



City of Milwaukee

200 E. Wells Street
Milwaukee, Wisconsin
53202

Meeting Minutes

JOINT COMMITTEE ON REDEVELOPMENT OF ABANDONED AND FORECLOSED HOMES

ALD. ROBERT BAUMAN, CHAIR

**Spencer Coggs, Preston Cole, Mario Higgins, Ald. Khalif
Rainey, Antonio Perez, Maria Prioletta, and Ald. Russell
Stamper, II.**

Staff Assistant: Linda Elmer, 286-2231

Fax: 286-3456, lelmer@milwaukee.gov

**Legislative Liaison: Aaron Cadle, 286-8666,
acadle@milwaukee.gov**

Monday, April 24, 2017

10:00 AM

City Hall, Room 301-A

Meeting convened: 10:04 A.M.

Members excused: Ms. Priolett and Mr. Higgins

Present: 5 - Bauman, Cole, Perez, Coggs, Stamper

Excused: 3 - Prioletta, Rainey, Higgins

- 1. Communication from the Treasurer's Office, Department of Neighborhood Services and the City Attorney's Office relating to efforts to pierce the corporate veil of legal entities such as LLC's that own real property in the City of Milwaukee in order to expedite the collection of funds owed the city and to expedite compliance with DNS orders.**

Ald. Bauman noted that the matter under item #1 on the agenda was recently added to the jurisdiction of this body. Mr. Coggs said he has looked into LLCs and the Council is interested in expediting collection of funds. State law requires that all taxpayers are treated equally and parcels are selected for in-rem action by lottery but the Treasurer's Office does target vacant and abandoned properties. Mr. Tom Mishefske, Dept. of Neighborhood Services, said the first process to encourage building code compliance is to refer orders to municipal court where fines can be given. The department also institutes reinspection fees on a monthly basis, with escalating fees of \$100 for the first month and \$200 per month thereafter. Under this program, significant monetary penalties can accrue and letters go out monthly to the owners noting that increasing charges and appeal rights to the Administrative Review Appeals Board. Any unpaid fines are rolled onto the property tax bill. Registered agents are contacted for LLCs, as well as any other known parties -- LLCs are treated the same as partnerships or sole owners. The Dept. of Neighborhood Services (DNS) periodically meets with the City Attorney's Office to discuss problem properties. DNS will look into reducing the amount of time between reinspections from 30 days, but he thinks it would need to be done uniformly with all property owners, not just targeting non-responsive owners. He will look into the legality of that. Mr. Mishefske noted there might be a number of possible reasons why the LLC isn't responding to orders.

Atty. Adam Stephens filed a letter on January 6th analyzing pursuing LLCs and also a document noting the top 10 egregious LLCs compiled by three departments. Both documents are in file 161359. The Kohn Law Firm also reviewed the list. Atty.

Stephens brought along his staff to introduce them to the body: Patrick Leigl is the lead prosecutor, Kail Decker leads the litigation in Circuit Court, Heather Hough is one of the main community prosecutors and Gregg Hagopian is a veteran city attorney developing new legal strategies for state legislation and he has a national reputation. The City Attorney's Office has had this newly formed section for 18 months and has 11 lawyers working in this section and they handle prosecutions in circuit court, rather than municipal court. Circuit court has the ability to pierce the corporate veil and order action to be taken, rather than solely fine the miscreant. LLCs are relatively new to Wisconsin, only since the 1990s, so there isn't a lot of case law. All cases in which the city needs to pierce the corporate veil need to go through circuit court and the city has been successful in these cases. Formerly the City Attorney's Office primarily focused on criminal issues such as drug sales and prostitution, but now the emphasis seems to be on egregious building code violators. The Department is focusing on individuals who own numerous buildings which are blighting neighborhoods; they are not focusing on debt collection. Ald. Bauman thought that raze orders are a very potent tool, with the raze being paid by the owner. Mr. Mishefske said a raze order can be issued when rehab costs are more than 150% of assessed value. There is no city policy to not raze a property, but funds are limited so properties are boarded up and razed based upon a criteria set by the department. Emergency razes are done immediately due to public safety concerns. Mr. Cole said that the annual proposed budget is reviewed and it is possible that the Capital Improvements Committee could discuss the raze funding levels. For private properties, it is more difficult for Council members to know what the status of a building is in terms of what is happening with the property. Mr. Mishefske said on the raze list there are 402 properties; 228 city owned, 174 privately owned; 78 are commercial; the rest are single family, duplexes and garages. Properties deemed priority 1 are considered an emergency and there are 41 of them on the list (9 of which are commercial). The bulk of the properties fall into priority 2 (338 properties). The Dept. of Public Works razes 90 buildings a year with DNS acting as a general contractor and doing all the preliminary work. Of the 402 properties, there are some restoration agreements. Ald. Coggs said that during the budget hearings, discussion was focusing on how to select properties to restore rather than demolish. She and Ald. Stamper were both pushing for rehabilitation rather than solely demolition; there needs to be a balance so there are not blocks and blocks of vacant land. Comm. Cole said that criteria should be created as to what should be rehabbed versus demolished.

