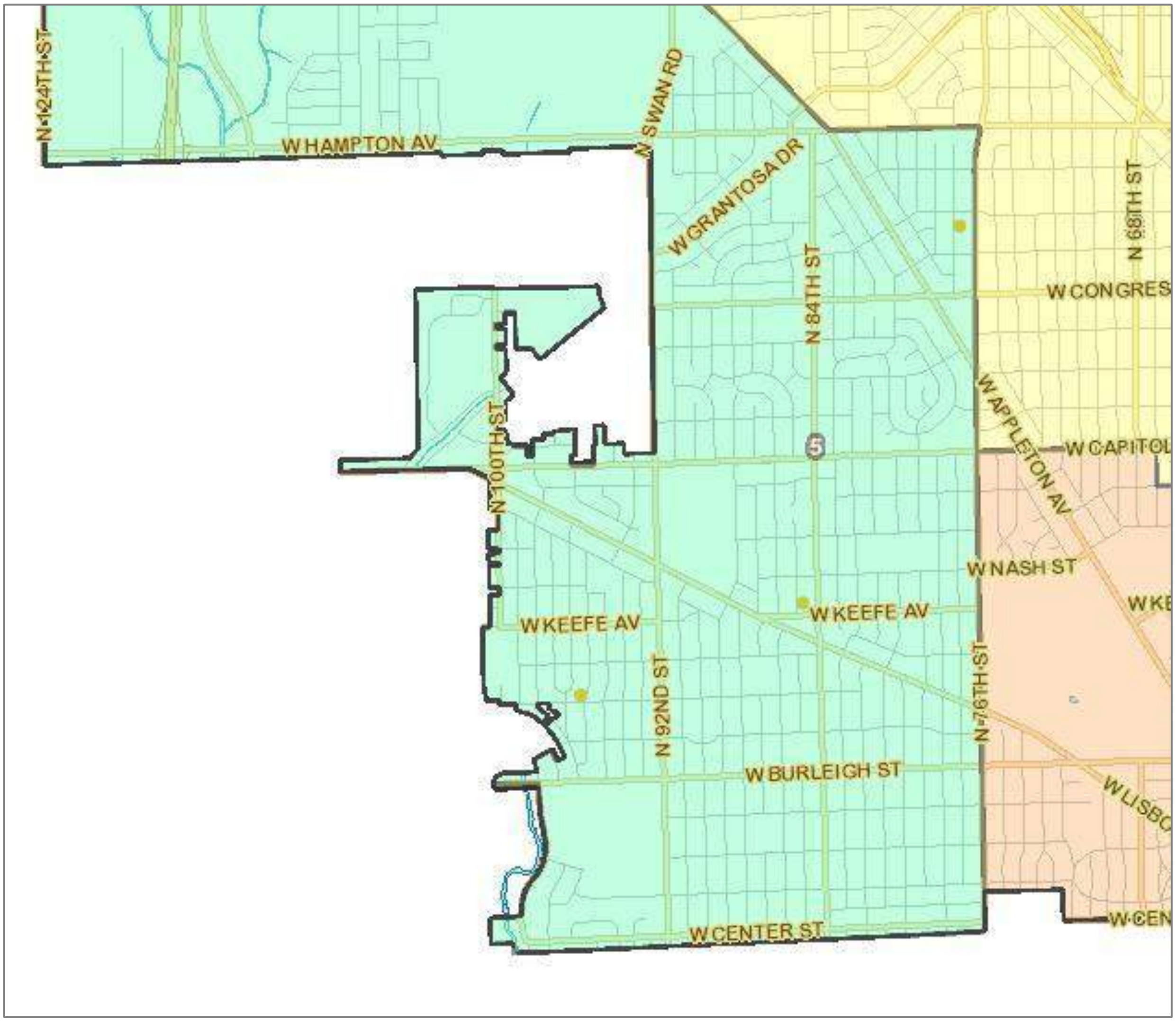
- One City-owned improved residential property defined as ‘habitable’.
- No low-end rehabilitation cost estimate is available for this properties.
- The property is vacant.

District 4



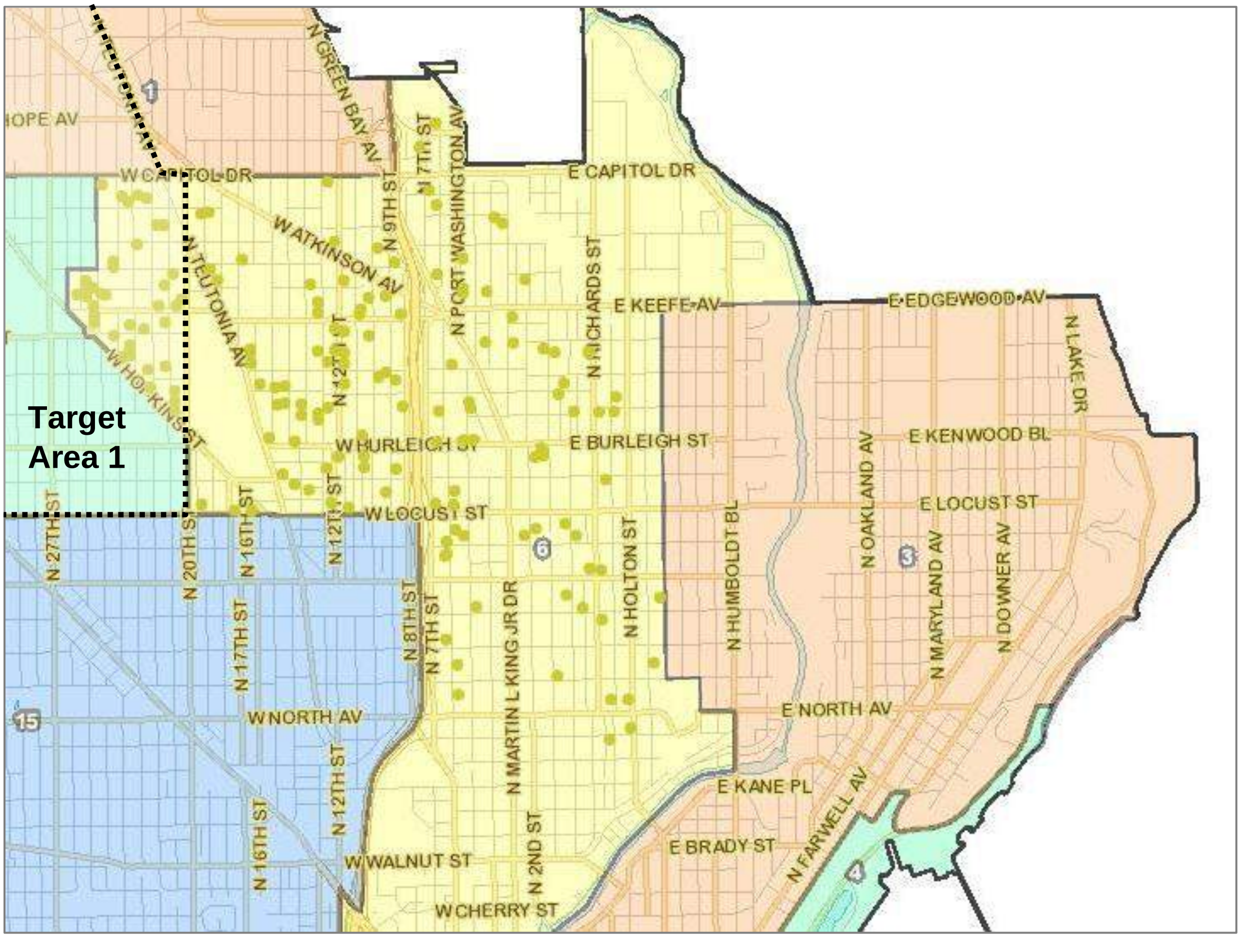
- 21 City-owned improved residential properties defined as ‘habitable’.
- A low-end rehabilitation cost estimate is available for 16 of these properties.
- 12 properties have a low-end rehabilitation cost estimate less than $50,000.
- The average low-end rehabilitation cost estimate of the 16 properties is $38,565.
- Of the 16 properties, 12 are vacant.
- Approximate number of properties within target areas: 8

District 5



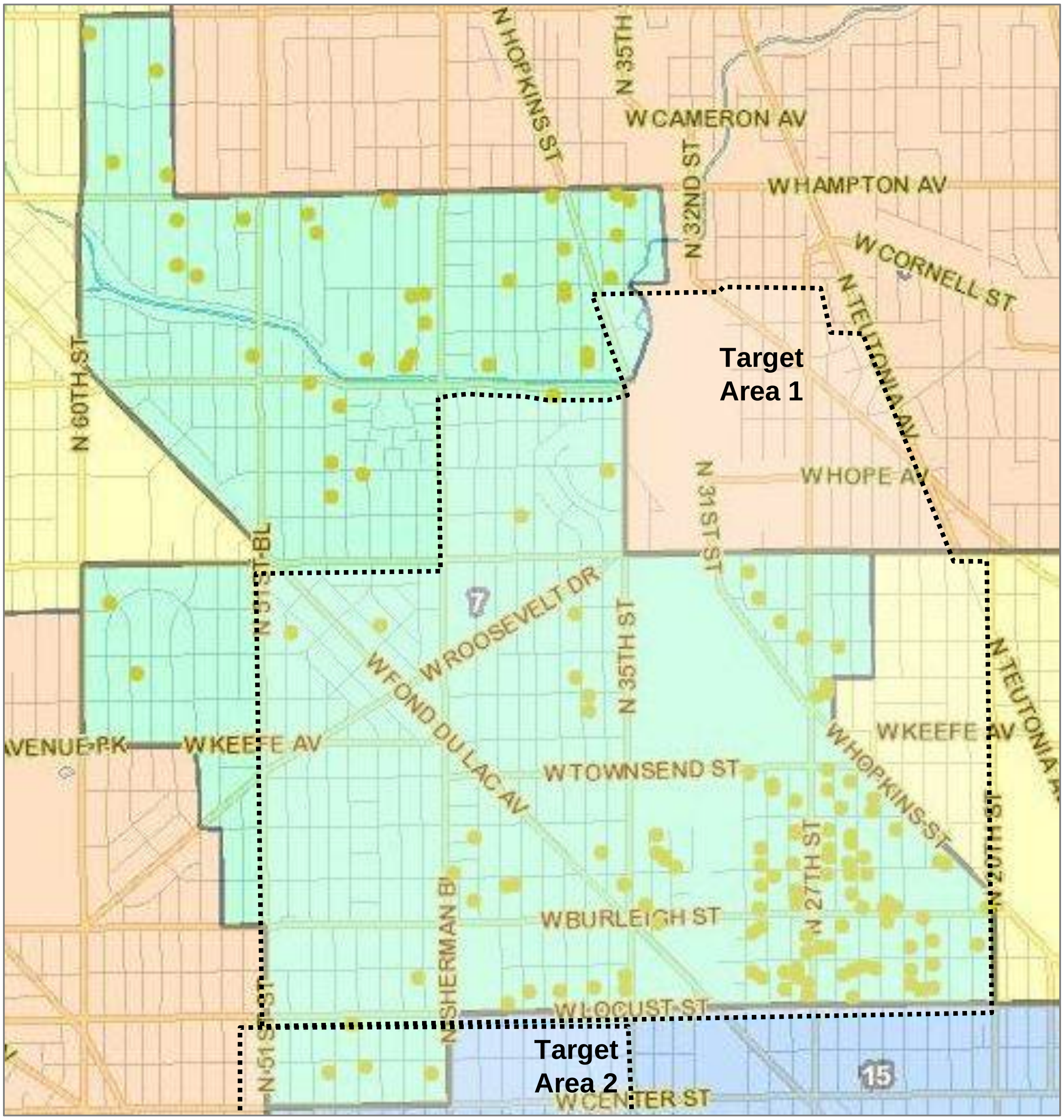
- 3 City-owned improved residential properties defined as 'habitable'.
- A low-end rehabilitation cost estimate is available for all 3 of these properties.
- All 3 properties have a low-end rehabilitation cost estimate less than $50,000.
- The average low-end rehabilitation cost estimate of the 16 properties is $21,070.
- All 3 properties are vacant.

District 6



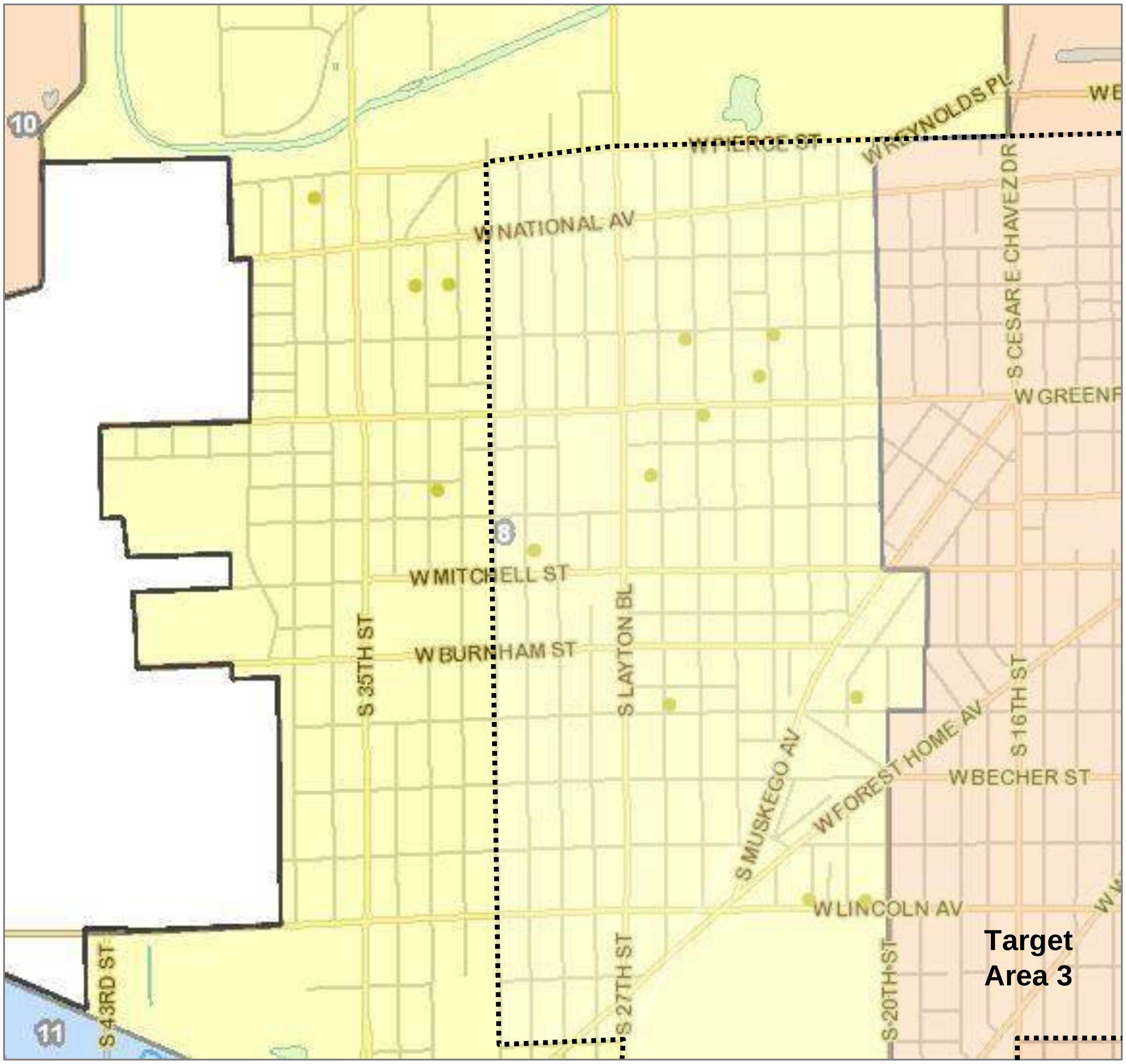
- 166 City-owned improved residential properties defined as 'habitable'.
- A low-end rehabilitation cost estimate is available for 129 of these properties.
- 94 properties have a low-end rehabilitation cost estimate less than $50,000.
- The average low-end rehabilitation cost estimate of the 194 properties is $38,411.
- Of the 94 properties, 60 are vacant.
- Approximate number of properties within target areas: 38

