

**City of Milwaukee
Neighborhood Stabilization Program Application to the State of Wisconsin
Executive Summary**

The City of Milwaukee is submitting an application and plan to the Wisconsin Department of Commerce, Division of Housing and Community Development (DHCD) for Neighborhood Stabilization Program (NSP) funds made available to eligible applicants under the Housing and Economic Recovery Act of 2008.

Background/Need

As an entitlement community, the U.S. Department of Housing and Urban Development (HUD) previously awarded the City of Milwaukee a direct allocation of \$9.2 million in Neighborhood Stabilization Program funding. The City's NSP plan for the use of those funds has been approved by HUD and it is anticipated program implementation will begin in March when grant funds are received. However, given the scale of the foreclosure problem in Milwaukee, its direct allocation of NSP funds is not proportionate to the level of need demonstrated by the City using HUD and DHCD measures.

Therefore, Milwaukee is requesting additional NSP funding to more adequately respond to the foreclosure crisis in the City. This is consistent with NSP enabling legislation which provides that State NSP recipients "must use funds in entitlement jurisdictions if they are identified as areas of greatest need, regardless of whether the entitlement receives its own NSP allocation."

When considering and measuring the needs of Milwaukee, it is important to note how Milwaukee compares to other areas of the State in the following areas:

- **Foreclosure Filings:** According to UW-Extension data, foreclosure filings as a percentage of housing units (2005-2007) were 3.06% in Milwaukee compared to 1.64% statewide excluding Milwaukee. There are 92 census tracts in the State of Wisconsin where this percentage was 4% or higher. 68 of them are in Milwaukee.
- **Sub-Prime and High-Cost Lending:** According to Home Mortgage Disclosure Act data, 42.4 % of mortgage loans issued from 2004-2006 in the City of Milwaukee were high-cost. This was the highest rate for any CDBG entitlement jurisdiction in Wisconsin.
- **Risk for Abandonment:** In conjunction with the NSP, HUD developed a "Foreclosure Abandonment Risk Score" for every census tract in the United States to help local jurisdictions gauge which neighborhoods are most likely to face an increase in the number of homes abandoned as a result of increased rates of foreclosure. There are 141 census tracts in the state that received the highest possible score using this measure. 90 of them are in Milwaukee.

The Problem and its Impact on City Neighborhoods

In Milwaukee, foreclosures are resulting in significant costs for homeowners and neighborhoods.

Increasing numbers: There were over 9,900 foreclosure filings in the City of Milwaukee during 2007 and 2008. By way of comparison, there was an average of 2,617 foreclosure filings per

year in Milwaukee County from 2000-2005. This problem shows no sign of abating. There are currently over 1,850 bank and City owned properties in Milwaukee and an additional 4,800 open foreclosure filings.

Disproportionate impact: In Milwaukee, foreclosures and the related issues of subprime and predatory lending disproportionately impacted Milwaukee's poorest neighborhoods and low-income and minority families. There were over 17,800 subprime loans originated in Milwaukee County in 2005 and 2006, totaling over \$1.7 billion. In 2006, 59% of all of the mortgages issued in Milwaukee's Community Development Block Grant Area were either subprime or high interest mortgages. In 2006, over 2/3 (69%) of African American borrowers obtained high cost mortgages compared to less than 1/3 (30%) of whites.

Loss of homeownership: Over half of the subprime lending activity in Milwaukee was refinancing loans for existing homeowners. Long term homeowners, who have been a stabilizing force for City neighborhoods, are being displaced. Home equity, which is the single largest source of wealth building for most low and moderate income families, is being erased.

Effect on renters: Tenants are being impacted as well, as evictions are up significantly, and increasing numbers of them are foreclosure related. Many foreclosed homeowners turning to the rental market for housing are having difficulty securing rental property due to damage to their credit rating caused by the foreclosure.

Neighborhood impacts: Two-thirds of the bank owned foreclosures have open building code violations. Board ups have increased over 50% and vacant house fires have doubled. Left unattended, foreclosed properties are attractions for nuisance and criminal behavior.

A Coordinated Approach

NSP funds can be used for very specific foreclosure related program activities. However, it is important to note that Milwaukee's response to the foreclosure crisis goes beyond tackling the issue of abandoned and foreclosed properties. There are a number of comprehensive and thoughtful initiatives that are currently underway that will complement and strengthen Milwaukee's Neighborhood Stabilization Program efforts.