Atty. Stephens and Atty. Decker mentioned a court case involving numerous industrial buildings (Solvag Coke) that was being set on fire numerous times by vagrants. The land itself was valuable. The LLC was forced into bankruptcy and the individual behind the LLC was forced to pay \$200,000 to pay for the razing of the buildings and a forced sale was required and the property was sold to WE Energies, which will be redeveloping the property. Ald. Bauman thinks this situation is unique as there were no affected neighbors, which is the real challenge. Ald. Stamper would like to offer properties with some value to the community and rent withholding for problem landlords. Atty. Decker said that DNS does withhold rent for specific properties. Ms. Jennifer Gonda, Intergovernmental Relations, said both expedited rent withholding and sheriff's sale limitations, are in the legislative package. Gregg Hagopian said that the only qualifications to buy a house at a sheriff's sale is to be the highest bidder present with money. The proposed legislation is to prohibit those who own tax-delinquent property in Wisconsin, have an outstanding judgement from the city for building code violations or who don't have an agent in-state from purchasing property at a sheriff's sale.

Atty. Hagopian said the bidder would have to affirm that this information is true. DNS

is now present at the sheriff's sales and the city can go before a judge and say that it's a false affirmation. The Treasurer's Office has been working with the City Attorney's Office to let owners defer foreclosure as long as they're in compliance with the building code; this would not be available to problem landlords. This legislation should be before Council this cycle. Atty. Hagopian said this also prevents the straw buyer situation.

Atty. Stephens said there are pending cases in circuit court, one involving a raze order that was issued two years ago and he summarized pending court cases. There are a number of LLCs that the City Attorney's Office is investigating and referring those cases to the different levels of government prosecution as appropriate.

Ald. Witkowski said that there are individuals who don't fix properties, pay taxes, etc. and then the city ends up with basically worthless properties. He would like to see that the city has a pattern and system to deal with these individuals. The Strong Neighborhoods group is working in this issue, per Comm. Cole.

Ald. Stamper would like to see the Residential Reinspection Program restored and there is some interest in restoring that - the focus will be on that after the push on the sheriff's sales initiatives. The bankruptcy section is now under the purview of Atty. Hagopian. There are serial bankruptcy filers and the Treasurer's Office and the City Attorney's do what they can; bankruptcy court has been pretty friendly to debtors.

Ald. Witkowski would also like communications with the Council so members are aware of what is going on.

2. Communication from the Dept. of Neighborhood Services, City Development and the Milwaukee Water Works regarding the replacement of lead service laterals on improved properties owned by the city.

Ald. Bauman thinks lead lateral replacement could be conceivably done on the Housing Infrastructure Preservation Fund homes and the Lease-to-Own properties as those properties already have thousands of city funds already invested or are for first-time homeowners. Mr. Coggs said he was formerly a health inspector and has 10.5 years of experience in this field.

Ms. Martha Brown said the DCD will look at what the fiscal impact would be for those two programs. The city does replace lead laterals in emergency situations and there have only been a handful of properties so far. The Health Department has been installing water filters in occupied city properties with vulnerable populations. They have installed 25 so far and DCD has asked to get more filters from the Health Department. Amy Turim, DCD, said private plumbers are hired to install the filters, which are countertop units. Jennifer Gonda said the filters are rated for this particular use. It takes less than a half hour to install a filter and cost \$60-\$70 apiece. Ms. Brown said the department will look into if they can use some rent funds to purchase filters. Ms. Gonda will ask the Health Department if the filters are all gone. Ms. Gonda said there are four properties owned by DCD that need laterals replaced, but they're waiting until an occupant is located for these properties. Ms. Gonda will discuss at the next meeting workforce development and bids for lead lateral work. Milwaukee Water Works (MWW) is on track to replace 600-650 service lines this year.