District 7



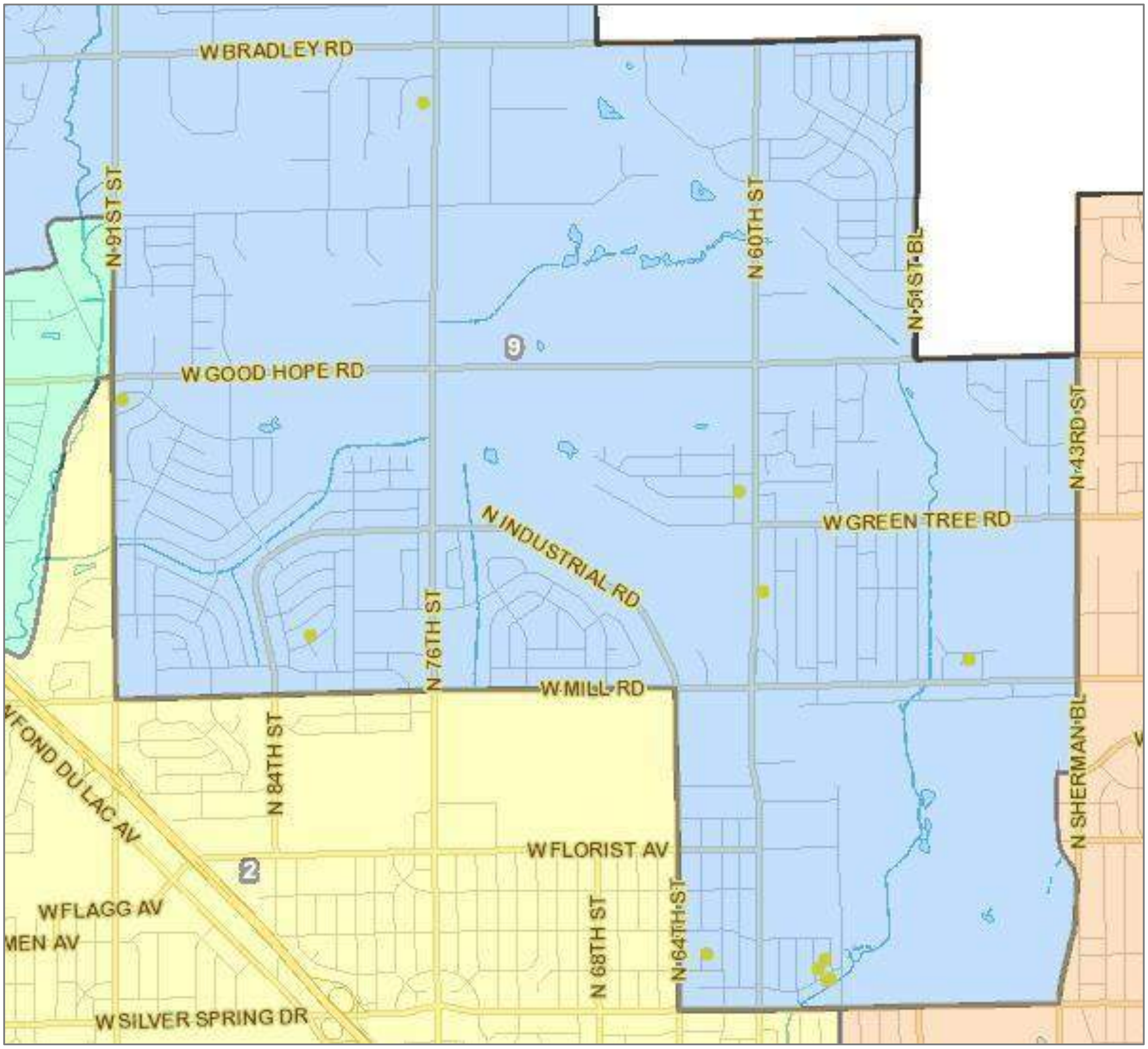
- 150 City-owned improved residential properties defined as 'habitable'.
- A low-end rehabilitation cost estimate is available for 112 of these properties.
- 96 properties have a low-end rehabilitation cost estimate less than $50,000.
- The average low-end rehabilitation cost estimate of the 112 properties is $32,725.
- Of the 112 properties, 74 are vacant.
- Approximate number of properties within target areas: 110

District 8



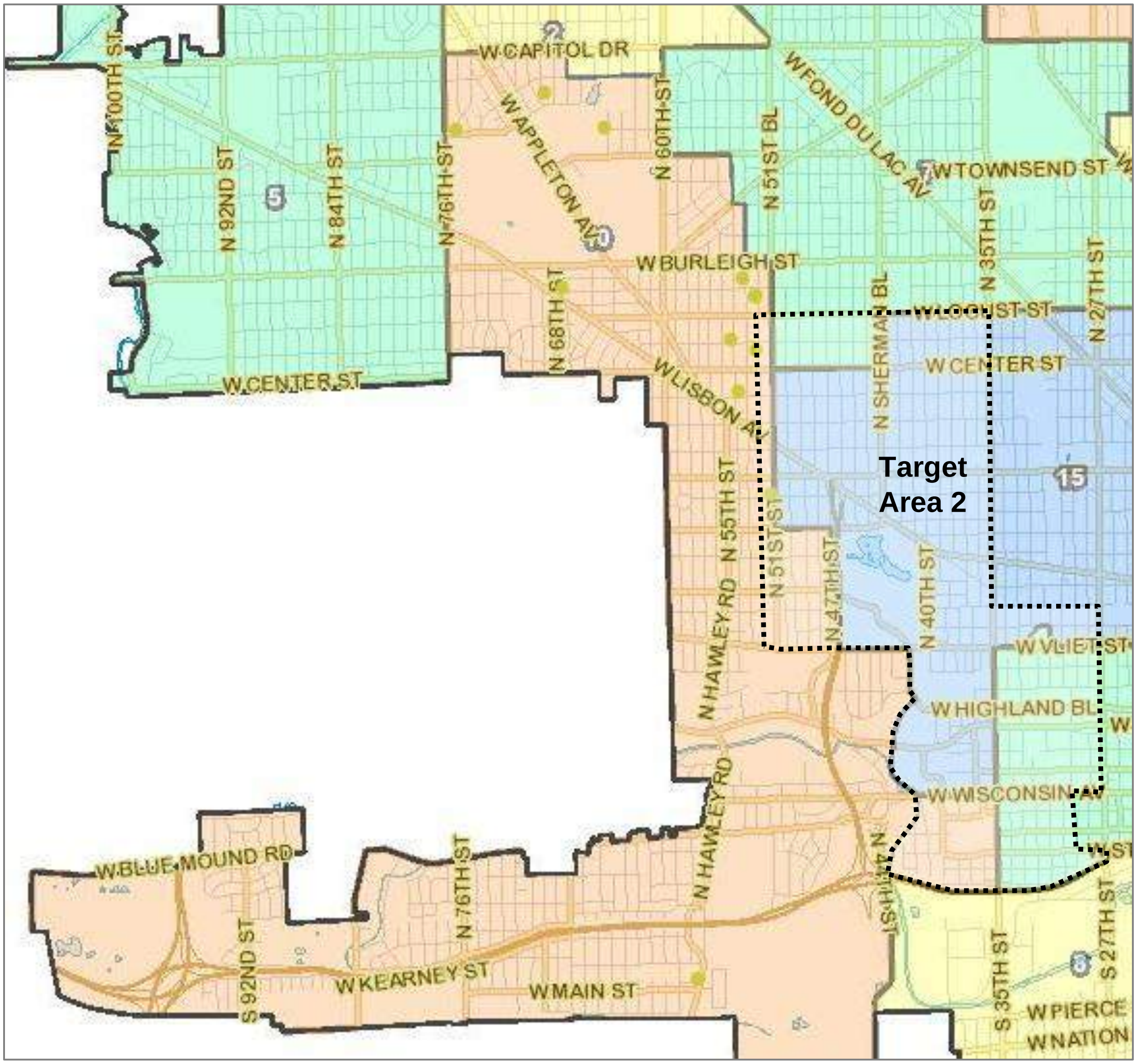
- 14 City-owned improved residential properties defined as ‘habitable’.
- A low-end rehabilitation cost estimate is available for 6 of these properties.
- All 6 properties have a low-end rehabilitation cost estimate less than $50,000.
- The average low-end rehabilitation cost estimate of the 6 properties is $21,926.
- Of the 6 properties, 4 are vacant.
- Approximate number of properties within target areas: 10

District 9



- 11 City-owned improved residential properties defined as 'habitable'.
- A low-end rehabilitation cost estimate is available for 7 of these properties.
- All 7 properties have a low-end rehabilitation cost estimate less than $50,000.
- The average low-end rehabilitation cost estimate of the 7 properties is $18,737.
- Of the 7 properties, 6 are vacant.

District 10



- 12 City-owned improved residential properties defined as 'habitable'.
- A low-end rehabilitation cost estimate is available for 8 of these properties.
- All 8 properties have a low-end rehabilitation cost estimate less than $50,000.
- The average low-end rehabilitation cost estimate of the 6 properties is $22,248.
- Of the 8 properties, 5 are vacant.
- Approximate number of properties within target areas: 2

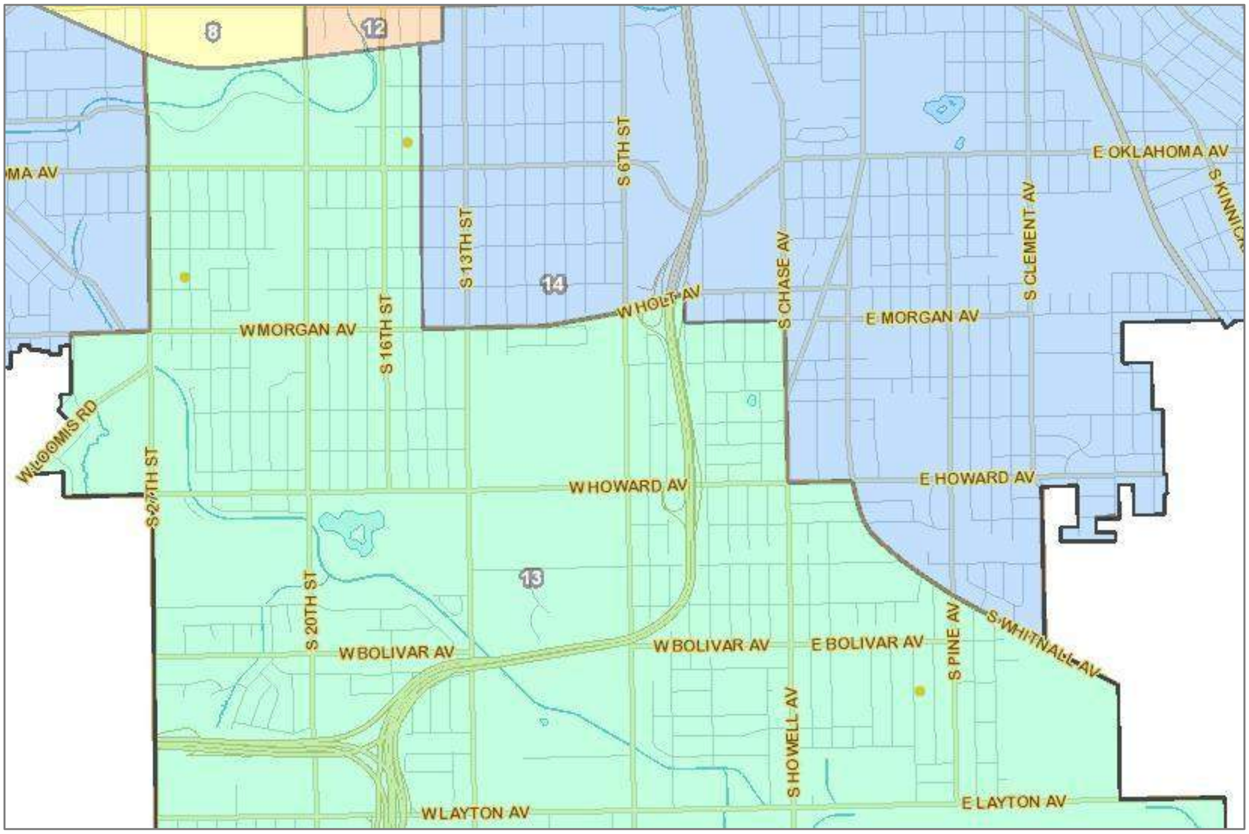
District 11

There are no habitable City-owned improved residential properties in the 11th aldermanic district.

