

City of Milwaukee

Application 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 has submitted 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. The City’s NSP 2 application 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

Neighborhood Stabilization Program 2 Application

City of Milwaukee, Wisconsin

Submitted to the

U.S. Department of Housing & Urban Development

By the

City of Milwaukee
City Hall
200 East Wells Street
Milwaukee, Wisconsin

July 14, 2009

BUILDING
Stronger
neighborhoods



Funds Provided by the U.S. Department of Housing & Urban Development

Application Number: 191196984

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Program Summary

City of Milwaukee \$25 million application for NSP 2 Funding under the American Recovery and Reinvestment Act, 2009

Background

The City of Milwaukee has been deeply impacted by the foreclosure crisis. Since the beginning of 2007, there have been over 12,000 foreclosure actions initiated against City of Milwaukee properties and over 4,800 foreclosed properties have been sold at Sheriff's Sale. Foreclosures are resulting in significant costs for Milwaukee homeowners and neighborhoods.

Historically, rising foreclosures in the City can be directly linked to subprime and predatory lending. There were over 17,800 subprime loans originated in Milwaukee County in 2005 and 2006, totaling over \$1.7 billion. Subprime and predatory lending disproportionately impacted Milwaukee's poorest neighborhoods and low-income and minority families. In 2006, 59% of all of the mortgages issued in Milwaukee's Community Development Block Grant Area were either subprime or high interest mortgages.

More troubling is the fact that 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. Tenants are being impacted as well, as evictions are up significantly, and increasing numbers of them are foreclosure related. In Milwaukee neighborhoods, over half 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.

It is against this backdrop that Milwaukee Mayor Tom Barrett convened the Milwaukee Foreclosure Partnership Initiative (MFPI) in 2008. The MFPI is a public-private partnership made up of lenders, foundations, real estate professionals, government representatives and community stakeholders. Over 100 individuals representing a broad range of community interests participated in the MFPI to create a vision for how to address the foreclosure crisis in Milwaukee. The MFPI is not only addressing the issue of abandoned and foreclosed homes, but the issues of foreclosure prevention and intervention as well. Milwaukee's Common Council 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.

Milwaukee's application for NSP 2 funding was prepared with the benefit of the work described above that is being carried out by the City and its many partners. Likewise, Milwaukee will be able to achieve its neighborhood stabilization goals under its proposed NSP 2 application because of a comprehensive strategy that addresses the problem at all levels, and builds on strong neighborhood redevelopment initiatives and partnerships to achieve success.

Capacity

Milwaukee City government has been mobilized to address the foreclosure issue. With a strong start in the NSP 1 program, Milwaukee is uniquely qualified to implement the proposed activities in its NSP 2 application in a manner that will result in stabilization of the neighborhoods targeted for the program.

Milwaukee brings a broad range of experience in the administration of federal programs, neighborhood planning, the acquisition, management and development of real estate, leveraging resources, sustainable development, blight elimination and code enforcement and most importantly, collaboration with partners in the community. Key City staff that will be administering the program have over 100 years of combined experience in administering federal programs and working to achieve positive change in City neighborhoods.

Targeting and Approach

Milwaukee's NSP 2 target neighborhood census tracts have an average combined risk score of 19.6 – clearly “areas of greatest need.” Two thirds of the census tracts have a risk score of 20 – the highest possible score. There are 1,004 vacant foreclosed properties in the target area, and 2,415 properties in the foreclosure process. Beyond demonstrated need, Milwaukee's NSP 2 neighborhoods were chosen because of the presence of significant redevelopment efforts, quality of life initiatives, and strong neighborhood partners that will be key to insuring that the neighborhood stabilization goals for the NSP 2 program are achieved.

Milwaukee is applying for \$25 million in NSP 2 resources that will be vital to addressing foreclosed and abandoned properties in Milwaukee neighborhoods. However, Milwaukee's approach recognizes that addressing vacant properties in itself will not fully address the foreclosure crisis in a way that results in meaningful and sustainable change for City neighborhoods. As a result, Milwaukee's strategy includes three key components:

