

PUBLIC NOTICE

**CITY OF MILWAUKEE
COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM**

**Proposed Plan for Federal Funding for the Neighborhood Stabilization
Program 2 for the Redevelopment of
Abandoned & Foreclosed Homes**



The City of Milwaukee is inviting citizen comments on the **Proposed Notice of Fund Availability (NOFA) for Fiscal Year 2009 Neighborhood Stabilization Program 2 under the American Recovery & Investment Act of 2009.**

The City of Milwaukee will apply for \$25 million from the Federal government as a result of the **American Recovery & Investment Act of 2009** which was passed in part to provide emergency assistance for the redevelopment of abandoned and foreclosed homes. The proposal states the proposed use of the funds through the **Neighborhood Stabilization Program** of the U.S. Department of Housing and Urban Development.

Specifically, the City is proposing to use the funds for the following activities: *Homebuyer Assistance, Rental Rehabilitation, Buy in Your Neighborhood, Rental Development (Large Projects), Acquisition/Rehab/Resale (for homeownership), Demolition, Vacant Land Initiative (Reuse & Reprogramming, Land Bank and Leveraged Loan Fund.* The activities will take place in the target area which is comprised of those census tracts throughout the City of Milwaukee which have been most impacted by the foreclosure crisis and have the highest percentage of home foreclosures and subprime mortgage loans.

The proposal will be available for public review beginning Friday, June 26, 2009 through Monday, July 6, 2009 and can also be picked up at the CDGA office located in Room 606, City Hall, 200 E. Wells Street. In addition, it can also be accessed on the website at www.city.milwaukee.gov/ or www.city.milwaukee.gov/CommunityDevelopment310.htm.

Comments on the Proposal must be submitted no later than Monday, July 6, 2009 in writing to: Mr. Steven L. Mahan, Director, Community Development Grants Administration; City Hall – 200 East Wells Street, Room 606, Milwaukee, Wisconsin 53202.

City of Milwaukee

Plan to Apply for Neighborhood Stabilization Program (2) funding to the United States Department of Housing and Urban Development

Under the American Reinvestment and Recovery Act of 2009, funding is being made available by the United States Department of Housing and Urban Development (HUD) for the purpose of assisting in the redevelopment of abandoned and foreclosed homes – the Neighborhood Stabilization Program 2 (“NSP 2”). Funding will be awarded under NSP 2 through a competitive grant process. The City of Milwaukee will be submitting an application for \$25,000,000.

HUD has prescribed that census tracts identified for funding must have an average foreclosure risk score or vacancy index risk score of 18 or greater. Risk scores are calculated by HUD based on a number of factors, including the estimated number and percentage of foreclosures, and the estimated number of vacant housing units.

Since this is a competitive application process, HUD has indicated that applications will score highest in areas of greatest need, where applicants have demonstrated capacity in carrying out the proposed activities, where a neighborhood targeting strategy is employed that includes other investments and initiatives to support foreclosure activities, and where the City will be able to clearly demonstrate measurable results of their efforts.

A summary of proposed activities follows. The regulations for the NSP 2 Program provide that NSP funding can only be used to address abandoned and foreclosed properties. NSP funding cannot be used to assist homeowners who are being foreclosed on, or who are danger of losing their homes to foreclosure.

However, it should be noted that the City and its partners recognize that intervention and prevention strategies for homeowners and prospective homeowners are critical to addressing the foreclosure issue in Milwaukee and have been working to create and implement programs and resources to address these important issues in the community. These activities will support the City’s efforts under the NSP 2 Program.

The proposed uses of NSP 2 funding have been designed to utilize a number of different strategies to address the issue of foreclosed homes in City neighborhoods. Funds will be deployed to meet needs of individual neighborhoods. Proposed activities include those which promote homeownership, affordable rental housing, blight elimination and the improvement of City neighborhoods. Activities will include roles for government, residents, nonprofits, developers, lenders, and the real estate community because all are important to achieving results. Every effort will be made to leverage NSP 2 Program funding and seek additional resources for the City’s efforts

PROPOSED NSP 2 PROGRAM ACTIVITIES

(Note: All funding under the activities listed below will be targeted to families earning under 120% of Area Median Income (AMI). In addition, at least east 25% of funds received will be targeted to households at or below 50% of AMI. Different income targeting requirements will apply to rental and homeownership programs.)

Homebuyer Assistance

Increasing homeownership in City neighborhoods is an important goal of the NSP 2 Program. The activity will provide soft second mortgage financing to owner occupant purchasers of foreclosed homes. Families with incomes less than 120% of area median will be eligible for the program. The financing is intended to serve as an incentive to encourage the purchase of vacant and abandoned homes for owner occupancy. Homeownership counseling by a HUD approved counseling agency will be a condition of participation in the program.

Rental Rehabilitation

The foreclosure problem is resulting in a loss of quality affordable rental housing in City neighborhoods. The Rental Rehabilitation Program will provide resources for the rehabilitation of vacant foreclosed properties by 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.