District 12

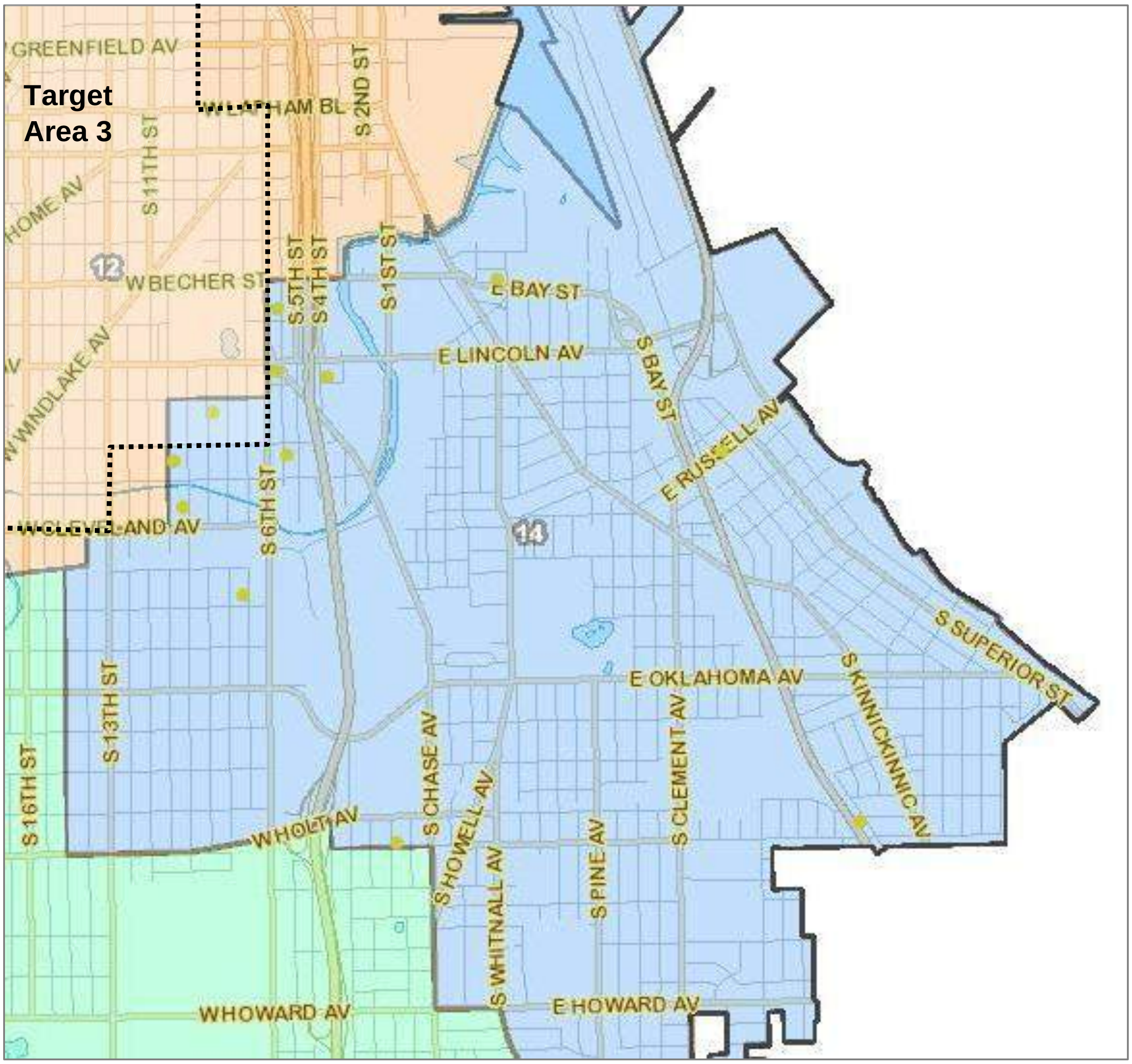
- 19 City-owned improved residential properties defined as ‘habitable’.
- A low-end rehabilitation cost estimate is available for 13 of these properties.
- 8 properties have a low-end rehabilitation cost estimate less than $50,000.
- The average low-end rehabilitation cost estimate of the 13 properties is $37,077.
- Of the 13 properties, 10 are vacant.
- Approximate number of properties within target areas: 17

District 13



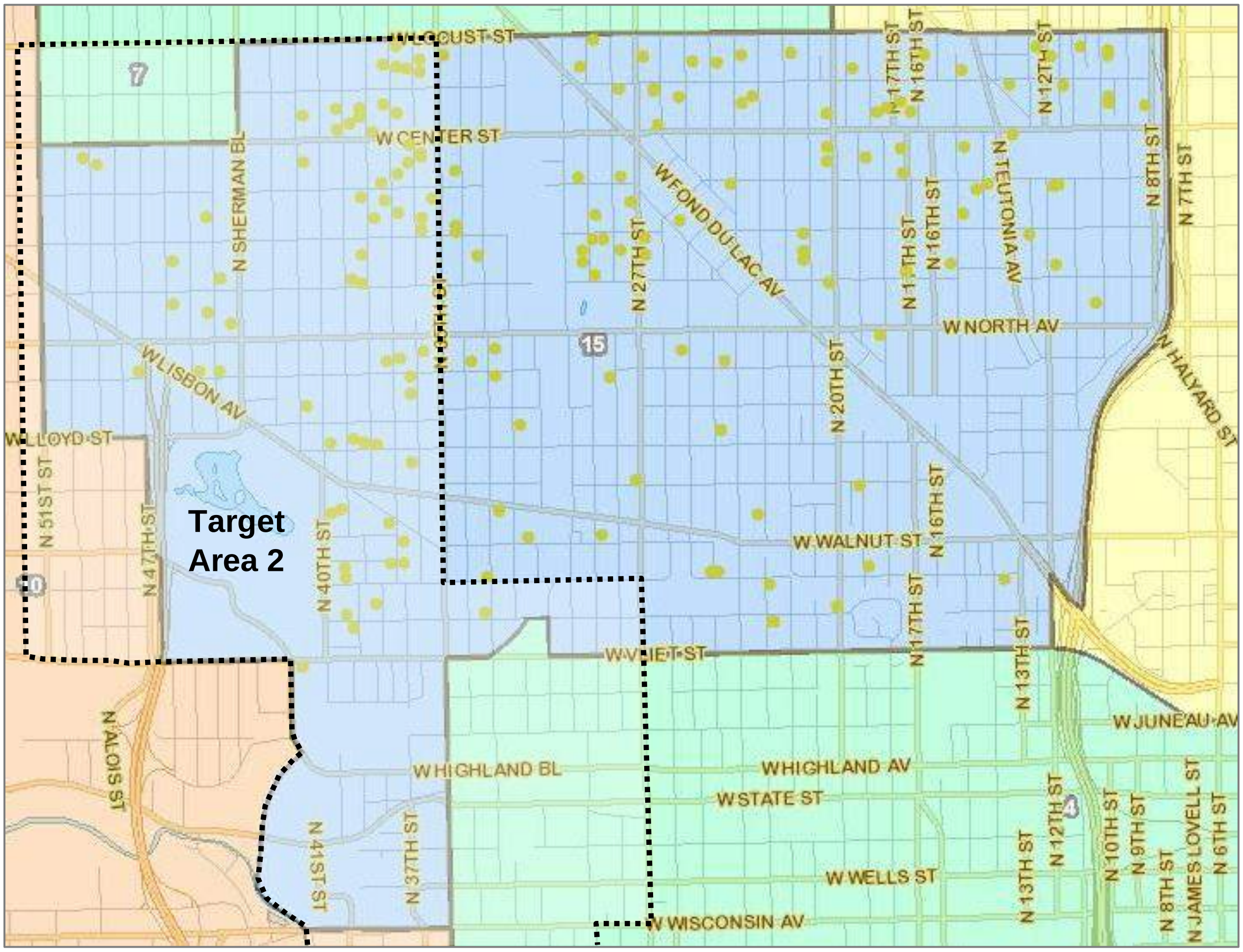
- 4 City-owned improved residential properties defined as ‘habitable’.
- A low-end rehabilitation cost estimate is available for 3 of these properties.
- All 3 properties have a low-end rehabilitation cost estimate less than $50,000.
- The average low-end rehabilitation cost estimate of the 3 properties is $13,052.
- All 3 properties are vacant.

District 14



- 13 City-owned improved residential properties defined as 'habitable'.
- A low-end rehabilitation cost estimate is available for 8 of these properties.
- 6 properties have a low-end rehabilitation cost estimate less than $50,000.
- The average low-end rehabilitation cost estimate of the 3 properties is $40,342.
- Of the 8 properties, 7 are vacant.

District 15



- 163 City-owned improved residential properties defined as 'habitable'.
- A low-end rehabilitation cost estimate is available for 118 of these properties.
- 74 properties have a low-end rehabilitation cost estimate less than $50,000.
- The average low-end rehabilitation cost estimate of the 118 properties is $43,268.
- Of the 118 properties, 97 are vacant.
- Approximate number of properties within target areas: 68

IV. THE HOME FRAMEWORK

The following sections are intended to provide general guidance for the development and implementation of the HOME Program. The models and practices described below are by no means comprehensive, but instead point to the anticipated breadth of the HOME Program vision and articulate a clear yet flexible path toward housing improvement in the City of Milwaukee.

A. Funding Model

The 2014 Budget of the City of Milwaukee authorized $200 million in contingent borrowing for purposes not contemplated at the time the budget was adopted. Resolution File Number 131210 further authorized the issuance of general obligation promissory notes for various public purposes (the “Note Resolution”), not all of which will be needed in the next 6 months.

The proposed Milwaukee HOME Program will be funded through $5 million in contingent borrowing, to be issued on the authority of the Common Council within the amount authorized by the Note Resolution and to replace other purposes in the Note Resolution that will not be needed in the next 6 months.

The Mayor’s STRONG Neighborhoods Plan Challenge Grant Fund, if approved in the 2015 City Budget, will also be used to provide initial renovation subsidies for community development groups and private development firms through the Milwaukee HOME Program.

B. Additional Potential Funding Sources and Models

Any discussion regarding potential funding for the Milwaukee HOME Program should consider both actual budgeted funds and the deferral of existing and potential costs. For instance, according to a 2008 survey performed by the United States Council of Mayors,[15] "*Cities which have been required to allocate more money for the upkeep of vacant and abandoned properties as a result of the mortgage foreclosure crisis have used the funds primarily for property maintenance and code enforcement.*"

Through the transfer of vacant property management responsibilities to a third-party and, consequentially, the sale or rental of these properties, the City may realize not just significant savings in vacant property management, but also potential gains in tax revenue. Given the potential benefits of HOME, arguably the single most important funding consideration may not be recurring costs, per se, but the program's start-up costs. For instance, according to a Fall 2011 issue of the Pittsburgh Quarterly:

> A land bank in Pittsburgh that would automatically take all property that is tax delinquent for five years could cost $3.7 million a year to run. But the cost of clearing the titles of the more than 8,000 properties in the city's inventory could reach $15 million, according to preliminary estimates contained in an unpublished report prepared for the Land Recycling Task Force.

Additional potential funding sources or funding models might include:

<u>The Housing Trust Fund of the City of Milwaukee (HTFM)</u>

According to the Southeast Wisconsin Regional Planning Commission's (SEWRPC) website, the HTFM, established in 2006, was "*capitalized with $2.5 million in bonding in 2007 and received $400,000 in general tax revenue in both 2008 and 2009. Ongoing support is provided through the City's general purpose fund and ongoing bonding.*"

SEWRPC further notes that the HTFM is "*intended to provide gap financing to developers of rental housing, owner-occupied housing, and housing and services to the homeless. As of 2013, the HTFM has provided more than $4.5 million in grants and loans, generating 619 housing units created or rehabilitated since 2008. HTFM funding commitments have leveraged over $91.4 million in total resources, with an average of $7,270 in HTFM direct funding per unit.*" The HTFM is administered by the City's Community Block Grant Office.

[15] U.S. Council of Mayors. "Vacant and Abandoned Properties.: Survey and Best Practices." June 2008. City Policy Associates, Washington D.C.

According to the PPF:

> The capacity of Milwaukee's three separate housing trust funds [Milwaukee County has 2] to impact affordable housing needs is currently limited due to their lack of stable public funding sources. Our review of funding mechanisms for local and state housing trust funds throughout the United States reveals that the vast majority of trust funds receive revenues from dedicated taxes or fees. Thus far, the Milwaukee experience with housing trust funds is literally to beg (city trust fund), borrow (county special needs fund) or hope for the best (county inclusive housing fund). Absent stable and/or dedicated funding sources, the county's three housing trust funds can have only a limited impact on affordable housing challenges and may be unsustainable in light of worsening budgetary pressures at both the city and county.

The Milwaukee Civic Partnership Initiative (MCPI)

As an agreement between the Superlative Group, Inc. and the City of Milwaukee, the MCPI aims to "*identify and create marketing partnershi0ps between the City and private sector businesses or nonprofit organizations in the areas of advertising, naming rights, sponsorships and in-kind contributions."* The MCPI is being implemented in 2 phases: the first provides a valuation of city assets and the second involves the "*facilitation of marketing partnerships."*

The MCPI has not yet reached phase 2, and the degree to which the HOME Program might be able to use MCPI funds in unclear; however, there remains potential. For instance, according to the Superlative Group's presentation to the Finance and Personnel Committee on September 19, 2013, the company has helped to generate revenue through a number of municipal projects, including:

- $7.2 million through a 10-year single-source soft drink agreement in Miami Beach.
- $11 million over 25 years for the Greater Cleveland Regional Transit Authority.
- $1 million for the Minneapolis Convention Center over 10 years.

Tax Incremental Financing

According to the Wisconsin Legislative Fiscal Bureau:[16]

> A city or village with a TIF district that pays off its project costs can extend the life of the district for one year if the city or village does the following: (a) adopts a resolution that extends the life of the TIF district for a specified number of months and specifies how the city or village intends to improve its housing stock; and (b) forwards a copy of the resolution

[16] Wisconsin Legislative Fiscal Bureau. "Informational Paper 17: Tax Increment Financing." January 2013.

to DOR, notifying the Department that it must continue to authorize the allocation of tax increments to the district.

If DOR receives such notice, the Department must authorize the allocation of tax increments to the district during the TIF district's extended life, without regard to whether any other statutory requirements would otherwise require termination of the allocation of such increments. If a city or village receives such tax increments, it must use at least 75% of those tax increments to benefit affordable housing within the city or village in which the district exists. Affordable housing is defined as housing for which housing expenses cost no more than 30% of the household's gross monthly income. A household consists of an individual and his or her spouse and all minor dependents. Any remaining portion of the increments must be used by the municipality to improve its housing stock.

According to a June 17, 2014, communication from the Department of City Development relating to its 2013 Annual Report of Tax Incremental Districts, the City has 45 active tax incremental districts (TIDs) with an incremental value of approximately $1.1 billion. Sixteen of these TIDs are estimated to recover their costs in the next 3 years. These 16 TIDs are estimated to have a total incremental property value of $385.1 million.

The City of Milwaukee has some experience using TIF to finance affordable rental apartments. According to the PPF:17

In 1990, the city used TIF to help finance the redevelopment of the former Home Bank Building into the Historic King Place Apartments. The property contains street-level retail and 41 apartments targeted at “low and moderate-income families.” The apartments are reported to have a high occupancy rate and this successful TIF district was retired in 2008, with $2.2 million added to the city’s property tax base at that time. Despite this modest success, using TIF to finance affordable rental housing in Milwaukee is not widespread.

Some jurisdictions in other parts of the country have utilized TIF more aggressively to address affordable housing challenges. The BeltLine Affordable Housing Trust Fund in Atlanta, for example, is projected to raise $120 million for affordable housing rehab and production over the next 25 years by capturing 15% of the revenues of the large Beltline TIF district. While the Atlanta BeltLine project has yet to break ground, its plan to use TIF to build a pool of funds for the purposes of affordable housing production is both innovative and instructive.

[17] Horton, Ryan, et al. “Give Me Shelter: Responding to Milwaukee county’s Affordable Housing Challenges.” May 2009. Public Policy forum.

> Meanwhile, in 2007, the city of Portland, Oregon passed a TIF set-aside requirement that requires using 30% of the tax increment in designated urban renewal zones to fund affordable housing. By 2011, Portland expects to set aside $120 million for homes and rental units in these areas.

Additionally, per s. 66.1105(6)(g), Wis. Stats., after the date on which a tax incremental district ("TID") created by the City of Milwaukee pays off the aggregate of all its project costs, the life of the district may be extended for one year and the additional tax incremental revenues used to benefit affordable housing and to improve the housing stock in the city.

On September 24, 2013, the Common Council adopted File No. 130460, creating s. 304-96, Code of Ordinances, which provides for the extension of TIDs for one year to benefit affordable housing and improve the housing stock in the city. Additionally, on May 13, 2014, the Common Council adopted File No. 131751, establishing a framework for using tax increments to benefit affordable housing and improve the housing stock in the city.

Future tax incremental revenue made available for housing stock improvement by the extension of the life of TIDs, according to the provisions of s. 304-96 of the Code of Ordinances, will be used to pay for the contingent borrowing. It is anticipated that tax incremental revenue will be made available for use in a new Housing Opportunities, Management and Employment SPA account to pay for the Borrowing, through the adoption of the City Budget as approved by the Common Council.