The Strategies to Overcome Predatory Practices (STOPP) Initiative has worked since 2002 through the Milwaukee Metropolitan Fair Housing Council in collaboration with local and state organizations to raise awareness of predatory and subprime lending activity and to provide consumer education and outreach in the community. Local housing counseling agencies have been providing foreclosure counseling services. Local academic institutions have provided research, education and consumer outreach within the community. Foreclosure Task Forces have been implemented by the City of Milwaukee and through the sponsorship of the U.S. Department of Housing and Urban Development to address neighborhood issues, intervention efforts and legislative reforms relating to the foreclosure issue.

In September, Milwaukee Mayor Tom Barrett launched the Milwaukee Foreclosure Partnership Initiative (MFPI), a public-private partnership made up of lenders, foundations, real estate professionals, government representatives and community stakeholders to coordinate and focus efforts to address the foreclosure crisis in Milwaukee. The MFPI is utilizing a three-pronged approach to address not only the issue of abandoned and foreclosed homes, but the issues of foreclosure prevention and intervention as well. Over 100 individuals representing a broad range of community interests participated in MFPI workgroups to create strategies and leverage

resources to address foreclosures in Milwaukee. Milwaukee's Common Council has also convened the Special Joint Committee on Redevelopment of Abandoned and Foreclosed Homes to guide the City's efforts for the use of Neighborhood Stabilization Program funding.

The NSP Plan

The proposed plan for the use of NSP funding has been designed to utilize a number of different strategies to address the issue of foreclosed homes in City neighborhoods. The plan recognizes that a "one size fits all" approach will not meet the need of neighborhoods impacted by the foreclosure issue. It includes a set of tools that build on existing programs, as well bring new ones to the effort. Most importantly, it includes a number of community partners who will be essential to achieving both meaningful and sustainable results for City neighborhoods. Key components of the plan include:

- A range of activities to promote homeownership, affordable rental housing, blight elimination and the redevelopment of City neighborhoods.
- A collaborative approach - the plan was developed, and will be implemented with a number of different partners, including residents, government, community organizations, local foundations, developers, lenders, and the real estate community.
- The leveraging of resources, including providing additional dollars for "bricks and mortar" activities, as well as the ground level support of neighborhood organizations and residents in planning and addressing the problems of foreclosures in their neighborhoods.
- Capacity - The City, as the implementing agency, brings a broad range of experience and expertise in the administration of federal programs and in the redevelopment of City neighborhoods. Likewise, partners have a proven track record of capacity, skill and commitment.

SECTION A: BUDGET SUMMARY

ACTIVITY	NSP FUNDS REQUESTED	NUMBER OF HOUSEHOLDS ASSISTED BY INCOME LEVEL			NUMBER OF UNITS	PROGRAM INCOME	LEVERAGE
		<50%	51-80%	81-120%			
A. Financing Mechanisms	\$				#	\$	\$
B. Acquisition/Rehab/Resale	\$5,418,800						
SINGLE FAMILY							
Acquisition by Applicant	\$2,906,300				25*	-0-	
Acquisition and Rehabilitation (Average of \$76,100/unit)	\$1,902,500						
Direct homeownership assist	\$960,000	6	36	6		\$2,000,000	
Homebuyer counseling	\$43,800	11	46	16		\$100,000	\$4,032,000
Rehabilitation	See above						
RENTAL:							
Acquisition by applicant	\$2,512,500						See above
NSP Assisted Acquisition and Rehabilitation	\$2,512,500	80	35		115	\$52,500	\$4,837,500
C. Land Banking	\$1,318,700				50	\$500,000	\$622,400
D. Demolition of Blighted Structures	\$1,312,500				75	\$300,000	
E. Redevelop Demolished/Vacant Properties	\$1,200,000				40		
New Construction	\$1,200,000	25	15		40	-0-	\$5,600,000
Public Facilities	N/A	N/A	N/A		N/A		N/A
HOUSING \$ TOTAL:	\$9,250,000					\$952,500	\$17,091,900
Administration	\$750,000						
TOTAL:	\$10,000,000						

*5 of these units will assist under 50% MI, 10 units 51-81% MI, 10 units 81-120% MI