The program will offer forgivable loans, on a matching funds basis, to pay for repairs and property improvements. 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. Landlords participating in the program will have to commit to income and rent restrictions on the units for a minimum of five years.

Buy In Your Neighborhood (BIYN)

The BIYN Program will provide financial assistance to homeowners to buy a foreclosed property within near proximity to their home. The concept is that rental property owned by a neighborhood resident is likely to be well-managed and maintained, because the owner has a vested interest in the neighborhood.

BIYN will offer second mortgages for the purchase of foreclosed properties by neighborhood owners. When rehabilitation is required, buyers may be able to also utilize the Rental Rehabilitation Program to obtain matching funds for improvements. Participants will have to commit to income and rent restrictions on the rental units for a minimum of five years.

Rental Development for Affordable Housing-Large Projects:

Like the Rental Rehabilitation Program, this activity will help address the loss of quality affordable rental housing for low income families resulting from the foreclosure crisis. This activity will involve the large scale acquisition through bulk purchase (generally, single transactions of 20-100 units) of abandoned and foreclosed properties. Properties may include multifamily and scattered site single family and duplex properties.

The pool of properties will be acquired by a City of Milwaukee Land Bank or directly by participating developers. NSP 2 funds will be used to provide gap financing for development and will leverage other funding sources, including low income housing tax credits, private mortgage financing and developer equity. Developers participating in the program will have to commit to income and rent restrictions on the units for a minimum of five years.

Acquisition, Rehab and Resale (Acquisition/Rehab) Program:

The Acquisition/Rehab Program will provide development subsidies for the purchase and redevelopment of vacant foreclosed properties by developers for sale for affordable homeownership (for families with incomes of less than 120% of Area Median Income). Subsidies will provide “gap funding” for the difference between the cost to purchase and rehabilitate a property and the sale price for affordable homeownership. The Program will help increase homeownership in neighborhoods impacted by foreclosures.

Demolition

Approximately two thirds of the foreclosed properties in the City of Milwaukee have outstanding building code violations. Many are blighting influences on the City’s neighborhoods and are undermining neighborhood confidence and stability. NSP funds will be used to selectively demolish those structures that are the most severely blighted and detrimental to neighborhood stability.

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.

Vacant Land Initiative Reuse and Reprogramming

The program will involve the reprogramming and reuse of vacant land resulting from the demolition of abandoned, foreclosed and blighting structures. It will include two components. 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 families earning <120% of AMI, gap financing will be provided for of the “reuse” of the property for new development.

Where demolition has resulted in sites that because of size, topography, or other site conditions, are not suitable for redevelopment, resources will be provided so that the sites can be “reprogrammed” for uses that benefit residents, neighborhoods, and the City of Milwaukee.

Land Bank

The City has created a special limited liability corporation (land bank) to strategically acquire foreclosed and vacant properties. In general, this approach would be used:

- For the acquisition of strategically located and 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 primary interim and long term uses of these properties would be for high quality affordable housing that benefits families earning <120% of AMI. Should a 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” activity of the plan.

Leveraged Loan Fund

Access to capital is a continuing challenge in addressing redevelopment of foreclosed and vacant properties for both private and non-profit developers. Funding for this activity would be used to leverage other financing programs offered by 3rd party capital providers (including the National Community Stabilization Trust or other lenders) to provide financing for the purchase and/or rehabilitation of foreclosed properties. This activity would complement the other activities included in the City’s application for NSP 2 funding.

Administration:

Program Administration will be used for the reasonable costs of overall program management, coordination, monitoring, and evaluation. Such costs include (but are not limited to) salaries, wages, and related costs of staff engaged in program administration, which includes (but is not limited to) providing information about the program, preparing program budget and schedules, preparing reports, and other costs for goods or services needed for administration of the program.

**Neighborhood Stabilization Program 2
Proposed Budget**

| | Units | Amount/ Unit | Total |
|---|--------------|-------------------------|---------------------|
| Homebuyer Assistance | 160 | \$25,000 | \$4,000,000 |
| Rental Rehabilitation | 150 | \$15,000 | \$2,250,000 |
| Buy in Your Neighborhood | 80 | \$6,000 | \$480,000 |
| Rental Development – Large Project | 80 | \$30,000 | \$2,400,000 |
| Acquisition/Rehab/Resale (for homeownership) | 46 | \$75,000 | \$3,450,000 |
| Demolition | 125 | \$16,160 | \$2,020,000 |
| Vacant Land Initiative: | | | |
| Reuse | 100 | \$2,000 | \$200,000 |
| Reprogramming | 80 | \$40,000 | \$3,200,000 |
| Land Bank | 100 | \$30,000 | \$3,000,000 |
| Leveraged Loan Fund | *120 | \$12,500 | \$1,500,000 |
| Administration | | | \$2,500,000 |
| Total | 1,041 | | \$25,000,000 |

*Units in this category may also be included (receive assistance) in other categories