State programs, such as Transform Milwaukee

According to its website, Transform Milwaukee was unveiled on April 30, 2012 by Governor Scott Walker and WHEDA. It is a public-private initiative "*focusing on restoring economic vitality to Wisconsin's largest city"* by:

- Expand business development and innovation with new and existing financing resources to spur job creation
- Reduce the number of foreclosed and vacant properties to make neighborhoods more desirable for housing and business development
- Foster partnerships between state agencies and nonprofit community groups to increase job training, skill enhancement and educational opportunities
- Create storm water runoff conveyance systems – bioswales – as an alternative to storm sewers to prevent future flooding events

- Direct resources to established intermodal transportation infrastructure – water, air, rail and highway systems

For its part, WHEDA has committed $100 million to the initiative using the following resources:

- Federal business development tax credits and/or bonding.
- WHEDA participation loans for business development projects.
- Federal housing tax credits.
- Multifamily housing loans.
- Single family mortgages.
- Vacant property remediation grants.

Federal Block Grants, Including the Neighborhood Stabilization Program

According to the PPF, federal Community Development Block Grant (CDBG) allocations are significant to Milwaukee not only because of the size of the resource, but also because of its flexibility. "*CDBG funds have very few strings attached,"* the PPF notes, "*allowing localities great discretion in prioritizing use of the funds."* However, the PPF also cautions that:

> Despite its flexibility, the capacity of CDBG funding to address Milwaukee's affordable housing needs has been limited. In part, this results from the many competing demands fo these dollars. On average, approximately one out of every five CDBG dollars in the City of Milwaukee is allocated to housing. There would be considerable political and policy hurdles to overcome any attempt to significantly increase that percentage and decrease allocations to other eligible CDBG uses.

The pool of federal CDBG funds has also been shrinking, decreasing approximately 26% between 2002 and 2007. The PPF also notes that, when discussing the use of CDBG and other federal funds in the Milwaukee metro area with "local housing experts," the following concerns regarding local allocation policies were articulated:

- Federal dollars may be spread too thin, across too many non-profit organizations.
- Housing projects may be too scattered and lacking critical mass.
- Local housing policies may not align with market conditions.
- Local policies may not be maximizing the leverage of private dollars.

Despite these challenges, federal CDBG funds may be an important component of HOME Program activities, such as property acquisition, site clearance or preparation, and property rehabilitation (use of CDBG funds for new construction is precluded except under specific circumstances). For instance, the Neighborhood Stabilization Program (NSP) is a component of the Community Development Block Grant program. According to the U.S. Department of Housing and Urban Development, NSP was:

> Established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment…NSP grantees develop their own programs and funding priorities. However, NSP grantees must use at least 25 percent of the funds appropriated for the purchase and redevelopment of abandoned or foreclosed homes or residential properties that will be used to house individuals or families whose incomes do not exceed 50 percent of the area median income.

NSP funds can be used for activities such as:

- Establishing financing mechanisms for the purchase and redevelopment of foreclosed homes and residential properties.
- Purchasing and rehabilitating abandoned or foreclosed residential properties.
- Establishing land banks for foreclosed homes.
- Demolishing blighted structures.
- Redeveloping demolished or vacant properties.

Regarding federal funding resources, the U.S. Council of Mayors in 2008[18] asked mayors "*how additional federal resources, if they became available, would be used to mitigate the impact of the mortgage foreclosures on their vacant and abandoned properties.*" Responses showed that:

- 61 percent said they would use the funds to acquire vacant or abandoned properties.
- 56 percent would clean up land.
- 56 percent would rehabilitate structures on properties.
- 54 percent would demolish structures on properties.
- 42 percent would maintain already acquired properties.
- 29 percent would establish land banks.
- 20 percent would establish financing mechanisms for purchase and redevelopment of vacant or abandoned properties.

In a 2010 update to this survey, the U.S. Council of Mayors found that:

[18] U.S. Council of Mayors. "Vacant and Abandoned Properties.: Survey and Best Practices." June 2008. City Policy Associates, Washington D.C.

More than nine in 10 of the cities receiving NSP funds report that they are partnering with nonprofit organizations in the programs and activities they are conducting with these funds. And 84 percent of the cities report that they are applying other-than-NSP funds to alleviating their current property problems: Seventy-four percent of these cities are using their own funds; two-thirds are using funds from other federal sources; smaller groups are using state and private funds.

Additional potential federal funding sources may include:

- The Federal HOME Investment Partnership: According to HUD, the HOME Investment Partnership "*provides formula grants to states and localities that communities use – often in partnership with local nonprofit groups – to fund a wide range of activites that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people.*"
- The Federal Housing Choice Voucher Program (Section 8 Vouchers): According to HUD, this program is "*the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.*"
- Federal Project-Based Section 8 Subsidies: According to the federal Government Accountability Office, "u*nder the project-based Section 8 program, HUD contracts with property owners that receive rental subsidies for units rented to low-income tenants. These tenants pay a portion of the rent, generally 30 percent of their adjusted income, and the subsidies make up the rest.*" There are over 10,000 project-based Section 8 units in Milwaukee County.

  According to the PPF, "w*hile new funds are no longer appropriated for this program, public housing agencies may use up to 20% of the funds in their annual Section 8 voucher program block grants to provide project-based assistance. These project-based subsidies can be attached to the development or rehab of new or existing rental units. They typically are used in tandem with other public grants (CDBG, HOME, or Housing Trust Fund allocations) to rehab and develop new rental housing units.*"

<u>Funding Summary</u>

Regardless of the funding source, it appears that, given the scope of the foreclosure crisis, one source of funding may not be enough. For instance according to the 2009 update to the U.S.

Council of Mayors survey, "*four of five of the survey cities said that the resources available to them through HUD's Neighborhood Stabilization Program or other sources were not sufficient to address the problems associated with mortgage foreclosures.*"

Public housing plays an important role in Milwaukee's housing environment, but according to the PPF, "*the ability of public housing to play a larger role in addressing the needs of extremely low income households appears to be limited due to a shift of federal priorities away from the public housing model.*" Despite this and other concerns, however, there remains a number of tools available to City officials.

Further, according to the PPF, "*one way to creatively grow the [public housing] program at the local level would be to encourage the graduation of tenants out of public housing and into non-government subsidized private market units…*" Additionally, according to the Fall 2011 Pittsburgh Quarterly:

> One of the hidden truths about tax delinquency is that most owners find a way to pay back taxes and penalties after they are threatened with foreclosure. By collecting interest penalties and principal from delinquent owners, land banks are able to recover a sizable portion, if not all, of the costs of maintaining, demolishing, rehabbing and marketing properties in their inventories. In Cleveland's case, the land bank brings in $6 million to $8 million a year.

Although arguably not a land bank, per se, the Milwaukee HOME Program would offer many of the benefits of this type of system. The September 2011 edition of Zoning and Planning Law Report[19] offers a succinct summary of land banks:

> As entities intended to help a local government achieve legal, institutional, and systemic changes facilitating the reuse of a community's problem properties, land banks have taken many forms. First proposed as a form of urban planning in the 1960s, the concept has taken root in several metropolitan communities in the last 25 years. The Housing and Economic Recovery Act of 2008, with its Neighborhood Stabilization Program, is the first federal recognition of the severe costs borne by neighborhoods and local governments when properties are vacant or abandoned. For the first time, Congress appropriated funds for the acquisition, management, and disposition of such properties—and recognized the role of a tool called land banking.

[19] Alexander, Frank S. and Leslie A. Powell. "Neighborhood Stabilization Strategies for Vacant and Abandoned Properties." September 2011. Zoning and Planning Law Report, Vol. 34, No. 8.

> The idea of land banking is not to replace or supplant either the open market or land-use planning but to step in when there is a failure of market demand, acquiring abandoned inventory and making it available for other land-use planning. As with other new approaches, some efforts have been more successful than others. But all land banking initiatives share the ability to address inefficiencies in real estate markets and the potential to bring together federal, state, and local policies to build stronger communities.

Land banks help stabilize the real estate market by creating the functional equivalent of a publicly controlled secondary market. A land bank's ability to acquire inventory when land has no readily available private market lets it address the contraction and expansion of property "liquidity" relative to demand. The regulation of private development is not affected, nor are traditional zoning and land-use plans. Rather, a community's zoning and land-use plans can be enhanced by land banks.

C. Phase I: Targeting Investments

In Phase I, the Department of City Development ("Department") and other proper city officials are directed to issue a HOME Request for Qualifications to solicit the interest of community development organizations and private development firms to maintain, improve, manage, market, rent and sell selected City-owned and tax-foreclosed residential properties as part of the Milwaukee HOME Program for the purpose of redeveloping 100 properties for affordable rental and home ownership

In addition, numerous tools and data sets are available to assess the foreclosure risks of particular areas, providing analysts with useful tools for targeting housing investments. For instance, according to the website Foreclosure-Response.org, a joint project of the Center for Housing Policy, the Local Initiatives Support Corporation and the Urban Institute:

> To help states and communities make informed decisions about how to allocate and spend their resources for foreclosure prevention and neighborhood stabilization, the Local Initiatives Support Corporation (LISC) has developed datasets with foreclosure "risk scores" at the ZIP Code level within each state and also within each metropolitan area. These scores incorporate measures of subprime lending, foreclosures, delinquency, and vacancies.
>
> State and local elected officials, government agency staff, and community leaders can use these risk scores to quickly assess relative foreclosure risk within states, localities, or metropolitan areas and allocate resources accordingly. Further, policy analysts can adapt the LISC methods to local circumstances by assigning different weights to the individual factors provided or by adding additional criteria from outside data sources.

According to a recent Urban Institute publication,[20] there are at least 3 steps in the prioritization of neighborhood stabilization programs. These include:

- Step 1: Market Assessment

According to the ForeclosureResponse.org website, this step entails a review of the housing market and foreclosure risk to "*gain an understanding of how many and which census tracts…have fairly high foreclosure risk and very weak market conditions, which tracts fall into the middle range of both foreclosure risk and market strength, etc*."

[20] Kingsley, Thomas G., Leah Hendey and David Price. "Setting Priorities for Neighborhood Stabilization: Guide to Using ForeclosureResponse.org Indexes." June 2011. The Urban Institute.

- Step 2: Application of Local Knowledge and Data

This step involves consultation and research with planning officials, realtors, housing specialists, etc., to:

> Estimate the level of the critical market strength and foreclosure risk thresholds for the metropolitan area and…review which tracts are grouped in key cells around these thresholds. For example, how high of a local foreclosure risk level is the most critical for intervention, and which census tracts have a risk level near that threshold? What level of market strength divides the census tracts where market-oriented rehabilitation is likely to be viable versus those in which market-oriented strategies are unlikely to be viable? The answers to these questions will help to define zones where different types of targeted actions are appropriate.

- Step 3: Establish Targeted Action Zones

The Urban Institute notes that it may be best to base priority actions in groups of census tracts "*that are likely to justify similar priorities and programmatic treatment so you do not have to try to develop approaches for tracts one-by-one."* Regardless of the steps taken, it is clear that something must be done to address the maintenance, improvement, management, marketing, rental and sale of City-owned, tax-foreclosed residential properties in Milwaukee. The Milwaukee HOME Program addresses this need.

The foreclosure risk data provided in Table 1 on pages 52 and 53 were assembled from a LISC spreadsheet of intra-metropolitan foreclosure risk data provided by the Foreclosure Response Project (FRP). For this particular dataset, the highest risk ZIP Code in the MSA is assigned a score of 100. All other ZIP codes are assigned a relative score, meaning a ZIP code with a score of 50 would have half the foreclosure risk of the highest-risk Zip Code. Likewise, a ZIP Code with a score of 20 would have one-fifth the foreclosure risk of the highest-risk ZIP Code.

The FRP also provides data on market strength and foreclosure risk at the census tract level through its Market Strength/Foreclosure Risk Matrix (see Figure 6 on page 42). Using this tool, analysts can select their desired foreclosure risk and market strength levels to compare and target specific zip codes in an MSA. For instance, Table 2 on pages 40 and 41 displays all census tracts in the Milwaukee-Waukesha-West Allis MSA with both a foreclosure risk score of 4, 5, or 6, and a market strength score of 4, 5, or 6. The table also denotes if the tract is eligible for Neighborhood Stabilization Program grants.

Table 1. Foreclosure Risk Scores for September 2013 in the Milwaukee-Waukesha-West Allis, WI MSA, by ZIP Code.

ZIP Code	Preferred ZIP Place Name	County	Foreclosure Risk Score	Subprime Component Score	Foreclosure Component Score	Delinquency Component Score
53218	Milwaukee	Milwaukee	**100.0**	93.4	100.0	100.0
53206	Milwaukee	Milwaukee	**91.6**	100.0	44.5	67.3
53216	Milwaukee	Milwaukee	**79.3**	81.1	71.3	78.5
53209	Milwaukee	Milwaukee	**77.5**	77.8	69.3	78.6
53210	Milwaukee	Milwaukee	**61.4**	50.5	52.1	43.9
53215	Milwaukee	Milwaukee	**29.6**	26.1	31.2	29.8
53223	Milwaukee	Milwaukee	**28.3**	19.6	35.6	29.8
53208	Milwaukee	Milwaukee	**20.6**	15.9	15.7	17.9
53204	Milwaukee	Milwaukee	**19.9**	19.0	11.0	16.7
53224	Milwaukee	Milwaukee	**17.7**	11.1	22.4	19.7
53225	Milwaukee	Milwaukee	**15.6**	12.1	16.0	18.4
53212	Milwaukee	Milwaukee	**13.4**	15.3	10.3	13.0
53214	Milwaukee	Milwaukee	**12.5**	7.1	12.8	17.8
53219	Milwaukee	Milwaukee	**11.4**	4.5	16.3	14.2
53205	Milwaukee	Milwaukee	**10.7**	11.7	9.4	9.7
53221	Milwaukee	Milwaukee	**8.4**	3.7	12.9	9.2
53222	Milwaukee	Milwaukee	**7.5**	3.9	11.3	7.8
53207	Milwaukee	Milwaukee	**7.1**	4.1	8.2	9.4
53172	So. Milwaukee	Milwaukee	**6.4**	2.7	10.8	6.1
53110	Cudahy	Milwaukee	**5.6**	2.3	8.7	6.3
53220	Milwaukee	Milwaukee	**5.1**	1.8	7.8	6.2
53154	Oak Creek	Milwaukee	**4.6**	1.6	5.2	7.5
53227	Milwaukee	Milwaukee	**4.2**	1.7	5.8	5.5
53186	Waukesha	Waukesha	**3.8**	1.8	6.1	3.9
53027	Hartford	Washington	**3.5**	1.2	5.7	4.0
53090	West Bend	Washington	**3.2**	1.0	3.4	5.3
53188	Waukesha	Waukesha	**2.5**	1.4	3.2	3.1
53066	Oconomowoc	Waukesha	**2.4**	1.0	3.2	3.1
53095	West Bend	Washington	**2.2**	0.6	3.2	3.2
53132	Franklin	Milwaukee	**2.2**	0.7	2.9	3.2
53051	Men. Falls	Waukesha	**2.1**	0.9	2.5	3.1
53149	Mukwonago	Waukesha	**1.8**	0.8	1.8	2.9
53235	Milwaukee	Milwaukee	**1.8**	1.2	1.5	2.5
53217	Milwaukee	Milwaukee	**1.7**	0.6	2.7	1.8
53150	Muskego	Waukesha	**1.5**	0.5	2.0	2.2
53228	Milwaukee	Milwaukee	**1.5**	0.7	2.0	1.9
53213	Milwaukee	Milwaukee	**1.3**	0.5	1.5	2.2
53233	Milwaukee	Milwaukee	**1.3**	1.5	1.5	0.7
53189	Waukesha	Waukesha	**1.2**	0.6	1.3	1.8

Table 1. (Continued).