WISCONSIN NEIGHBORHOOD STABILIZATION (WNS) PROGRAM
City of Milwaukee Application

1. **Activity Name** - Acquisition, Rehab and Resale (Acquisition/Rehab) Program (NSP-Eligible Activity B - Purchase and rehabilitate homes, and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.
2. **Projected Start Date** - April 1, 2009
3. **Projected End Date** - July 31, 2013 (funds will be obligated by July 31, 2010)
4. **Potential Partnering Organizations** - The City of Milwaukee will implement the program. A number of partners will support these efforts, including local lending institutions, community and neighborhood based organizations, home buying counseling agencies, philanthropic agencies and developers - refer to Exhibit I.
5. **Location Description** - Activities will be carried out in the City of Milwaukee's Area of Greatest Need, as described in Exhibit II.
6. **Activity Description** - The loss of homeownership resulting from increased foreclosures is having a destabilizing effect on City neighborhoods. In Milwaukee, the problem is exacerbated because of the fact that over 50% of subprime lending in the City was for the purpose of refinancing existing mortgages. Homeowners with significant tenure in City neighborhoods are losing their homes to foreclosure. This is not only resulting in increased numbers of vacant and boarded homes, but the loss of long term homeowners who had been a stabilizing force in City neighborhoods.

The Acquisition/Rehab Program will involve purchase and redevelopment of vacant foreclosed properties by private developers or by a City of Milwaukee-affiliated entity such as the Redevelopment Authority or the Housing Authority for sale for affordable homeownership. This is consistent with a number of priorities in the City's Consolidated Strategy and Plan for the utilization of federal funding, as well as the City's Neighborhood and Comprehensive Plans. These priorities include providing quality, affordable home ownership opportunities for Milwaukee's low income families, improving the quality of the housing stock, and working with residents and community based organizations in a coordinated approach to strengthen and support neighborhoods. (Refer to Exhibit III for additional information on the relationship between City's NSP Plan and consistency with planning efforts.)

The City will solicit proposals for this activity from developers with a proven track record of acquiring, redeveloping, marketing and selling single family

homes for homeownership. Properties purchased under the program will have an average discount of a minimum of 15% from the current market appraised value of the home. Before purchase, homes will be evaluated for economic feasibility with careful consideration paid to neighborhood market conditions supporting resale to owner-occupants. A qualified professional will estimate the overall cost including purchase, rehabilitation and holding costs, along with the likely sales price. (Rehabilitation standards for the program are included in Exhibit IV.)

The minimum affordability period for assistance under this activity will be 5 years. Consistent with HOME requirements, the affordability requirements will be:

<u>Direct Subsidy</u>	<u>Period of Affordability</u>
\$15,000 or less	5 years
\$15,000-\$40,000	10 years
\$40,000+	15 years.

A mortgage and a restrictive covenant will be recorded on the property to insure that the affordability requirements are met. To the extent there are direct subsidies provided to the homebuyer to reduce the purchase price of the home below the after rehabilitation appraised value, the subsidy will be recaptured for sales prior to the end of the affordability period to the extent sufficient sales proceeds exist. In the case of development subsidies (subsidies in instances where the cost to acquire and redevelop exceeds the after rehabilitation value of the home), the home will be required to be sold to another qualified low or moderate income purchaser.

Each homebuyer will receive at least 8 hours of homebuyer counseling under the program through the City's network of local home buying counseling agencies.

The City will work with local lenders, realtors, homebuying counseling agencies and community organizations to market opportunities under the program to prospective homeowners.

Since the 50% of AMI targeting requirement may be challenging given the current state of the financing market, the City will also work with Habitat for Humanity and the City of Milwaukee Housing Authority's homeownership program to provide homeownership opportunities for Milwaukee's lowest income families.

7. **Indicate how you will leverage additional funds to complement the activity. Identify the source of the funds and time period during which the funds will be available.**

NSP funds would leverage other funding sources, including private mortgage financing, other downpayment assistance grants from local counseling agencies, and additional development resources from partnering agencies. Funding will be available during the NSP implementation period. Refer to Exhibit I for partners.

8. **Discuss anticipated receipt and reuse of program income for the activity**

Program income will be utilized for additional eligible NSP activity.

WISCONSIN NEIGHBORHOOD STABILIZATION (WNS) PROGRAM
City of Milwaukee Application

1. **Activity Name –Demolition**
(NSP, Eligible Activity D - Demolish blighted structures.)
2. **Projected Start Date** – April 1, 2009
3. **Projected End Date** – July 31, 2013 (funds will be obligated by July 31, 2010)
4. **Potential Partnering Organizations** – The City of Milwaukee will implement this activity. The City will work with local community based agencies and neighborhood organizations to identify key properties for demolition.
5. **Location Description** – Activities will be carried out in the City of Milwaukee's Area of Greatest Need, as described in Exhibit I. Within these neighborhoods, demolition activity will be directed to the most severely blighting properties and demolition work will be coordinated with other development activities under the NSP to achieve the most significant impact on the neighborhood.
6. **Activity Description** - Two-thirds of bank owned foreclosed properties in the City of Milwaukee have outstanding building code violations. These properties are blighting influences on the City's neighborhoods and are undermining neighborhood confidence and stability. Fires in vacant one & two family properties have doubled in the last two years and left unattended, they are attractions for nuisance and criminal behavior.