Mark Schille, MWW, said information is provided on whole house water flushing, instructions, a sample kit and an extra cartridge for the filters. Ms. Gonda provided information after the meeting, noting that the filter DCD has been arranging to have installed at the City owned properties that are occupied is the Aquasana AQ-4000. General product information is available here: <http://www.aquasana.com/drinking-water-filter-systems/countertop-attached>

The instructions are also in Spanish and the Health Department might be adding Hmong.

3. **Communication from the Dept. of Neighborhood Services and the City Attorney on efforts to demolish vacant and blighted multi-unit properties where a raze order has been issued or other grounds exist for the city to remove blighted property.**

This was covered under item #1.

4. **Communication from the Dept. of Neighborhood Services relating to demolition and deconstruction.**

Ron Roberts, Dept. of Neighborhood Services, said they had one bid containing four parcels. There is also a Request for Proposals (RFP) to perform 20 deconstructions, resulting in 40 new jobs. This should be going out in the next 30 days. They continue to bid out deconstructions with the goal for 2017 being 20. Spencer Renovations and Northcott are doing deconstructions. Running Rebels has been doing garage deconstructions; they are not interested in whole-house deconstructions. There will be 80 demolitions. The department is finding that contractors are not coming forward to do deconstructions at a rate the city can afford - bids ranged from \$23,000 to \$50,000. The hope is to get more contractors able to bid on these projects to bring the price down. Commissioner Cole said that some cities have legislation that say homes constructed prior to 1915 shall be deconstructed.

5. **Communication from the Dept. of City Development on Housing Infrastructure Preservation Fund activities.**

Yves LaPierre said they have worked on 43 properties and have sold 23. They are working on 18 of them and hope to begin marketing those. They have four properties they will be working on and he keeps an eye on the in rem properties. The main goal is to stabilize the properties and do the roofing and porches.

6. **Communication from the Dept. of City Development on the Strong Home Loan Program.**

Larry Kilmer said that year-to-date 33 loans have been approved for about a half-million dollars and there are 71 applications in process. This year the dept. was allocated \$1.5 million. The average loan is \$13,000. Homebuyer Assistance programs gives up to \$20,000 and two loans have been approved; 3 applications are in process. They have had 74-75 people attend their monthly orientation programs. Rent Rehab program - they have been out to 17 programs this year and have approved 4 projects. They have accepted 120 Strong Neighborhood loans and this and other programs utilize 10 FTEs and 2 administrative personnel.

7. **Communication from the Dept. of City Development on the Lease-to-Own Program.**

Amy Turmin, DCD, said that only single-family homes are accepted to this program; this is for homes the city has foreclosed upon that are occupied by tenants. The city will sell the home for \$1 if the tenant wishes to purchase the property and can be

worked with. 37 properties have been closed since the program began in 2014. The average cost to rehab for the city is \$18,500. It's rare to find houses under scope to fall in this program with the most homes being closed in the 7th district (Ald. Rainey's). For the houses closed in 2014 and 2015 none of the houses have orders on them. Currently the city has 174 occupied properties.

8. Communication from the Mayor's Office, Dept. of City Development and the City Attorney's Office relating activities, revenue and expenditures of the Strong Neighborhoods Plan.

Items #8 and #9 were considered together

Irma Yopez-Klassan, Mayor's Office, said the budget in 2106 was \$11 million and a little over \$10 million was spent. A carryover of \$1.2 million was done as work is seasonal.

Ald. Bauman inquired as to how "owner occupied" is enforced when required as a condition of sale. Ms Turim said this is investigated if complaints are received. The department does allow sale to people who are buying to flip the property. The flipper must sell the property to an owner occupant. Mr. Mishefske said DNS does monitor the rehab progress and makes sure it complies with the city building codes.

This will be an item on the next item relating to the city sale of real estate.

Atty. Hagopian said if a deed restriction is violated, it could be reversion of title, which could be more complex for residential properties than commercial properties, or damages.

9. Communication from the Department of City Development, Community Block Grant Administration, Dept. of Neighborhood Services, Police Department, City Attorney's Office, Assessor's Office and Treasurer's Office relating to the city's plan to remediate vacant, foreclosed, and abandoned homes. (Attachments to this committee contained in file 161359)

This was considered with item #8.

10. Set next meeting date.

The chair will set a meeting date for the end of May.

*Meeting adjourned: 12:07 P.M.
Linda M. Elmer
Staff Assistant*