ZIP Code	Preferred ZIP Place Name	County	Foreclosure Risk Score	Subprime Component Score	Foreclosure Component Score	Delinquency Component Score
53151	New Berlin	Waukesha	**1.1**	0.4	1.4	1.6
53129	Greendale	Milwaukee	**1.1**	0.4	1.7	1.3
53119	Eagle	Waukesha	**1.1**	0.4	1.3	1.7
53226	Milwaukee	Milwaukee	**1.1**	0.3	1.5	1.5
53024	Grafton	Ozaukee	**1.0**	0.4	1.2	1.6
53092	Thiensville	Ozaukee	**1.0**	0.3	1.6	1.2
53072	Pewaukee	Waukesha	**1.0**	0.2	1.3	1.6
53040	Kewaskum	Washington	**0.9**	0.4	0.7	1.8
53022	Germantown	Washington	**0.8**	0.4	1.2	1.0
53211	Milwaukee	Milwaukee	**0.8**	0.3	1.5	0.7
53037	Jackson	Washington	**0.7**	0.2	0.9	1.2
53004	Belgium	Ozaukee	**0.7**	0.2	0.8	1.2
53089	Sussex	Waukesha	**0.7**	0.3	1.1	0.9
53029	Hartland	Waukesha	**0.7**	0.1	1.0	1.0
53005	Brookfield	Waukesha	**0.6**	0.3	0.7	0.9
53146	New Berlin	Waukesha	**0.6**	0.2	0.8	0.9
53080	Saukville	Ozaukee	**0.6**	0.4	0.5	0.9
53021	Fredonia	Ozaukee	**0.6**	0.5	0.6	0.7
53012	Cedarburg	Ozaukee	**0.5**	0.3	0.5	0.8
53045	Brookfield	Waukesha	**0.5**	0.3	0.5	0.7
53074	Port Wash.	Ozaukee	**0.5**	0.3	0.4	0.8
53130	Hales Corners	Milwaukee	**0.5**	0.3	0.4	0.8
53097	Mequon	Ozaukee	**0.5**	0.3	0.5	0.6
53086	Slinger	Washington	**0.5**	0.1	0.8	0.6
53118	Dousman	Waukesha	**0.5**	0.2	0.3	1.1
53033	Hubertus	Washington	**0.4**	0.2	0.7	0.5
53076	Richfield	Washington	**0.4**	0.2	0.4	0.6
53002	Allenton	Washington	**0.4**	0.3	0.5	0.3
53103	Big Bend	Waukesha	**0.3**	0.2	0.3	0.5
53153	North Prairie	Waukesha	**0.2**	0.1	0.3	0.3
53017	Colgate	Washington	**0.2**	0.0	0.4	0.2
53058	Nashotah	Waukesha	**0.2**	0.0	0.3	0.3
53202	Milwaukee	Milwaukee	**0.2**	0.1	0.1	0.3
53018	Delafield	Waukesha	**0.2**	0.0	0.2	0.2
53046	Lannon	Waukesha	**0.1**	0.0	0.2	0.2
53122	Elm Grove	Waukesha	**0.1**	0.0	0.2	0.1
53007	Butler	Waukesha	**0.1**	0.0	0.1	0.1
53183	Wales	Waukesha	**0.1**	0.0	0.1	0.1
53203	Milwaukee	Milwaukee	**0.0**	0.0	0.1	0.0
53069	Okauchee	Waukesha	**0.0**	0.0	0.1	0.0

Figure 11. Matrix of the Housing Market Index and the Foreclosure Risk Index for the Milwaukee-Waukesha-West Allis, WI MSA.

Market Strength	Strongest ---> ---> ---> Weakest										
		10	*0*	*0*	*1*	*2*	*0*	*0*	*2*	*11*	*11*	*12*
		9	*0*	*1*	*1*	*0*	*0*	*1*	*5*	*14*	*5*	*13*
		8	*0*	*0*	*0*	*1*	*1*	*3*	*7*	*6*	*12*	*10*
		7	*0*	*0*	*1*	*5*	*3*	*8*	*9*	*6*	*5*	*3*
		6	*0*	*2*	*3*	*4*	*7*	*12*	*6*	*1*	*4*	*1*
		5	*0*	*1*	*3*	*5*	*7*	*13*	*6*	*2*	*2*	*1*
		4	*1*	*3*	*5*	*9*	*10*	*8*	*2*	*1*	*0*	*1*
		3	*6*	*9*	*13*	*8*	*2*	*2*	*0*	*0*	*0*	*0*
		2	*12*	*7*	*15*	*3*	*2*	*0*	*0*	*1*	*0*	*0*
		1	*20*	*9*	*6*	*1*	*3*	*0*	*0*	*1*	*0*	*0*
			1	2	3	4	5	6	7	8	9	10
			Highest ---> ---> ---> Lowest									
			Foreclosure Risk									

Note: Data in the Foreclosure Risk Index is as of September 2013 and the data in the Housing Market Index is for 2008/09. Dotted lines indicate the proposed target areas identified in Table 2 on page 45.

Table 2. Census Tracts in the Milwaukee-Waukesha-West Allis MSA with both a Foreclosure Risk Score of 4, 5, or 6, and a Market Strength Score of 4, 5, or 6.

Census Tract*	Risk Score	Market Strength Score	NSP3 Eligible?
000501	4	4	Yes
110100	4	4	Yes
007900	4	4	No
010600	4	4	Yes
100400	4	4	No
100500	4	4	No
100300	4	4	Yes
100100	4	4	No
012900	4	4	No
000400	4	5	No
010400	4	5	Yes
100600	4	5	Yes
100800	4	5	No
100700	4	5	No
012500	4	6	No
000303	4	6	Yes
019000	4	6	No
007200	4	6	No
101600	5	4	No
019200	5	4	No
013000	5	4	Yes
019600	5	4	No
021600	5	4	No
020200	5	4	No
021300	5	4	No
100900	5	4	No
120300	5	4	No
003400	5	4	Yes
101800	5	5	No
019300	5	5	No
101500	5	5	Yes
012700	5	5	No
019800	5	5	No
021700	5	5	No
005300	5	5	No
101700	5	6	No
021400	5	6	No
021500	5	6	No
005400	5	6	No
005500	5	6	No
120501	5	6	No
120502	5	6	No
018400	6	4	No
021000	6	4	No
020600	6	4	No
017900	6	4	Yes
170300	6	4	No
170700	6	4	Yes
170500	6	4	No
180300	6	4	Yes
020900	6	5	No
021100	6	5	No
018500	6	5	No
018002	6	5	Yes
018001	6	5	No
020700	6	5	Yes
170200	6	5	No
180200	6	5	No
180500	6	5	No
180400	6	5	No
120202	6	5	No
101400	6	5	No
101200	6	5	No
017800	6	6	Yes
120400	6	6	No
020800	6	6	No
170100	6	6	No
180100	6	6	No
014900	6	6	Yes
019900	6	6	No
160100	6	6	No
120203	6	6	No
101300	6	6	No
101100	6	6	No
019400	6	6	No

*Shaded rows indicate tracts currently in targeted HOME Program areas. The 2-digit state code (55) and 3-digit county code (079) were removed from census tract numbers due to redundancy and space constraints. For more information on the model see: Walker, Chris and Francisca Winston. "A HMDA-based Housing Market Index to Track Neighborhood Changes." September 27, 2010. Local Initiatives Support corporation Research and Assessment.

In general, the above tools may have limitations, but they nonetheless provide analysts and policy-makers with a more thorough understanding of the relative condition of housing markets in different areas of the city. They may be useful tools in both the development of the Milwaukee HOME Program and its potential for success. The FRP summarizes the importance of such data-driven policy on its website, noting that:

> Appropriate solutions for neighborhoods depend on their market strength as well as their level of foreclosure risk. In neighborhoods with fairly strong real estate markets, a recovering private sector may address the foreclosure problem without a need for public intervention. At the other extreme, in neighborhoods with very weak markets, public efforts to rehab distressed properties might well be unworkable.
>
> In neighborhoods with a weak housing market, there will be insufficient demand from home buyers and other investors to purchase the rehabbed properties and operate them sustainably, and available subsidies are nowhere near sufficient to cover the full costs (capital and operating) over the long term. For these types of neighborhoods, demolition and land-banking may warrant more consideration.
>
> Alternatively, neighborhoods in-between, sometimes called "warm" markets, may be the ideal place for agencies to use NSP or other funding sources to try to spur rehabilitation since fairly modest public investment may be enough to overturn the risk foreclosures present to the neighborhood and revive self-sustaining property ownership.
>
> The implication of the examples above is that neighborhood-level data on market strength as well as foreclosure risk are essential for designing effective stabilization strategies. However, very few localities have had access to such data. To address this need, Foreclosure-Response.org is now providing indexes of both market strength and foreclosure risk, developed by the Local Initiatives Support Corporation (LISC), that localities can use to set their neighborhood stabilization priorities.

Free tools for mapping housing market strength and foreclosure risk are available on the FRP website.

D. Phase II: Identifying Partners

A February 9, 2014, article in the Milwaukee Journal Sentinel indicated that an unnamed private equity firm had expressed interest in purchasing and managing as many as 1,000 City-owned housing units. Although it is arguably not in the City's interest to maintain and manage a large inventory of tax-foreclosed properties, the transfer of hundreds of properties to a private equity firm presents problems.

For instance, according to a December 19, 2013, Bloomberg publication, the large-scale sale of foreclosed homes to private equity firms could drive up property prices, setting the stage for another housing bust, and, more immediately, cause properties to fall into disrepair as distant owners neglect routine maintenance. Given this information and the City's desire to improve its housing stock, partnerships with local community development organizations and private development firms may be integral to HOME Program success.

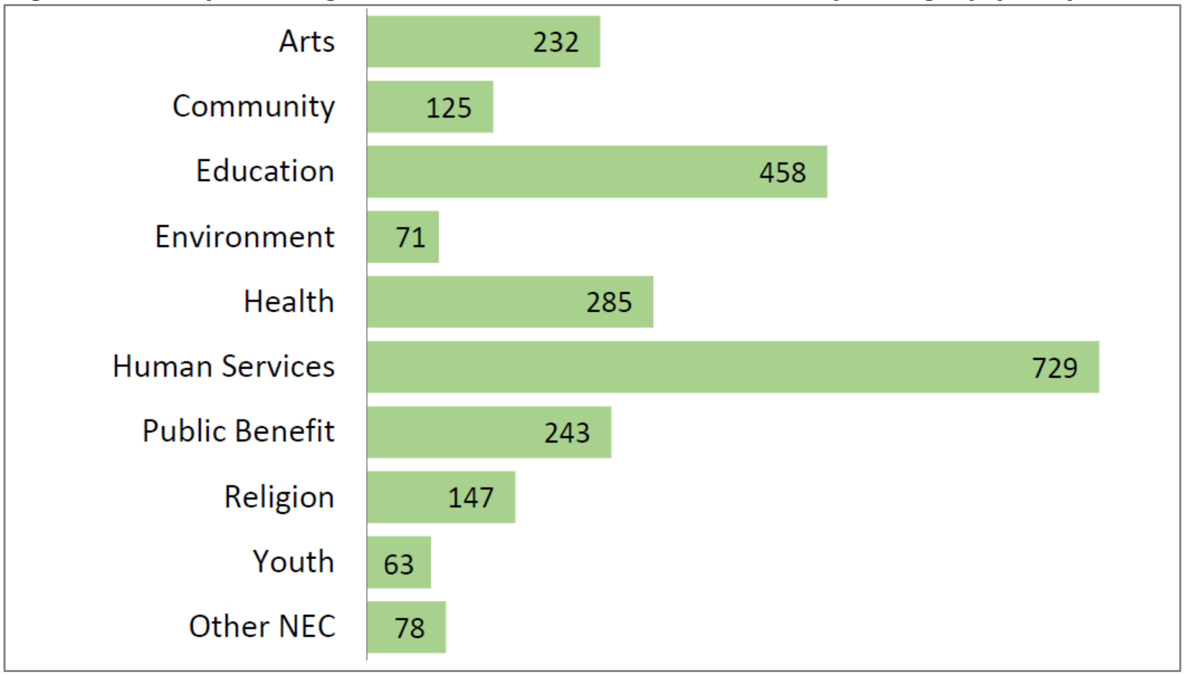
For instance, According to a July 2014 PPF report: [21]

> While knowledge of the financial situation faced by local charities certainly is valuable in its own right, it also is important because of its strong implications for public policy. Nonprofit organizations often act as local government service contractors, administering programs that may not be efficiently maintained by either the public or private sector for financial or political reasons. The health and stability of nonprofit organizations determine the extent to which governments are able to rely on them, as these organizations' size and expertise are key determinants of their ability to be successful in their role as service providers

In addition to the benefits the nonprofit sector provides the community through it many community services, the PPF also notes that nonprofits are a major employer in Greater Milwaukee. In 2011, over 2,300 public charities generated nearly $3.7 billion in total revenue. There are approximately 125 community improvement-related nonprofits in Greater Milwaukee, including organizations such as the Milwaukee Economic Development Corporation, the Martin Luther King Economic Development Corporation, and various other neighborhood associations, chambers of commerce and service clubs (see figure 12, below).

[21] Laper, Phillip M. and Rob Henken. "Give and You Will Receive: An Analysis of Nonprofit Revenue Trends and Charitable Giving in Greater Milwaukee" July 2014. Public Policy forum.

Figure 12. Nonprofit Organizations in the Milwaukee MSA, by Category (2011).



Source: Public Policy Forum.

According to the PPF report, growth in community improvement-related nonprofits:

> May be driven by increased awareness of community improvement programs and reports of their success. As this category becomes saturated and competition increases, the 5% annual increase in contributions per organization is not likely to be sustainable much further into the future…However, given the strong support for community development programs in Greater Milwaukee and a proven willingness of public and private sources to fund these endeavors, it is likely that this category will continue to grow, albeit at a slower pace.

The report continues that *"with tight state and local government budgets and uncertainty regarding long-term availability of increased federal dollars, the role for private investors in the affordable housing market may gain stature, as may that of community development corporations (CDCs) and other non-profits."*

The aim of the Milwaukee HOME Program, particularly Phase II, is to leverage the success of existing community development groups to access federal dollars and enhance the affordable housing and workforce development in the city. Through partnerships with local community development groups, the HOME Program will work to improve affordable housing opportunities for low- to moderate-income families, many of whom may be unqualified for or unable to obtain decent housing in the city. Potential partners who may be integral to the success of the HOME Program include:

ACTS (Allied Churches Teaching Self-Empowerment) Housing

- *Mission*: To promote affordable homeownership that fosters a low-income family's ability to be self-empowered, thereby reducing community blight, neighborhood deterioration, and poverty.

According to its Facebook page, ACTS is "*an urban church alliance founded by a group of St. Michael Church members in 1992. Its core focus is assisting low-income families in their efforts to make foreclosed inner-city properties livable and affordable."* ACTS helps over 100 families purchase and/or rehab homes in Milwaukee annually, and has assisted over 1,400 families purchase central-city homes since 1992. Over ACTS first 17 years, 75% of the owners the agency has worked with still own their own home.

The organization provides counseling services (including finance, credit and homebuyer education), home sale services (representing buyers and sellers) and various rehabilitation and management assistance (including scope of work development, contractor selection, loan and grant assessment and construction expedition).