NSP funds will be used to demolish approximately 75 structures representing the properties most severely blighted and detrimental to neighborhood stability. This is consistent with a blight elimination priority in the City's Consolidated Strategy and Plan for the utilization of federal funding, as well as the City's Neighborhood and Comprehensive Plans. The activity is also consistent with working with residents and community based organizations in a coordinated approach to strengthen and support neighborhoods. (Refer to Exhibit III for additional information on the relationship between City's NSP Plan and consistency with planning efforts.)

The cost of these demolitions will be placed as a lien on the property. Any funds recouped will be reused for similar NSP qualified activity.

In an effort to promote economic opportunities and workforce development skills as well as reduce landfill waste, demolition activity may include a "deconstruction" component. In deconstruction, homes would be hand-dismantled and materials would be sorted and distributed for reuse.

Experience shows that as much as 85% of a structure can be diverted from a landfill. Many items are salvageable, and those that can't be salvaged, can often be recycled to create new products. Using this approach, the City would partner with local job training programs to create employment opportunities for Milwaukee residents.

- 7. Indicate how you will leverage additional funds to complement the activity. Identify the source of the funds and time period during which the funds will be available.**

The City is working to identify job training funds which could be used to complement demolition funds under the "deconstruction" alternative.

- 8. Discuss anticipated receipt and reuse of program income for the activity**

Program income will be utilized for additional eligible NSP activity.

WISCONSIN NEIGHBORHOOD STABILIZATION (WNS) PROGRAM
City of Milwaukee Application

1. **Activity Name** – Homebuyer Assistance
(NSP-Eligible Activity B - Purchase and rehabilitate homes, and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties.
2. **Projected Start Date** – April 1, 2009
3. **Projected End Date** – July 31, 2013 (funds will be obligated by July 31, 2010)
4. **Potential Partnering Organizations** – The City of Milwaukee will implement the program. A number of partners will support these efforts, including local lending institutions, community and neighborhood based organizations, home buying counseling agencies and the Milwaukee Metropolitan Board of Realtors and developers - refer to Exhibit I.
5. **Location Description** – Activities will be carried out in the City of Milwaukee's Area of Greatest Need, as described in Exhibit II.
6. **Activity Description** - The loss of homeownership resulting from increased foreclosures is having a destabilizing effect on City neighborhoods. In Milwaukee, the problem is exacerbated because of the fact that over 50% of subprime lending in Milwaukee was for the purpose of refinancing existing mortgages. Homeowners with significant tenure in City neighborhoods are losing their homes to foreclosure. This is not only resulting in increased numbers of vacant and boarded homes, but the loss of long term homeowners who had been a stabilizing force in City neighborhoods.

The activity will provide soft second mortgage financing to owner occupant purchasers of foreclosed homes. Families earning less than 120% of AMI will be eligible for a 0% second mortgage for up to 20% of the purchase price of a foreclosed home. The financing is intended to serve as an incentive to encourage the purchase of vacant and abandoned homes for owner occupancy. The amount of assistance (up to 20% of purchase price), coupled with other resources, will also effectively eliminate the need for private mortgage insurance. This will increase affordability for low income homeowners, as well as the access to credit in a market with diminished financing products for affordable homeownership. This activity is intended to complement (not duplicate) WHEDA's NSP funded mortgage purchase program. It is anticipated that this program will involve properties needing more rehabilitation than WHEDA's program which has been designed to accommodate purchases that involve no, or more minimal levels of required rehabilitation.

The activity is consistent with a number of priorities in the City's Consolidated Strategy and Plan for the utilization of federal funding, as well as the City's Neighborhood and Comprehensive Plans. These priorities include providing quality, affordable home ownership opportunities for Milwaukee's low income families, improving the quality of the housing stock, and working with residents and community based organizations in a coordinated approach to strengthen and support neighborhoods. (Refer to Exhibit III for additional information on the relationship between City's NSP Plan and consistency with planning efforts.)

The amount of assistance for individual purchase transactions will be dependent on the income of the purchaser – and will vary based on income, with the lowest income beneficiaries being eligible for higher amounts of assistance.

Properties purchased under the program will have a minimum discount of 15% from the current market appraised value of the home. Each property will be inspected and a detailed scope of work will be prepared to insure that it meets the rehabilitation standards for the program. Technical assistance will be provided to insure rehabilitation is completed in a timely manner and consistent with the rehabilitation standards for the program. (Rehabilitation standards for the program are included in Exhibit IV.)