- **Utilize NSP 2 resources in a range of activities to meet the unique needs of its targeted neighborhoods.** Proposed activities include ones that will increase owner occupancy, return vacant and abandoned homes to productive use for both home ownership and quality affordable rental opportunities, eliminate blight, redevelop demolished properties in a manner that adds value to neighborhoods, provide access to credit, and restore confidence to the real estate market. NSP resources will conservatively impact 1,000 housing units, resulting in a critical mass of properties that will be addressed by NSP 2 efforts. Milwaukee is also making every effort to leverage NSP 2 funds. Subsidies have been “right-sized” to only fill market gaps, and significant non-federal resources are being provided for the effort.
- **Employ complementary MFPI initiatives to support NSP 2 stabilization goals.** These include a foreclosure mediation program and increased intervention counseling that will be critical to stemming the number of foreclosures resulting in vacant and boarded properties, Milwaukee's newly formed Homeownership Consortium that will expand homebuyer education efforts and provide a target neighborhood marketing campaign around foreclosed properties, and new legislation and a code enforcement “strike force” that will

protect and preserve foreclosed properties prior to the time they can be productively addressed.

- Use a **targeted neighborhood approach** that builds on past and present investments of the City, HUD and its partners. NSP 2 efforts will be coordinated with other commercial, economic development, and redevelopment initiatives that leverage both resources and benefits for target neighborhoods. This approach also includes strong local neighborhood partners to address quality of life issues that support physical investments in the program, and utilization of existing neighborhood plans to guide NSP 2 strategies.

The City of Milwaukee has a history of neighborhood redevelopment accomplishments and effectively managing of federal resources. Together with a broad-based and innovative approach to addressing the foreclosure crisis, Milwaukee stands ready to implement the NSP 2 program.

Factor 1: Need/Extent of the Problem

a. Target Geography

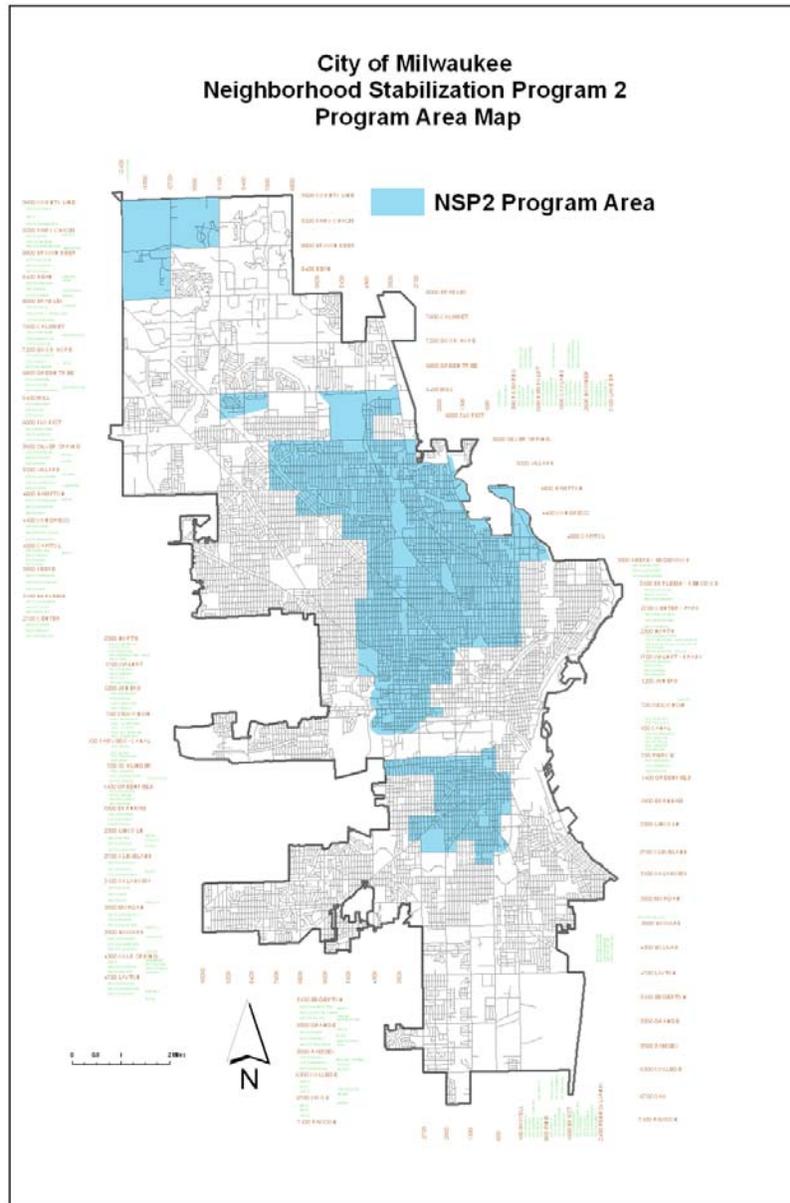
NSP 2 Program area Summary: Over the past two years, the City of Milwaukee has been deeply impacted by the rise in foreclosed and abandoned properties. Since the beginning of 2007, there have been over 12,000 foreclosure actions initiated against City properties and over 4,800 foreclosed properties have been sold at Sheriff’s Sale. This wave of foreclosures has had significant effects on Milwaukee residents and neighborhoods.