According to a December 30, 2013, Milwaukee Journal Sentinel article, ACTS typically works through a 3-step process: First: "*families apply and qualify for loans and/or grants, plus put in their own money; then ACTS helps them negotiate for selected homes to get the best deal; and, finally, if needed, the organization helps the buyer rehabilitate the property."*

ACTS has received financial assistance from the Bradley Foundation, the Zilber Foundation, Greater Milwaukee Foundation, major local banks, the Brewers Community Foundation and Harley-Davidson Foundation. ACTS also works with other Milwaukee community agencies.

For instance, according to the above Journal Sentinel article, "*ACTS Housing worked with Walnut Way Conservation Corp. to set up a revolving loan fund for homeowners and homebuyers to get rehab loans to repair homes in their neighborhood. ACTS Housing also has worked with Layton Boulevard West Neighbors; Sherman Park Community Association; Washington Park Partners; and the Harambee Great Neighborhood Initiative."*

Common Ground

According to its website, *"Common Ground is a group of nonpartisan, proactive, everyday* *citizens in Southeastern Wisconsin, dedicated to identifying pressing social problems facing our community and bringing about creative solutions."* Specifically regarding affordable housing, Common Ground's "Milwaukee Rising" campaign is dedicated toward rehabilitating approximately 100 foreclosed properties over a 4 year period in the Sherman Park community.

In addition, according to Common Ground's website, 2 additional initiatives have emerged from the Milwaukee Rising campaign:

- The "180 Properties" program," a property services enterprise "*dedicated to community revitalization and the eradication of poverty by empowering individuals through the creation of sustainable jobs. The program hires local workers to clean up foreclosed properties throughout the city.'*
- "Milwaukee Restores," a program for "*homeowners in the Sherman Park area to receive loans and grants to do minor repairs on their homes."*

Common Ground notes that 5 national banks have committed $33.8 million to the Milwaukee Rising campaign, including donations and mortgage commitments. The City has also committed over $2 million in federal NSP funds for home rehabilitation costs. The organization's website also notes that "*Zilber Ltd. serves as the developer and general contractor for these projects. Common Ground works closely with Zilber during the construction process, and together they have been soliciting participation by local minority contractors."*

<u>Community Development Corporations</u>

The PPF notes in its 2014 report that little analysis exists on Milwaukee CDCs engaged in housing, "*but there is a feeling among local experts that few CDCs…have sufficient capacity to undertake affordable housing development."* A 1999 study by the University of Wisconsin – Milwaukee's Center for Economic Development, for instance, indicates that 16 of the 49 CDCs profiled have had some level of activity related to housing. The PPF further notes that:

> The upfront money needed to acquire and rehab housing units can severely challenge a small (or even a large) CDC, especially if the neighborhood cannot attract qualified buyers or the market has an unexpected downturn. Also, the expertise needed to put together the planning and financing for new construction projects often is beyond the scope and far above the resources of most local CDCs.

For instance, local CDCs which have recently dissolved as a result of unsuccessful affordable housing projects include:

- Community Development Corporation of Wisconsin (1989 – 1999).
- Walker's Point Development Corporation (1980 – 2002).
- Neighborhood Housing Services (1975 – 2005).
- West End Development Corporation (1972 – 2008).

Despite these disappointments, there remains much potential in Milwaukee's CDC community. For instance, according to the PPF:

> Several local CDCs have partnered with for-profit developers (e.g. Gorman & Company, Cardinal Capital, Commonwealth Development) and non-profit developers (e.g. CommonBond Communities, Heartland Alliance, Mercy Housing) to successfully develop and/or launch projects consistent with their mission.
>
> This approach takes advantage of the CDC's local ties to garner political support as well as public and philanthropic funding for the project, while utilizing the housing developer's financial capacity, infrastructure, and expertise to implement the project plan. Most important, the CDC is able to focus its efforts on service delivery rather than getting bogged down in the complex details of housing construction.

Local CDCs have also partnered with corporate sponsors, including Harley Davidson and Wheaton Franciscan Health Case-St. Joseph's Hospital on revitalization projects in area neighborhoods.

<u>Community Development Financial Institutions (CDFI)</u>

According to the PPF, "*while all the CDFIs currently serving the City of Milwaukee are investing in economic development strategies to help low-income neighborhoods, very few CDFIs are focusing on affordable housing."* Local CDFI's identified as awarding funds for support of affordable rental housing, targeting distressed neighborhoods and focusing on revitalizing neighborhoods include:

- The North Milwaukee State Bank.
- The Legacy Bank Redevelopment Corporation.
- Local Initiatives Support Corporation.
- The Illinois Facilities Fund.

Unfortunately, "*Milwaukee lacks a strong CDFI devoted to affordable housing-related initiatives* *that has the necessary infrastructure and capacity to inspire the confidence of private investors*," according to the PPF.

Friends of Housing Corporation (FHC)

- *Mission:* Develop high quality housing and provide innovative housing management that generates economic opportunity for residents.

The FHC is a local 501(c)(3) organization devoted to developing high-quality housing, providing innovative housing management and generating economic development for the residents of Milwaukee. According to its website, FHC was originally set up by HACM to perform property management services for other non-profit organizations and City agencies. A partnership with FHC presents several benefits to the City beyond what a partnership with an out-of-state private equity firm might. For instance, the FHC:

- Subcontracts janitorial, electrical, locksmith and painting work to minority-owned firms.
- Prior to 1999, was involved with the City in managing properties taken by court order due to illegal drug activity or ongoing code violations.
- In 2004 and 2005, constructed and sold new homes to low-income families using federal grants.
- Provides snow removal services to 28 vacant and occupied City houses and maintenance services to numerous City-owned, tax-foreclosed properties.
- Continues to provide property management services for other HACM properties through limited partnerships, including Lapham Park, Parklawn, Southlawn, Westlawn Gardens, Townhomes at Carver Park, and others.

HUD-Approved Counseling Agencies

According to the DCD website, anyone wishing to participate in the NSP Acquisition/Rehabilitation Program (which "acquires and rehabilitates foreclosed homes and then sells them to income-eligible owner-occupant homebuyers") or the Homebuyer Assistance Program must complete at least 8 hours of homebuyer counseling from a HUD-approved housing counseling agency. In Milwaukee, these agencies include:

- ACTS Housing
- Career Youth Development, Inc.
- Housing Resources, Inc.

- Select Milwaukee
- United Community Center

<u>The Milwaukee Workforce Investment Board</u>

According to the PPF:

> While Milwaukee is home to an abundance of organizations that provide employment and training programs and services, the Milwaukee Area Workforce Investment Board (MAWIB) is the one major organization that makes workforce development its sole mission. It also is Milwaukee's federally designated workforce development agency, serving as the recipient of federal Workforce Investment Act (WIA) funds. As such, MAWIB is charged with "coordinat(ing) workforce preparation and development programs into a unified workforce investment system."

The MWAIB was established in 2007, as oversight for the Private Industry Council of Milwaukee County was transferred from Milwaukee County to the City of Milwaukee. The MAWIB's Board of Directors is appointed by the Mayor and comprised of over 30 representatives from various public and private organizations, including educational institutions (MATC and MPS), community foundations, corporations, law firms, organized labor, economic development groups, and City and County government.

According to the PPF, "*as opposed to being a direct service provider…MAWIB's primary roles are to serve as the administrative agent for federal, state, and private funds; and to engage in planning, leadership, coordination, and monitoring of the county's workforce development system.*" The PPF also notes that collaboration with local community development organizations has not been limited to the MAWIB's Board of Directors:

> Shortly after the transition from the PIC, MAWIB developed a Coordinating Council comprised of partner agencies engaged in local workforce development. The council –which meets monthly – was designed to coordinate the goals and efforts of these primary organizations and to help direct the allocation of workforce development resources in Milwaukee. The Coordinating Council's membership list, as of July 2012, consisted of representatives from the following entities:

- Milwaukee Area Technical College
- YWCA of Greater Milwaukee

- United Migrant Opportunity Services (UMOS)
- Policy Studies, Inc. (PSI)
- MAXIMUS Human Services
- DWD Job Service
- DWD's Division of Vocational Rehabilitation (DVR)
- Milwaukee County Department of Health and Human Services
- Milwaukee County Department of Child Support Services
- Wisconsin Department of Corrections
- Goodwill Industries
- Milwaukee Job Corps
- Social Development Commission (SDC)
- Wisconsin Economic Development Corporation (WEDC)
- City of Milwaukee: Community Development Grants Administration
- Center for Veterans Issues, Inc.

Interestingly, HACM has been collaborating with the MAWIB since approximately 1998. According to spring 2014 joint report by HUD and the U.S. Department of Labor,[22] MAWIB:

> Began working with the Housing Authority of the City of Milwaukee (HACM) to collaborate on integrating housing into the American Job Center network. HACM's Resident Services department would refer residents to MAWIB to apply for job training funds and HACM's Resident Employment Coordinators would refer residents to the American Job Center for employment services. MAWIB and HACM wanted to extend and broaden their partnership to provide more resources to housing residents and low-income citizens.

The MAWIB may be a key component of the HOME Program. For instance, as the PPF notes:

> MAWIB plays a central role in Milwaukee's workforce development system, administering and monitoring the use of an increasingly diverse mix of federal, state, and private funds, helping to coordinate the numerous public and nonprofit agencies that provide employment and training services in Milwaukee County, and convening groups of employers and intermediaries to develop sector-specific workforce development strategies and initiatives.

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[22] Henriquez, Sandra and Eric M. Seleznow. "From the Ground Up: Creating Sustainable Partnerships between Public Housing Authorities and Workforce Investment Boards." Spring 2014. HUD Office of Public and Indian Housing and Department of Labor Office of Workforce Investment.

WRTP/BIG STEP

Originally two separate organizations – the Wisconsin Regional Training Partnership and the Building Industry Group Skilled Trades Employment Program – WRTP and BIG STEP joined forces in 2001 to "*enhance the ability of private sector organizations to recruit and develop a more diverse, qualified workforce in construction, manufacturing and emerging sectors of the regional economy*." According to the PPF:

> WRTP/BIG STEP works with area employers, unions, technical colleges and others to develop customized training programs, which provide employers with workers who are trained to fill specific vacant positions while also helping unemployed residents to gain the skills necessary to obtain quality, "family-supporting" jobs…
>
> In addition to developing customized training programs, WRTP/BIG STEP has developed general, pre-employment training certificate programs, in partnership with MATC and WCTC, for numerous occupations, including carpentry, machining, welding, heavy highway construction, underground construction, and utility line construction. The organization also connects individuals with one-on-one tutoring services to prepare them for apprenticeship exams.
>
> While WRTP/BIG STEP's work is "industry-led," what makes the organization's model unique is its emphasis on fostering robust industry partnerships involving employers, workers, labor unions, and industry associations. With many partners at the table, WRTP/BIG STEP develops sector strategies intended to connect regional workforce development and economic development efforts. For example, the organization currently is working to better position the region's construction industry for market recovery, and is nurturing industry commitments aimed at promoting growth in the construction sector.

Zilber Foundation

According to the Zilber Neighborhood Initiative website,

> The Zilber Family Foundation awards grants to nonprofit organizations primarily, but not exclusively, through the Zilber Neighborhood Initiative. In 2008, the Foundation announced a 10-year commitment to improve the quality of life in Milwaukee neighborhoods. Since then, residents, nonprofit leaders, educators, and business owners have come together to envision the future of their neighborhoods and take action.

According to an April 7, 2014, article in the Milwaukee Journal Sentinel, the foundation has awarded $18 million to 5 target neighborhoods (Lindsay Heights, Clarke Square, Layton Park, Burnham Park and Silver City) since 2008, and leveraged approximately $44 million more.

E. Case Studies

This section highlights a few programs in other cities and regions aimed at making housing more affordable or more abundant for low-income citizens. Although none offer the same solution to housing challenges as the Milwaukee HOME Program, they do provide some context and direction in the development financing, capacity building, and other innovative ideas and practices.

Boston

The National Community Reinvestment Coalition, in an October 2010 paper,[23] provides a good summary of the Boston Community Capital's (BCC) Stabilize Urban Neighborhoods (SUN) initiative. The following excerpt is taken from this paper.

> Boston Community Capital's (BCC) Stabilize Urban Neighborhoods (SUN) initiative keeps occupants in their homes by acquiring REO properties at a significant discount and renting the homes to low-income residents, or reselling them to the original owners or tenants at prices consistent with the neighborhoods' median incomes. To implement this initiative, BCC, a Boston-based [community development financial institution], created two affiliates: NSP Residential, to buy distressed and foreclosed properties, and Aura Mortgage Advisors, a licensed nonprofit mortgage broker. By showing banks that property values in the neighborhoods in which they work have decreased by 35 to 75 percent, BCC has convinced them to sell REO properties at steep discounts, representing true fair market value.
>
> To ensure that the SUN program helps homeowners in need, and to maintain fairness, the BCC screens applicants for evidence of hardship, predatory loans, and income eligibility; through this process, BCC rules out "*defaulted owners who have had neither an adverse life event (loss of income, illness, emergency expenses, death in the family) nor a predatory loan*." Aura Mortgage Advisors underwrites new 30-year fixed rate mortgages reflective of the reduced market price with monthly payments less than 38 percent of the household's income. To avoid a windfall gain to the homeowner, BCC also asks the homeowner to sign a non-amortizing second mortgage with a zero percent interest rate for the amount by which the original mortgage was reduced. The second mortgage includes a shared appreciation clause with an appreciation split that is tied to the amount of the mortgage write down; for example, if the original mortgage was $300,000 and was written down to $150,000, the

[23] Carr, James H. and Michelle Mulcahy. "Rebuilding Communities in Economic Distress: Local Strategies to Sustain Homeownership, Reclaim Vacant Properties, and Promote Community-Based Employment." October 2010. National community Reinvestment Coalition.

appreciation split would be 50/50. This second mortgage prevents a windfall to the homeowner and will help sustain the program in the long term. The SUN program also includes several mechanisms to enhance the homeowners' economic stability, including financial counseling, peer support, automatic mortgage withdrawals every two weeks tied to owners' paycheck schedules, and financial reserves. The extra payment that results from the two-week payment schedule goes towards maintenance or principal reduction.

To mitigate losses, BCC works with community groups, including Greater Boston Legal Services, Harvard University Legal Aid, and City Life/Vida UrbanaP to counsel borrowers and determine whether homeowners can support the discounted mortgage. Maintaining strong relationships with community partners provides "*both a source of potential borrowers for BCC's community development lending, and screeners of potential borrowers*." BCC also maintains an active relationship with borrowers in order to intervene early if problems arise. For example, if an owner loses his or her job, BCC can add time at the end of the loan to make payments more affordable, or accept a deed in lieu of foreclosure.

The initial funding for this initiative came from a decision by BCC's board of directors to approve $3.7 million in internal funding. Since the program began in the first two months of 2008, BCC has completed deals on 60 homes, with an additional 40 in progress. The organization has raised $32 million to expand the program and has a goal of raising $50 million. A $50-$75 million investment would support the refinancing of 300-500 loans over 18-24 months. Once sufficient scale is achieved, BCC plans to recapitalize the program through secondary market sales of its loans.

<u>Charleston, SC</u>

In 2000, the City of Charleston established the Charleston Homeownership Initiative Redevelopment Plan with the goals of:

- Providing housing affordable to persons of low- and moderate-incomes.
- Revitalizing some of the City's most distressed neighborhoods.
- Building capacity among the local non-profit organizations.