The minimum affordability period for assistance under this activity will be 5 years. Consistent with HOME requirements, the affordability requirements will be:

<u>Assistance Amount</u>	<u>Period of Affordability</u>
\$15,000 or less	5 years
\$15,000-\$40,000	10 years

A mortgage and a restrictive covenant will be recorded on the property to insure that the affordability requirements are met. If a property is sold prior to expiration of the affordability period, it will require payment of the loan. In limited circumstances, (e.g., change of job, significant family event, etc.), the loan may be assumable by another qualified low income purchaser.

Each homebuyer will receive at least 8 hours of homebuyer counseling under the program through the City's network of local home buying counseling agencies.

A list of foreclosed properties in targeted neighborhoods will be posted on the City's foreclosure website with information on financing opportunities and resources available for homeownership. The City will work with local lenders, realtors, homebuying counseling agencies and community organizations to market opportunities under the program to prospective homeowners.

Since the 50% of AMI targeting requirement may be challenging given the current state of the financing market, the City will also work with Habitat for Humanity and the City of Milwaukee Housing Authority's homeownership program to provide homeownership opportunities for Milwaukee's lowest income families.

- 7. Indicate how you will leverage additional funds to complement the activity. Identify the source of the funds and time period during which the funds will be available.**

NSP funds would leverage other funding sources, including private mortgage financing, other downpayment assistance grants from local counseling agencies, and additional development resources from partnering agencies. Funding will be available during the NSP implementation period. Refer to Exhibit I for partners.

- 8. Discuss anticipated receipt and reuse of program income for the activity**

Program income will be utilized for additional eligible NSP activity.

WISCONSIN NEIGHBORHOOD STABILIZATION (WNS) PROGRAM
City of Milwaukee Application

1. **Activity Name** – Land Bank
(NSP Eligible Activity C - Establish land banks for homes that have been foreclosed upon.)
2. **Projected Start Date** – April 1, 2009
3. **Projected End Date** – July 31, 2013 (funds will be obligated by July 31, 2010)
4. **Potential Partnering Organizations** – The City of Milwaukee will implement the program. A number of partners will support these efforts, including local lending institutions, community based organizations and the Local Initiatives Support Corporation (LISC) - refer to Exhibit I.
5. **Location Description** – Activities will be carried out in the City of Milwaukee's Area of Greatest Need, as described in Exhibit II. Further targeting will include identification of those properties which are strategic for neighborhood redevelopment purposes and would complement other NSP activities and efforts.

Activity Description - There are currently 1,765 bank owned vacant and foreclosed properties in City neighborhoods. 95% of these properties are one and two family structures. Given the scattered site nature of the City's foreclosure inventory, intervention by a single entity through a bulk purchase of properties will be key to addressing the foreclosure problem in city neighborhoods. The City would create an LLC, which would be controlled by its Housing and/or Redevelopment Authority which would engage in bulk and strategic purchase of property for disposition for affordable housing. The activity is consistent with a number of priorities in the City's Consolidated Strategy and Plan for the utilization of federal funding, as well as the City's Neighborhood and Comprehensive Plans. These priorities include providing quality, affordable home ownership and rental opportunities for Milwaukee's low income families, improving the quality of the housing stock, blight elimination and creation of redevelopment opportunities to promote neighborhood revitalization and stability. (Refer to Exhibit III for additional information on the relationship between City's NSP Plan and consistency with planning efforts.)

Both the City's Housing Authority and Redevelopment Authority have considerable experience in the acquisition and development of blighted property for redevelopment purposes. In general, the land bank approach

would be used:

- For the acquisition of nuisance properties, where swift action is necessary because the property is having a significant negative impact on the neighborhood.
- If an opportunity presents itself for a bulk purchase of properties at a significantly discounted rate and the purchase would be consistent with a redevelopment strategy for a neighborhood.

The LLC would enter into negotiated transactions with lenders and servicers holding vacant and foreclosed properties. Outreach to lenders and servicers have already been initiated regarding the discounted bulk purchase of foreclosed properties. In addition, through the local office of the Local Initiatives Support Corporation, the City may utilize the proposed National Community Stabilization Trust to assist in these efforts. Properties purchased under the program will have a minimum discount of 15% from the current market appraised value of the home.