The City of Milwaukee’s proposed Neighborhood Stabilization Program 2 (NSP 2) program area is comprised of neighborhoods which have been hardest hit by the foreclosure crisis. Unprecedented numbers of foreclosures, unemployment, restricted access to credit, and a weak real estate market have destabilized these neighborhoods, placing them at risk for increased crime, disinvestment and blight, undermining past redevelopment efforts by the City and its partners.

The proposed NSP 2 program area neighborhoods are comprised of 46,500 residential properties. A map of the NSP 2 program area is on the following page, and a list of program area census tracts is attached as Appendix “1”. The average NSP 2 Combined Risk Score for these census tracts is 19.6, well above the minimum threshold set forth by HUD. Two-thirds of the census tracts have a Risk Score of 20, the highest possible score. Besides demonstrated need, the proposed NSP 2 program area was selected because it contains neighborhoods with past, current and future redevelopment efforts, quality of life initiatives, and strong neighborhood partners which will be critical to achieving the overall stabilization goals of the NSP 2 program. As will be discussed in greater detail in the “Soundness of Approach” section, the program area encompasses the following distinct areas:

- The residential neighborhoods surrounding the **30th Street Industrial Corridor**, a designated “green light” zone for economic development and job creation.
- The near south-side neighborhoods adjoining the **Menomonee Valley**, an employment center where the City and its partners have invested significant resources to create family-supporting jobs.
- **Revitalization Initiative** neighborhoods which are home to ongoing quality of life and revitalization initiatives carried out by the City and its partners.
- **Demonstration Project** areas, where the City will employ micro-targeted approaches to address specific foreclosure-related challenges.
- The **Intervention Impact** area, where NSP 2 funds will support market-driven interventions in the local real estate market to achieve neighborhood stabilization goals.

From January 1, 2007 to May 1, 2009, there were 6,257 foreclosure filings against residential properties in the program area - close to 1 in 7 homes. 2,700 of these properties were foreclosed upon and conveyed to lenders at Sheriffs Sale.¹



Currently, there are 1,004 vacant bank-owned foreclosed properties (REOs) in the NSP 2 program area. An additional 2,415 properties are in various stages of the foreclosure process (prior to

¹ The City of Milwaukee has created a comprehensive “real-time” foreclosure tracking system which draws information from the County Register of Deeds Office (foreclosure filings and releases) and the City Assessor’s Office (o property sales, including Sheriff’s Sales.). This database is updated continuously and allows the City to track individual foreclosure filings and sales data at the City-wide, neighborhood, census tract, and block levels. The local level foreclosure data cited in this application was derived from this database.

Sheriff's Sale), 61% of which were owner occupied at the time of the foreclosure filing. These 3,419 properties represent 7.4% of the homes in the target area, or 1 in 14 homes.

The Need for Stabilization: A number of factors are contributing to decline in the NSP 2 target area.

Real Estate Market: The rise in foreclosures and vacant and abandoned properties has caused significant turmoil in the NSP 2 real estate market. Declining values and stagnation are exacerbating the foreclosure problem as both lenders and potential purchasers are reluctant to invest.

During 2006 and 2007, the average sale price of one- or two-family homes in the program area was \$88,201. In 2008, the average price decreased to \$60,141, a decline of 31.8%. Thus far in 2009, sales have averaged \$38,531, a 56.3% decline from 2006-2007. Year-to-date, 58% of all one- and two-family homes sold for \$30,000 or less.²

Sale Price of One and Two Family Homes in the NSP 2 program area			
Source: City of Milwaukee Property Sale Records			
	2006/2007	2008	2009 (ytd)
Average Sale Price:	\$88,201	\$60,141	\$38,531

The impact of REO homes on the market is significant. In 2008, the average sale price of a bank-owned foreclosed home (the conveyance from the foreclosing lender to a new owner) in the program area was \$36,016, or 60% of the average sale price of non-foreclosed homes. REO sales accounted for 47% of all home sales in the program area during 2008. On average, bank-owned foreclosed homes in the program area sold for 38.7% of their assessed value during 2008.