The Initiative called for the acquisition of abandoned properties and small, infill vacant lots, with the intention to transfer ownership to local nonprofit organizations for redevelopment as affordable housing for first-time homebuyers. The program uses CDBG and general revenue funds to purchase and maintain homes, many of which are historic. The Initiative is also funded by Special Economic Development Initiative funds and Section 108 proceeds. According to the U.S. Council of Mayors, "*One of the most important lessons the City has learned is the importance of phasing the acquisition of such properties: A large number were purchased at the same time, increasing the carrying costs for the Initiative since the properties have to be maintained before and immediately after construction and rehabilitation*."

Chicago

In Milwaukee, community development corporations play an important role in preserving existing and creating new affordable housing. However, according to the PPF, "*because Milwaukee's CDCs are small, they have had limited success in taking on large real estate transaction or even piecemeal acquisition and rehabilitation projects. In addition, CDCs often lack the technical expertise and capacity of for-profit developers."*

In Chicago, the Chicago Rehab Network (CRN) aims to strengthen the capacity of its CDCs and increase its supply of affordable housing by providing training and technical assistance, conducting research, and advocating for housing policy at the city, state and federal level. According to its website, the CRN is a "*citywide coalition of neighborhood and community based development organizations founded in 1977 by community groups seeking to pool espertise and share information. The coalition membership consists of over 40 housing organizations representing over 60 city neighborhoods.*"

According to the PPF, "*the CRN is currently funded by a consortium of more than 20 banks, foundations, and public funding sources. The current coalition membership ranges from small, one-person offices to larger citywide service providers."*

Fairfield County, CT

According to its website, the Fairfield County Collaborative Fund for Affordable Housing: "*promotes the production of affordable housing in Fairfield County by supporting non-profit developers committed to increasing the availability and variety of quality affordable housing options in the county*." The fund was created in 2006 by a group of funders (mostly foundations, but also a few banks) as a vehicle to "*provide philanthropic investment in the capacity of non-profit housing developers. The Collaborative Fund provides operating capital through a unified, streamlined, performance-based system of grant-making*."

According to the PPF, after pooling their resources, the consortium "*selected the Local Initiatives Support Corporation-Connecticut (LISC) to manage the fund."* Specifically, LISC manages grant-making, contributes technical expertise and training programs, and monitors the program's progress. According to the fund's website, it has provided nearly $2.5 million in support to 7 organizations since 2006.

Indianapolis, IN

The following information was taken from a July 30, 2014 memo by the Milwaukee Legislative Reference Bureau. Indianapolis markets its vacant and abandoned residential properties through Renew Indy, a non-profit land bank. CDBG funds created and funds Renew Indy, but most of the sales proceeds go to the agency, and the City expects Renew Indy to eventually be financially self-sufficient.

Indiana state law makes the sale of tax-foreclosed property somewhat cumbersome. Indianapolis must either sell property to not-for-profits at a flat rate, or go through a lengthy and expense appraisal process and RFP's which often cost more than the property is worth. By establishing a non-profit land bank, Indianapolis sought to facilitate the sale of tax-foreclosed homes by basically "selling" its inventory of properties to Renew Indy, who would in turn market the properties.

Renew Indy, established in January, 2014, has an inventory of 1,200 homes, but was unwilling to accept roughly 5,000 more distressed properties Indianapolis labels as "surplus" because the land bank did not feel it could successfully market them. Homes are sold through an application process for not less than $1,500 and not more than $3,500. Applicants must fully describe their plans for the property, the scope of work proposed and funding sources. The land bank often invests $10,000 to stabilize the property – a new roof, for example – before marketing its inventory of boarded-up homes. If the home holds particular promise, Renew Indy may invest as much as $16.000.

As of July, 2014, the land bank has sold 50 to 70 homes. The homes are being marketed to small-scale investors to rehab and either resell or rent, and to homesteaders who intent to make the home their primary residence.

A separate, non-profit lender, Revive Indy, will loan up to $130,000 at 6% interest to homesteading buyers who make less than 120% of area median income and have credit scores of 570. Renew Indy understands the tacit expectation is buyers will refinance for a better long-term rate after a year or so, but it is unclear, given that rehab costs often exceed underlying neighborhood property values, how this refinancing will be possible.

Renew Indy has observed that homesteading buyers generally fall into three categories which do not necessarily need financing:

- Upwardly mobile buyers who have their own funds – either through the sale of a home or other sources – who like the neighborhood and have a pioneering spirit.
- First-time homebuyers who cobble together financing from family and friends.
- Longtime, local residents who have few financial resources but who have building skills to do part of the work themselves, and plan to draw upon a network of friends and family with a variety home-building skills to do the rehab over time.

Redevelopment of some tax-foreclosed homes in Indianapolis has benefited from the success of a "cultural trail" developed by the City that threads through some distressed areas, including through a commercial area that finally seems to be revitalizing after nearly 20 years of investment. Most of the homes along this cultural trail have been purchased for rehab.

The City has also created various neighborhood TIF's to spark residential redevelopment. All property tax receipts in these TIF's – not just incremental tax revenues – are used for infrastructure improvements, and in some cases, housing rehabilitation.

Minneapolis, MN

According to the U.S. Council of Mayors, Minneapolis established a Strategic Acquisition Fund in 2007 through a partnership with Family Housing Fund, a private nonprofit organization, and Greater Metropolitan Housing Corporation (GMHC). The GMHC is able to act more nimbly than City government, and "*uses the fund to purchase troubled properties, rehabilitate them, and return them to the market for homeownership.*"

The City's Northside Home Fund, a public-private partnership launched in 2004, is also working to develop a "cluster approach" to eliminating vacant and boarded properties through rehabilitation and new construction. According to the U.S. Council of Mayors, the program:

> It is staffed by a coordinator based with the City, with funding from the Family Housing Fund, a private nonprofit organization, and overseen by a board that meets quarterly and is open to representation from any organization having an interest in housing in North Minneapolis. The NHF targets its work in specific geographic areas, termed clusters, which were

identified by the community because of their concentration of boarded properties, and because of the likelihood that targeted investment in the areas would have a catalytic impact on the surrounding neighborhoods.

According to the City's website, the program has "*removed the blighting influence"* of more than 100 boarded and vacant properties.

V. CONCLUSION

According to the Public Policy Forum, "*any affordable housing strategy in Milwaukee would not be complete without a specific strategy to bolster low incomes. Economic and workforce development efforts as well as increased utilization of federal and state Earned Income Tax Credits should be considered when debating affordable housing policy.*"

Additionally, given the general shortfall in federal government funding for affordable housing, both public and private investment and collaboration in housing for Milwaukee's neediest households appears to be necessary. The HOME Program is more than just an affordable housing program; it is a strategy to coordinate, increase and target public, private and nonprofit investment in some of the neighborhoods hardest hit by the housing crisis. The Milwaukee HOME Program aims to be not just another affordable housing program, but *the* affordable housing program with the greatest impact on the quality of life of Milwaukee neighborhoods.

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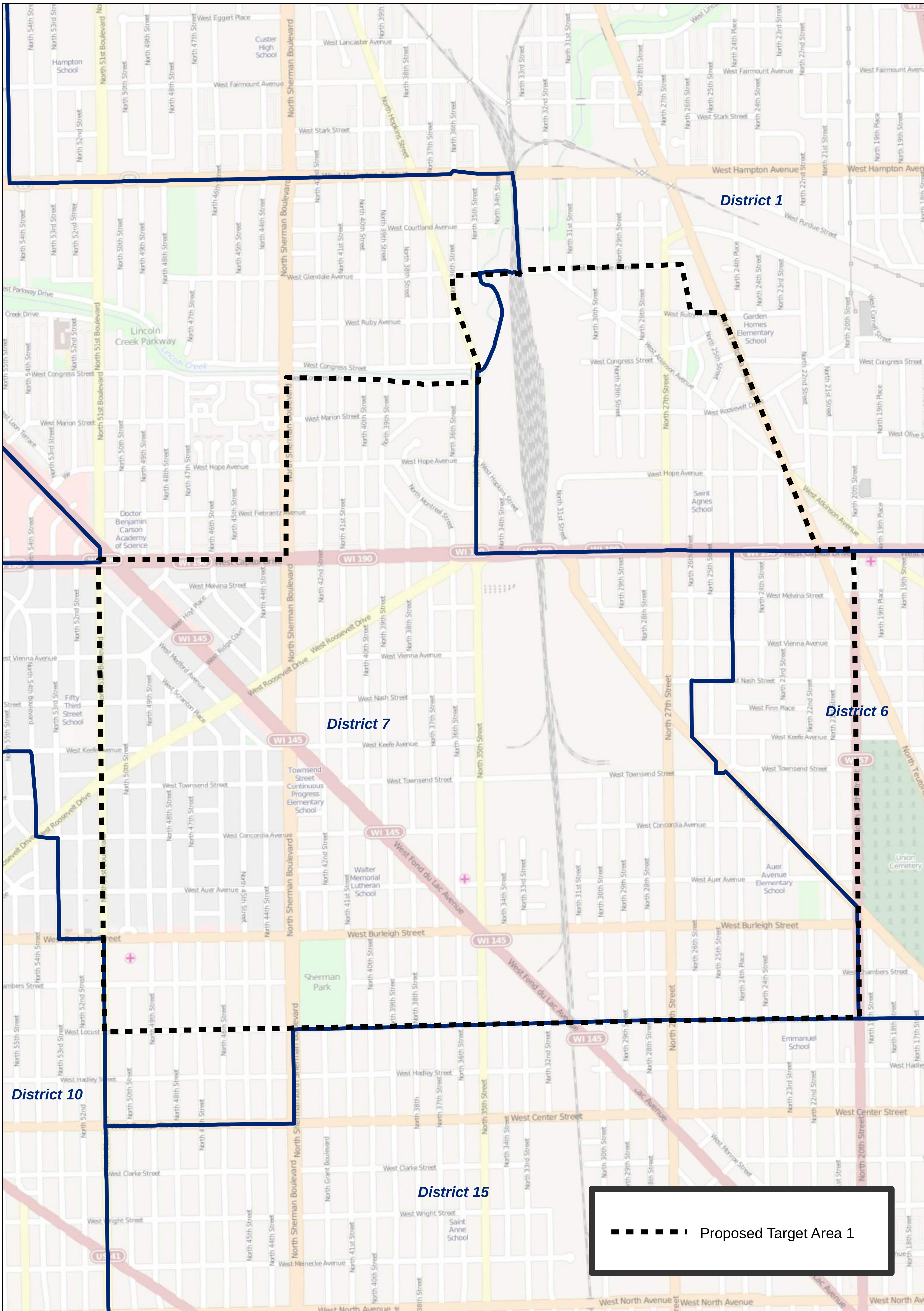
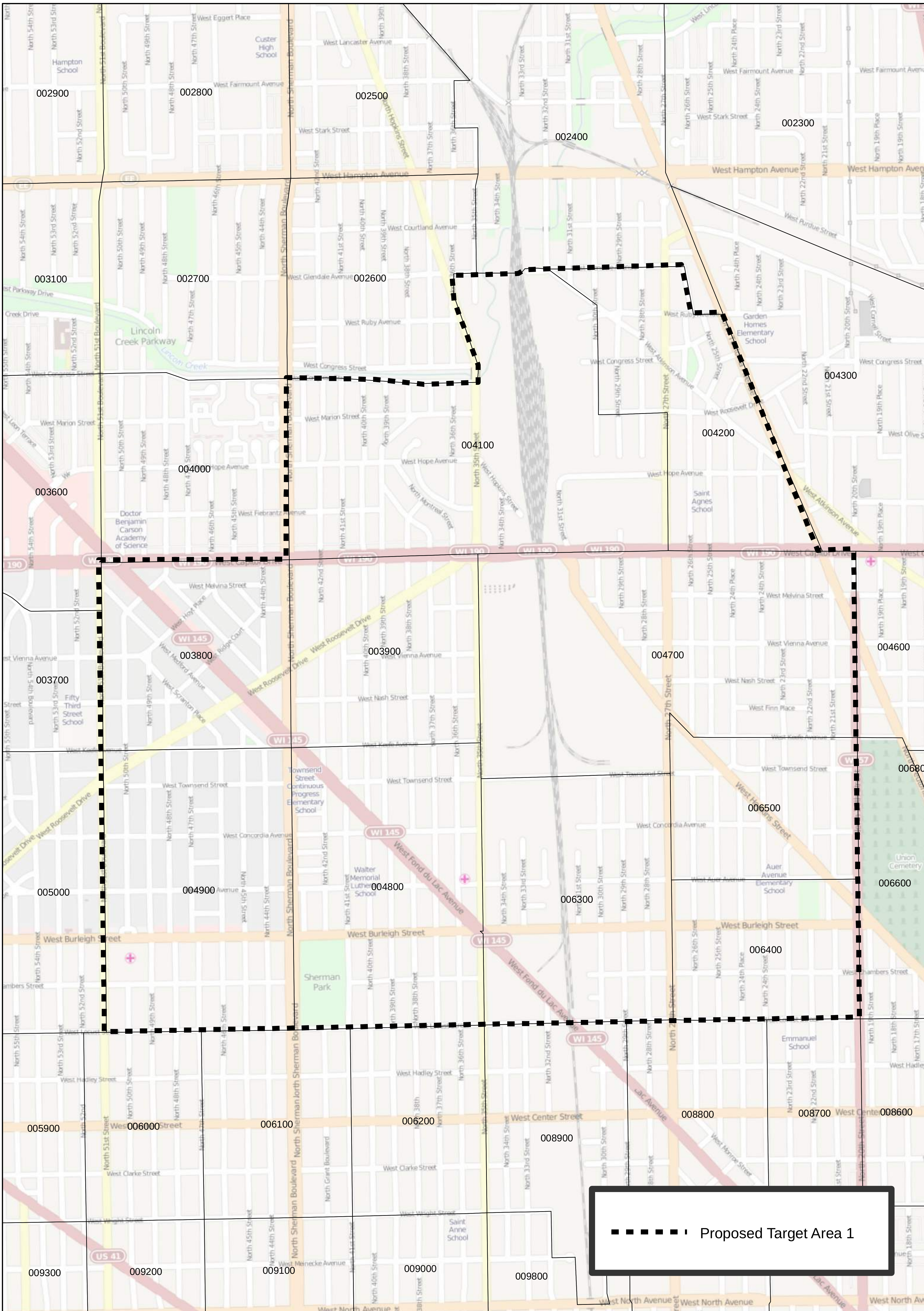
PROPOSED TARGET AREA 1
MILWAUKEE HOME PILOT PROGRAM
BY ALDERMANIC DISTRICT