It would not be the intent of this initiative to hold properties for a protracted period of time. The land bank would follow a general set of operating principles which would include:

- Any property/properties acquired would have a companion disposition strategy in place at the time of acquisition.
- The targeted "holding" period for properties acquired would not exceed 12 months.
- Acquisition strategies would be targeted to complement existing neighborhood initiatives, and capitalize on the strengths of existing neighborhood resources, partners and plans.
- Properties will be resold to qualified and experienced developers for the development of affordable rental or homeownership housing or directly to individuals who intend to occupy the property as their primary residence.

In general, the interim and long term uses of these properties would be for high quality affordable housing that benefits families earning <120% of AMI (homeownership units) and <65% of AMI (rental units). Should the property not be feasible for redevelopment, selected demolition may be considered, with the reuse of vacant land consistent with the uses described in the "Vacant Land Initiative" section of the plan. Net sales proceeds resulting from the disposition of any structure would be returned for use for qualified NSP activities.

7. **Indicate how you will leverage additional funds to complement the activity. Identify the source of the funds and time period during which the funds will be available.**

The City is working with local lenders to identify additional capital (low interest financing) for land bank activities. Funding would be available for the duration of land bank activities. Refer to Exhibit I for partners.

8. **Discuss anticipated receipt and reuse of program income for the activity.**

Program income will be utilized for additional eligible NSP activity.

WISCONSIN NEIGHBORHOOD STABILIZATION (WNS) PROGRAM
City of Milwaukee Application

1. **Activity Name - Rental Rehabilitation**
(NSP-Eligible Activity B - Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties)
2. **Projected Start Date** – April 1, 2009
3. **Projected End Date** – July 31, 2013 (funds will be obligated by July 31, 2010)
4. **Potential Partnering Organizations** –The City of Milwaukee will implement the program. A number of partners will support these efforts, including local lending institutions, community and neighborhood based organizations, LISC and the Greater Milwaukee Association of Realtors – refer to Exhibit I.
5. **Location Description** – Activities will be carried out in the City of Milwaukee's Area of Greatest Need, as described in Exhibit II.
6. **Activity Description** - The foreclosure problem is resulting in a loss of affordable rental housing in City neighborhoods. Over the past 24 months, evictions are up significantly and increasing numbers of evictions are foreclosure related. Foreclosed homeowners who are turning to the rental market for housing are having difficulty securing rental property due to damage to their credit rating caused by the foreclosure.

The Rental Rehabilitation program will provide resources for the rehabilitation of vacant foreclosed properties by responsible private landlords for the purpose of providing affordable rental opportunities. The program will generally assist neighborhood landlords developing a small number of properties in targeted areas.

This is consistent with a number of priorities in the City's Consolidated Strategy and Plan for the utilization of federal funding, as well as the City's Neighborhood and Comprehensive Plans. These priorities include providing quality, affordable rental housing for Milwaukee's low income families, improving the quality of the housing stock, and working with residents and community based organizations in a coordinated approach to strengthen and support neighborhoods. (Refer to Exhibit III for additional information on the relationship between City's NSP Plan and consistency with planning efforts).

The program will offer forgivable loans, on a matching funds basis, to pay for repairs and property improvements to foreclosed properties acquired for the purpose of providing affordable rental housing. Properties purchased and

receiving rehabilitation assistance under the program will have a discount of at least 15% from the current market appraised value of the home. Property owners will be screened, and only those with good records with the Department of Neighborhood Services ("Building Inspection") and those who pay their property taxes on time will be eligible for participation. Depending on their prior experience level, participants may be required to attend the City of Milwaukee's landlord training program.

Loans limits for the NSP Rental Rehabilitation Program will be \$17,500 per unit, with a required minimum one for one match coming from the property owner. Each property will be inspected and technical assistance will be provided to prepare a scope of work and insure that rehabilitation is completed in a timely manner and meets the rehabilitation standards for the program. (Rehabilitation standards for the program are included in Exhibit IV.)

The program is modeled after the City of Milwaukee's existing successful Rental Rehabilitation Program. The City has operated its Rental Rehabilitation Program since 1985. In the past 5 years, the Rental Rehabilitation Program has provided funding for the redevelopment of over 450 housing units and has leveraged over \$16 million in funding for the creation of quality, affordable rental housing. The majority of units rehabilitated under the Rental Rehabilitation Program have been contained in one and two family structures – consistent with the inventory of foreclosures in Milwaukee.

Affordable rents and income levels under this activity will be consistent with limits prescribed by HUD in conjunction with the HOME program. These rents are considered to be affordable for households with incomes that are 65% of AMI. Priority will be given to units that target income/rents below the 50% of AMI level. (In the City's existing Rental Rehabilitation Program, over the past 5 years, 86% of the units have been occupied by families earning under 50% of AMI.) Affordable rent and income limits will be updated each year of the NSP implementation period to reflect any changes.