The averaged elapsed time between a foreclosed property being conveyed to a lender at Sheriff Sale and a subsequent sale to a new owner is 6.5 months. Homes are often vacated prior to Sheriff Sale, meaning high numbers of vacant homes are not maintained or secured over a lengthy time period. Over half of bank-owned properties have open violations with the Department of Neighborhood Services (DNS), the agency responsible for enforcing the City's building code.

Real estate market conditions have contributed to decreased property assessments in the program area. From 2008 to 2009, the average assessed value of one- and two-family homes in the program area dropped 12.4%, from \$92,010 to \$79,833.

Access to Credit: High numbers of foreclosures and abandoned properties are directly linked to subprime and predatory lending in the years leading up to the foreclosure crisis. According to lending data released by HUD, 54.5% of all mortgage loans issued in the program area from 2004-2007 were high-cost.³ A study of high-cost and subprime lending activity in the Milwaukee area reveals that residents in Milwaukee's central city often utilized high-cost and subprime loans

² Source: City of Milwaukee Property Records

³ Source: HUD NSP 2 Foreclosure Need Data. High cost loans are those with initial interest rates three percentage points or more above the prevailing Treasury rates at the time of issue.

because they lacked access to traditional mortgage products.⁴ As property assessments increased, so did mortgage activity, and residents (particularly existing homeowners) were targets for high-risk lenders offering cash to families living on fixed or low incomes.

Lack of access to traditional credit contributed to the subprime and predatory lending problem. Presently, in the wake of the turmoil in the financial markets, access to credit in the program area has tightened further. In 2008, the City of Milwaukee created the Milwaukee Foreclosure Partnership Initiative (MFPI). The MFPI is co-chaired by Milwaukee Mayor Tom Barrett. It brought together stakeholders including government, lenders, realtors, housing counseling agencies, community based organizations, legal service providers and local foundations. The MFPI is responsible for guiding the efforts of the City and its partners as they implement strategies to address the foreclosure crisis in Milwaukee neighborhoods. Lender, realtor, and counseling agency members of the MFPI have all identified decreasing access to traditional mortgage financing as a barrier to the stabilization of the program area.

Notably, Wisconsin’s State housing finance agency, the Wisconsin Housing and Economic Development Authority (WHEDA), suspended its bond financed single-family mortgage lending program in October of 2008. WHEDA was a lender of first choice among first-time low and moderate-income buyers who utilized WHEDA loans to access market rate (or below) interest rates. WHEDA suspended lending indefinitely because of disruption in the private capital markets.

Employment Needs: The recent loss of employment in the NSP 2 program area has been significant. The chart below displays unemployment data for the State of Wisconsin, the Milwaukee metropolitan area, and the City of Milwaukee.

Unemployment Rate:	City of Milwaukee	Milwaukee Metropolitan Area	State of Wisconsin
April 2008:	5.6%	4.0%	4.5%
April 2009 (Preliminary):	11.3%	8.9%	8.6%
One Year Change:	+5.7%	+4.9%	+4.1%

Source: Bureau of Labor Statistics

An examination of Local Area Unemployment Statistics reveals that between 1990-2005, no city in the Upper Midwest experienced job losses at the same level as the City of Milwaukee (a 10.9% decrease in total jobs⁵). These figures understate the impact of unemployment in the NSP 2 program area. Racial disparities in joblessness are higher in Milwaukee than in any city or metropolitan area of the country considered by the Bureau of Labor Statistics. Further, minority workers, African Americans and Latinos have sustained far deeper job losses than the white population since 2000.⁶

⁴ Source: University of Wisconsin-Milwaukee Employment and Training Institute. “Milwaukee’s Housing Crisis: Subprime Mortgages, Foreclosures, Evictions, and Affordability.”

⁵ Source: Public Policy Forum of Milwaukee. “Growing Up: An Analysis of City of Milwaukee Economic Development Efforts.”

⁶ UWM Center for Economic Development, “After the Boom: Joblessness in Milwaukee since 2000.”