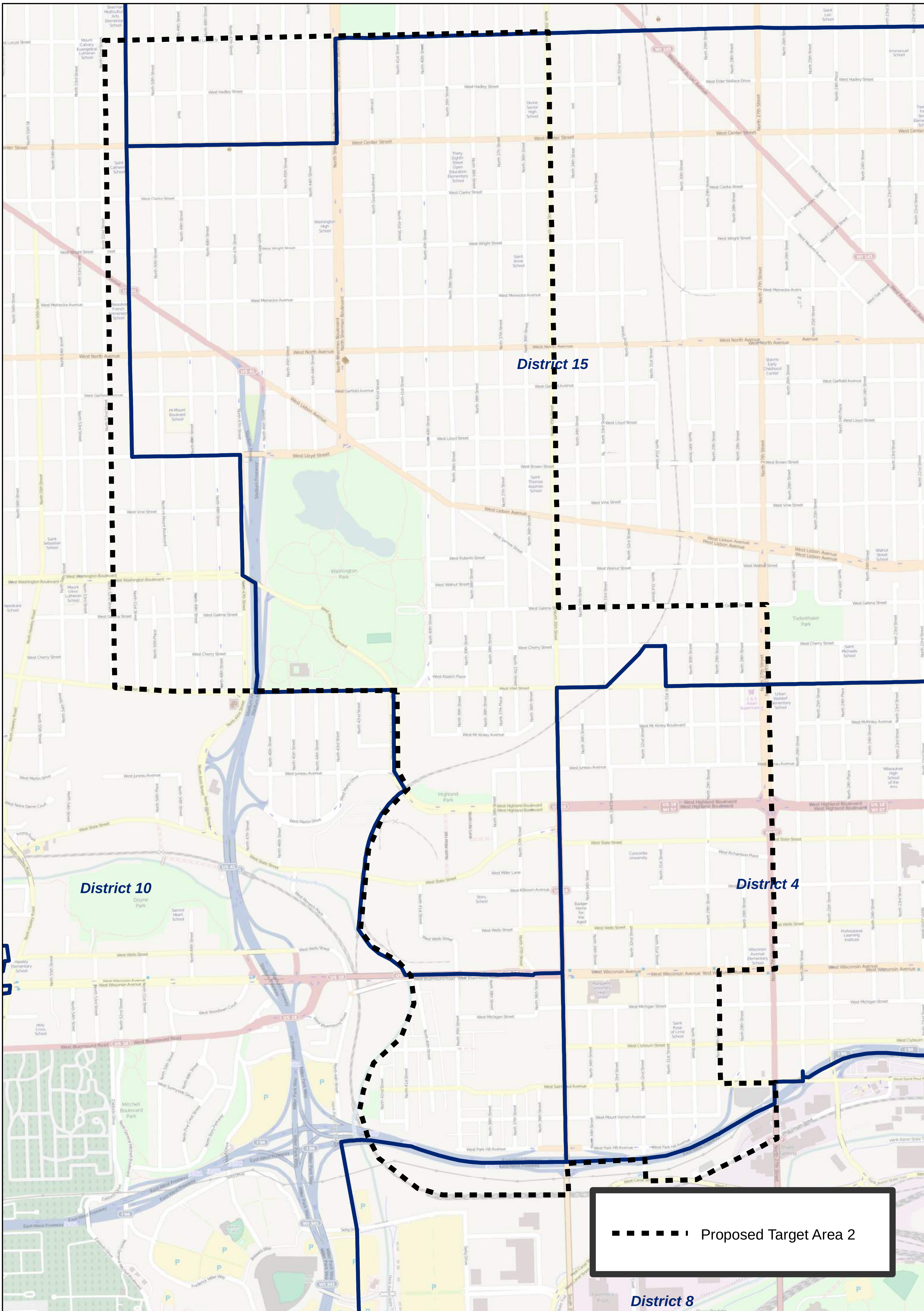
Prepared by the City of Milwaukee Legislative Reference Bureau, 154272_Area1_AD.mxd, ARV, 9-25-2014.

PROPOSED TARGET AREA 1
MILWAUKEE HOME PILOT PROGRAM
BY CENSUS TRACT



Prepared by the City of Milwaukee Legislative Reference Bureau, 154272_Area1_CT.mxd, ARV, 9-25-2014.

PROPOSED TARGET AREA 2
MILWAUKEE HOME PILOT PROGRAM
BY ALDERMANIC DISTRICT



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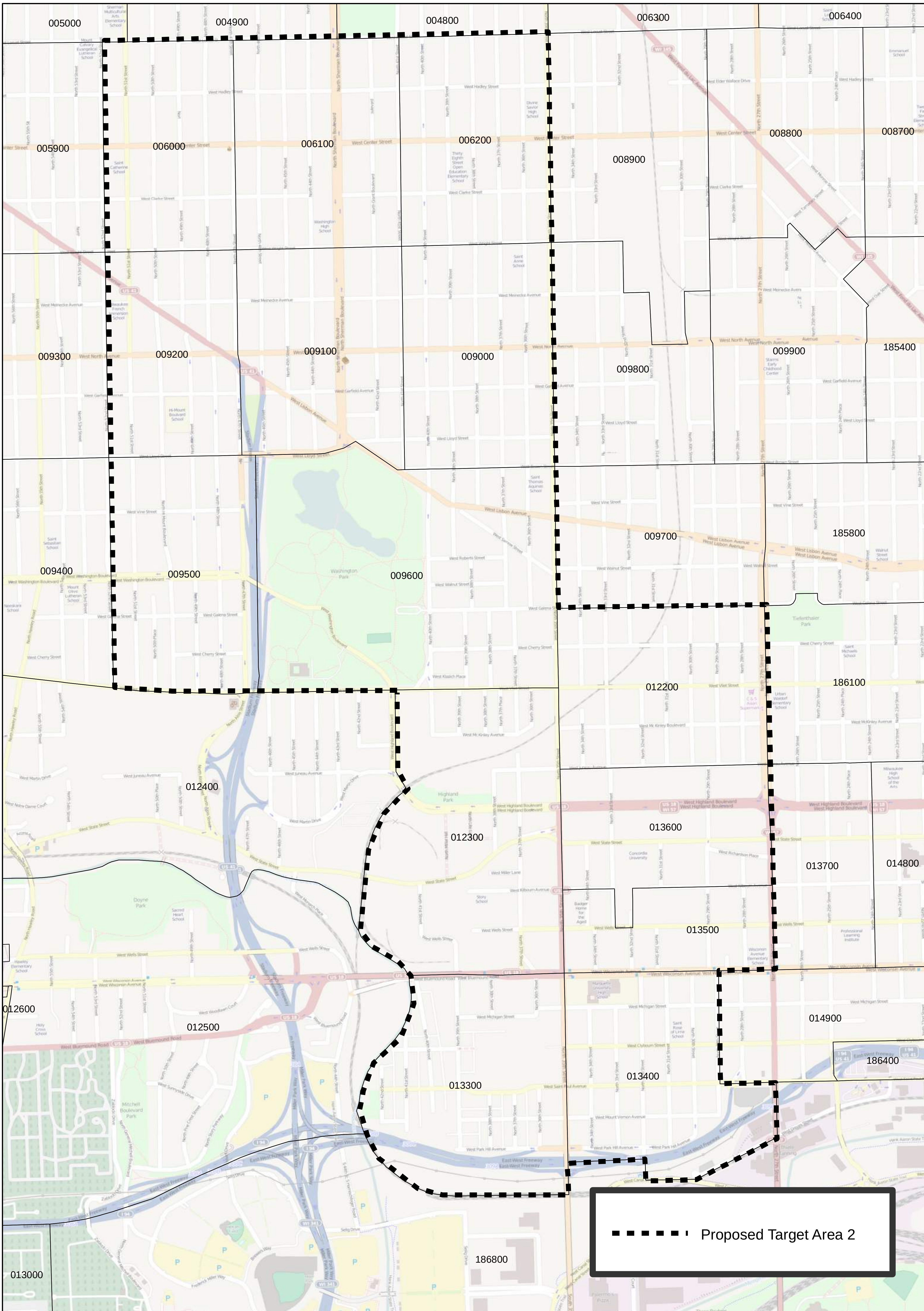
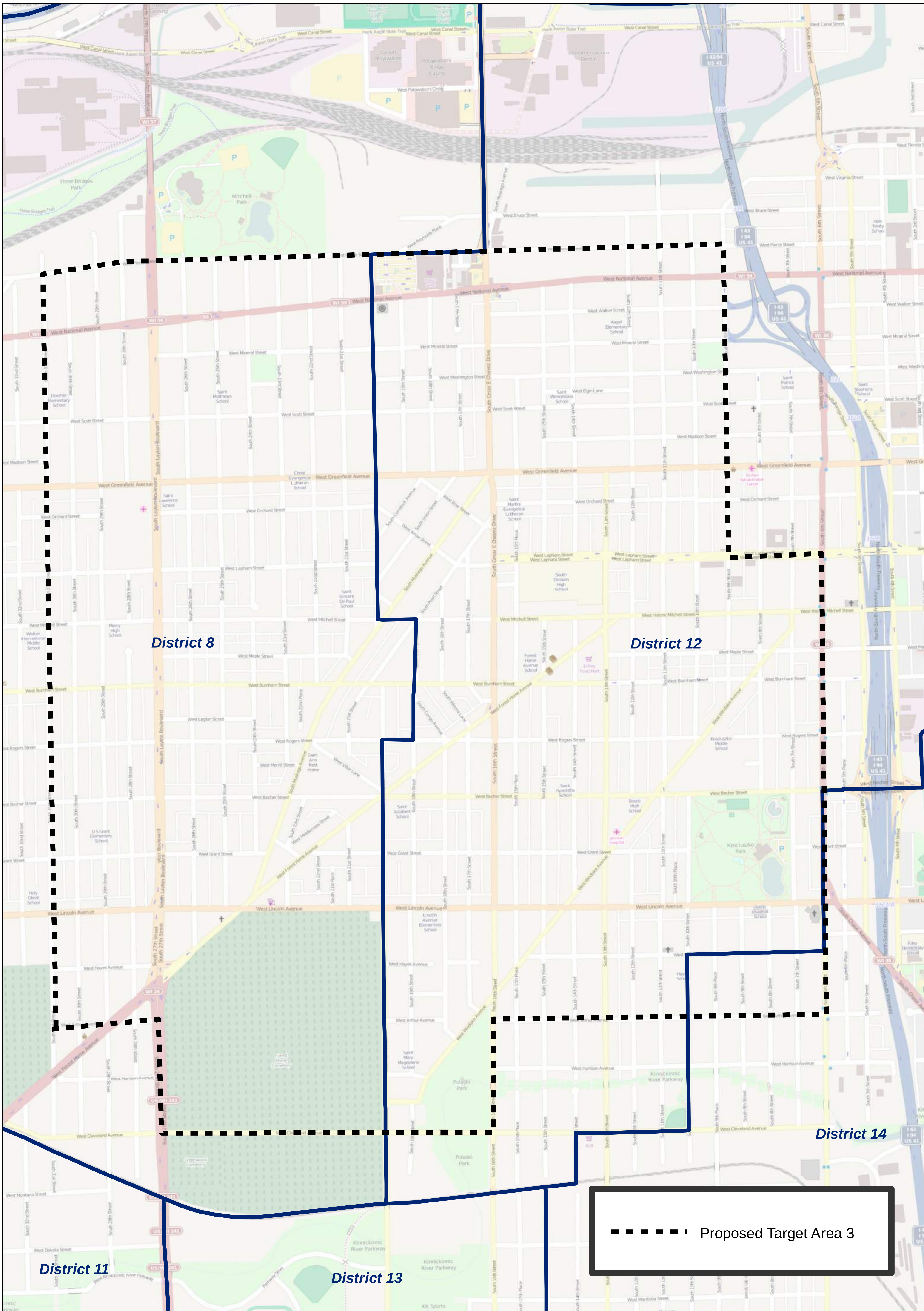
PROPOSED TARGET AREA 2
MILWAUKEE HOME PILOT PROGRAM
BY CENSUS TRACT



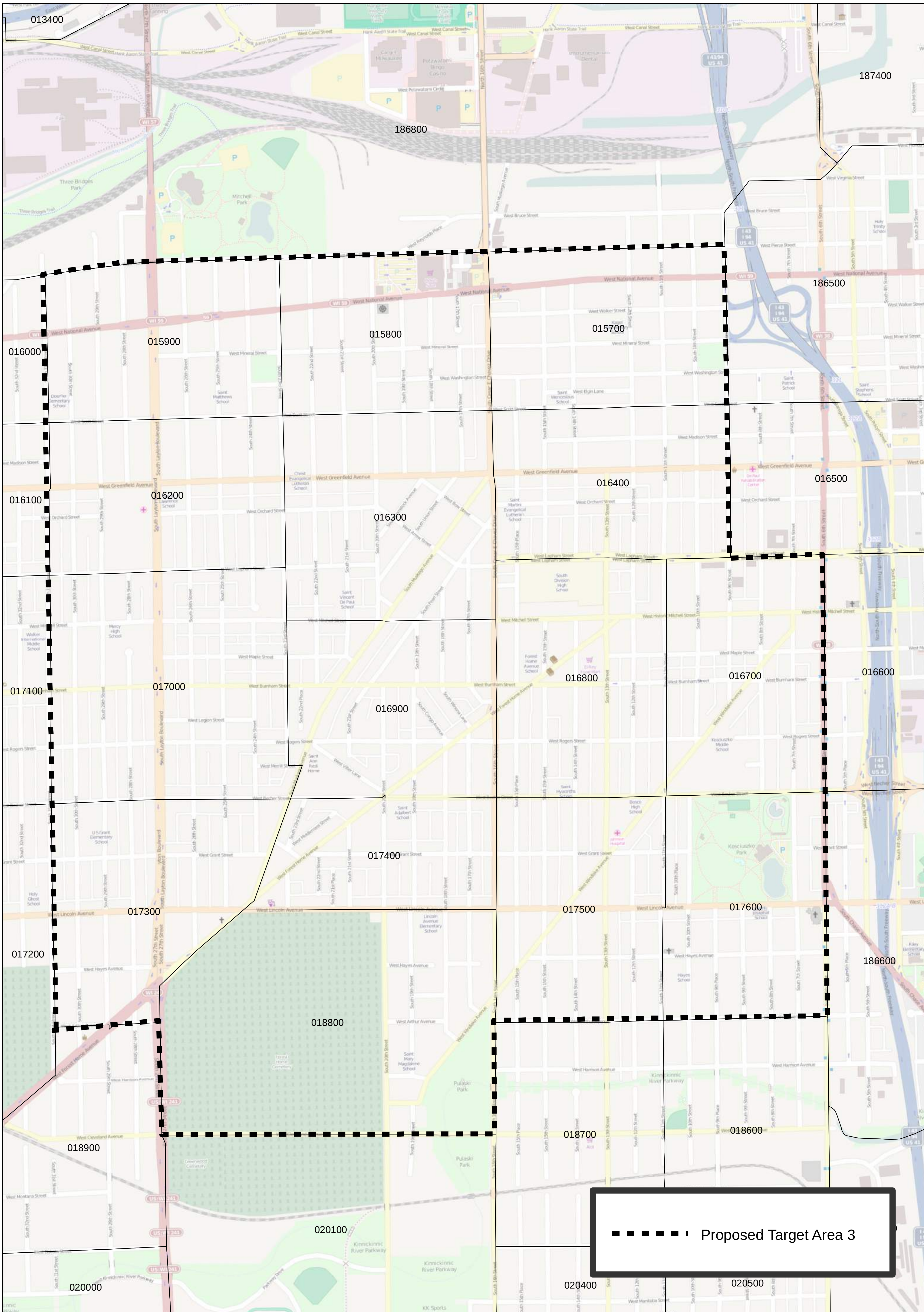
Prepared by the City of Milwaukee Legislative Reference Bureau, 154272_Area2_CT.mxd, ARV, 9-25-2014.

PROPOSED TARGET AREA 3
MILWAUKEE HOME PILOT PROGRAM
BY ALDERMANIC DISTRICT



Prepared by the City of Milwaukee Legislative Reference Bureau, 154272.mxd, ARV, 9-25-2014.

PROPOSED TARGET AREA 3
MILWAUKEE HOME PILOT PROGRAM
BY CENSUS TRACT



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