The minimum affordability period for assistance under this activity will be 5 years. Consistent with HOME requirements, the affordability requirements will be:

<u>Amount of Assistance</u>	<u>Period of Affordability</u>
\$15,000 or less/unit	5 years
\$15,000-\$40,000/unit	10 years

A mortgage and a restrictive covenant will be recorded on the property to insure that the affordability requirements are met. If a property is sold prior to the expiration of the affordability period, it will require repayment of the loan.

The City will work with local lenders, the Greater Milwaukee Association of Realtors and community organizations to market opportunities under the program to responsible landlords and provide additional resources for program activity. Information on foreclosed properties in the NSP target area will be posted on the City's foreclosure website with information on financing opportunities and resources available for the program. In addition, the City will work with participating landlords to develop criteria under which homeowners and tenants that have been displaced as a result of the foreclosure crisis could be considered for units acquired and renovated under the program.

- 7. Indicate how you will leverage additional funds to complement the activity. Identify the source of the funds and time period during which the funds will be available.**

As indicated above, the Rental Rehabilitation Program has a proven track record of success in leveraging additional funds for the rehabilitation of affordable rental housing. Historically, each dollar of Rental Rehabilitation Program funding has leveraged an additional two dollars in funding from private financing and landlord equity. The City is also working with local lenders to provide financing for acquisition and matching rehabilitation funding for participating landlords. Funds will be available during the NSP implementation period. Refer to Exhibit I for partners.

- 8. Discuss anticipated receipt and reuse of program income for the activity.**

Program income will be utilized for additional eligible NSP activity.

WISCONSIN NEIGHBORHOOD STABILIZATION (WNS) PROGRAM
City of Milwaukee Application

1. **Activity Name:** Rental Development for Affordable Housing – Large Projects (NSP-Eligible Activity B - Purchase and rehabilitate homes, and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties)
2. **Projected Start Date** – April 1, 2009
3. **Projected End Date** – July 31, 2013 (funds will be obligated by July 31, 2010)
4. **Potential Partnering Organizations** – The City of Milwaukee will implement the program. A number of partners will support these efforts, including local lending institutions, community based organizations, and private developers - refer to Exhibit I.
5. **Location Description** – Activities will be carried out in the City of Milwaukee's Area of Greatest Need, as described in Exhibit II.
6. **Activity Description** - The foreclosure problem is resulting in a loss of affordable rental housing in City neighborhoods. Over the past 24 months, evictions are up significantly and increasing numbers of evictions are foreclosure related. Foreclosed homeowners who are turning to the rental market for housing are having difficulty securing rental property due to damage to their credit rating caused by the foreclosure.

This activity will complement the Rental Rehabilitation Program to create high quality affordable rental housing for low income families, but will involve the large scale acquisition through bulk purchase (generally, single transactions of 20+ units) of abandoned and foreclosed properties for this purpose. NSP funds will be used to provide gap financing (soft second mortgages) for larger scale rental development projects.

This is consistent with a number of priorities in the City's Consolidated Strategy and Plan for the utilization of federal funding, as well as the City's Neighborhood and Comprehensive Plans. These priorities include providing quality, affordable rental housing for Milwaukee's low income families, improving the quality of the housing stock, and working with residents and community based organizations in a coordinated approach to strengthen and support neighborhoods. (Refer to Exhibit III for additional information on the relationship between City's NSP Plan and consistency with planning efforts).

The City will work with qualified developers with a proven track record of acquiring, redeveloping and managing affordable rental housing to identify

properties for redevelopment and provide the necessary resources to undertake these activities. The City has significant experience working with developers and providing resources for larger scale neighborhood rental development including underwriting, negotiating development agreements and monitoring projects using Tax Incremental Financing, HOME funding and Housing Trust Fund dollars.

The property identification process will include the targeting criteria developed for the NSP, as well as the consideration of properties suitable for the development of affordable rental housing in targeted neighborhoods. The pool of properties will then be acquired by a City of Milwaukee-affiliated land bank or directly by the participating developer. Properties purchased under the program will have a minimum discount of 15% from the current market appraised value of the home. Each property will be inspected, a scope of work will be prepared and construction work will be monitored to insure that rehabilitation is completed in a timely manner and meets the rehabilitation standards for the program. (Rehabilitation standards for the program are included in Exhibit IV.)

Affordable rents and income levels under this activity will be consistent with limits prescribed by HUD in conjunction with the HOME program. These rents are considered to be affordable for households with incomes that are 65% of AMI. Priority will be given to units that target income/rents below the 50% of AMI level. Affordable rent and income limits will be updated each year of the NSP implementation period to reflect any changes.

The minimum affordability period for assistance under this activity will be 5 years. Consistent with HOME requirements, the affordability requirements will be:

<u>Amount of Assistance</u>	<u>Period of Affordability</u>
\$15,000 or less/unit	5 years
\$15,000-\$40,000/unit	10 years
\$40,000+/unit	15 years

A mortgage and a restrictive covenant will be recorded on the property to insure that the affordability requirements are met. If a property is sold prior to the expiration of the affordability period, it will require repayment of the loan.

The City will work with participating developers to create criteria under which homeowners and tenants displaced as a result of the foreclosure crisis could be considered for units purchased and renovated under the program.

7. **Indicate how you will leverage additional funds to complement the activity. Identify the source of the funds and time period during which the funds will be available.**

NSP funds would leverage other funding sources, including low income housing tax credits, private mortgage financing, and other non-federal grant sources. The City is currently working with local lenders and other grant and philanthropic funding sources to provide private financing for these purposes. Funding will be available during the NSP implementation period. Refer to Exhibit I for partners.

8. **Discuss anticipated receipt and reuse of program income for the activity**

Program income will be utilized for additional eligible NSP activity.

WISCONSIN NEIGHBORHOOD STABILIZATION (WNS) PROGRAM
City of Milwaukee Application

1. **Activity Name** – Vacant Land Initiative New Construction
(NSP Eligible Activity E - Redevelop demolished or vacant properties.)
2. **Projected Start Date** – April 1, 2009
3. **Projected End Date** – July 31, 2013 (funds will be obligated by July 31, 2010)
4. **Potential Partnering Organizations** – The City of Milwaukee will implement the program. A number of partners will support these efforts, including local lending institutions, home buying counseling agencies, community based organizations, and developers - refer to Exhibit I.
5. **Location Description** – Activities will be carried out in the City of Milwaukee's Area of Greatest Need, as described in Exhibit II.
6. **Activity Description** - The program will involve the reuse of vacant land resulting from the demolition of abandoned, foreclosed and blighting structures. Where the demolition has resulted in a site that in itself, or combined with other land, represents an opportunity for the development of affordable housing for individuals or low income families, gap financing will be provided for the new development.

The activity is consistent with a number of priorities in the City's Consolidated Strategy and Plan for the utilization of federal funding, as well as the City's Neighborhood and Comprehensive Plans. These priorities include providing quality, affordable home ownership and rental opportunities for Milwaukee's low income families, improving the quality of the housing stock, promoting neighborhood revitalization through infill development and working with residents and community based organizations in a coordinated approach to strengthen and support neighborhoods. (Refer to Exhibit III for additional information on the relationship between City's NSP Plan and consistency with planning efforts.)

An inventory of sites will be made available to the local development community and developers will be invited to submit proposals for the redevelopment of sites. Proposals will be evaluated on a number of criteria, including the quality of the proposed development and the experience of the development team in developing and/or selling and managing quality affordable housing. In addition, proposals will be evaluated based on economic feasibility, the amount of the project gap, the timeline for completion, and evidence of committed funding sources necessary to undertake the project.

The minimum affordability period for assistance under this activity will be dependent on the reuse of the property. Consistent with HOME requirements, for single family homeownership, the affordability requirements will be:

<u>Amount of Direct Subsidy</u>	<u>Period of Affordability</u>
\$15,000 or less/unit	5 years
\$15,000-\$40,000/unit	10 years
\$40,000+	15 years.

For rental projects, the period of affordability will be 20 years.

A mortgage and a restrictive covenant will be recorded on the property to insure that the affordability requirements are met. For homeownership projects, to the extent there are direct subsidies provided to the homebuyer to reduce the purchase price of the home below the appraised value, the subsidy will be recaptured for sales prior to the end of the affordability period to the extent sufficient sales proceeds exist. For rental projects, any sale prior to the end of the affordability period will require the recapture of funds and for the new owner assume the affordability requirements for the project.

7. **Indicate how you will leverage additional funds to complement the activity. Identify the source of the funds and time period during which the funds will be available.**

NSP funds would leverage a number of other funding sources. For homeownership projects, this would include private mortgage financing, other downpayment assistance grants from local counseling agencies, and additional development resources from partnering agencies. For new rental projects, this would include low income housing tax credits, private mortgage financing, and other non-federal grant sources. Refer to Exhibit I for partners.)

8. **Discuss anticipated receipt and reuse of program income for the activity**

Program income will be utilized for additional eligible NSP activity.