Relation of factors contributing to decline: All the above factors contributed to destabilization in the program area:

- High levels of joblessness and unemployment, as well as lack of access (both real and perceived) to the conventional banking system contributed to restricting the flow of credit.
- Restricted access to credit opened the door to increased sub-prime and predatory lending.
- Job losses continued, adjustable rate mortgages reset to higher interest rates, foreclosure activity spiked and property values fell.
- Vacancy resulting from foreclosure grew, homeowners and renters were displaced, and the real estate market continued to contract.

Falling home prices, unemployment, fear of job losses, and uncertainty in the housing market further tighten the availability of credit and impact demand for property in the program area. Without coordinated intervention efforts, these factors remain as barriers to arresting market decline.

b. Market Conditions and Demand Factors

Projected Absorption: In the absence of Neighborhood Stabilization Program funding, the projected absorption rate of foreclosed properties over the next three years is a concern. There are currently 1,004 bank-owned foreclosed homes in the program area. During the fourth quarter of 2008 and the first quarter of 2009, REO sales averaged 115 sales per month. Using this absorption rate, there is currently a nine-month inventory of foreclosed homes in the program area.

However, there are also 2,415 properties in the NSP 2 program area that are currently in the foreclosure process. Trends indicate that 1,328 of these properties (55%) will be sold at Sheriff's Sale. This pipeline will swell the current inventory of foreclosed homes to 20 months. It is important to note that without intervention, the number of newly-foreclosed homes shows no signs of slowing. There were 851 foreclosure filings in the NSP 2 program area during the first 4 months of 2009, down only slightly from the same period in 2008 (994).

NSP 2 funding will increase the number of properties absorbed for productive use. Although depressed pricing has attracted speculators, many are not prepared for the challenges of rehabilitating distressed properties. These buyers acquire homes with very little initial investment and limited capacity to revitalize the homes. While the homes are "absorbed," they receive only enough rehab to make them rentable. Such sales do little to stabilize neighborhoods. In contrast, every unit returned to occupancy through NSP 2 will be held to strict rehabilitation standards focusing on exterior appearance, code compliance and energy efficiency.

It is unlikely that job growth will significantly impact demand for foreclosed homes during the next three years. While the City has invested considerable resources to attract family-supporting jobs to the program area, especially in the Menomonee Valley and 30th Street Industrial Corridor areas, it is unlikely that these efforts, on their own, will counteract the market forces.

Similarly, in-migration will not be enough to absorb vacant units. While Milwaukee has reversed the trend of declining population growth, it is unlikely that absent NSP 2, in-migration will affect the demand for abandoned and foreclosed homes. The financial assistance, housing rehabilitation,

blight removal and market stabilization efforts of NSP 2 will be needed to grow demand and increase the absorption of foreclosed homes in the NSP 2 program area.

Critical Factors Causing Foreclosure and Abandonment: There are a number of causes of foreclosure and abandonment in the program area. These factors are not necessarily the same as in other regions of the United States. Over-building of housing units was not a contributing factor. Only 439 homes in the program area (less than 1% of all homes) were built in the last 5 years. Similarly, the program area did not see the run-up in home values that were experienced in other parts of the country. As noted above, the average assessed value of all one- and two-family homes in the program area during 2008 was \$92,010. While this represented a significant increase from values in the earlier part of the decade, it is not, on its own, a critical factor causing foreclosure and abandonment.

More recent increases in home values did, however, lure subprime and predatory lenders to the program area. During the peak of the subprime boom, there were more subprime refinance loans to owner occupants in the City of Milwaukee's Community Development Block Grant (CDBG) area (which includes all NSP 2 neighborhoods) than those issued for new purchases.

In 2006 alone, 59% of all purchase or refinance loans issued to residents in the CDBG area were sub-prime or high cost; this represented over \$500 million of lending activity. More than half of the loans were for refinancing and taken out by existing homeowners. These loans were disproportionately targeted to Milwaukee's poor and minority residents.⁷ The subprime loans had pre-payment penalties, high fees, and low introductory "teaser" rates followed by steep rate increases after 2-3 years. As rate increases took effect and tightened credit standards and falling home prices set in, both new and long-term homeowners found they were unable to sell their homes or refinance and were displaced through foreclosure.

Increasing unemployment adds to the risk of additional foreclosure and abandonment. Unemployment in the City of Milwaukee more than doubled from April of 2008 to April of 2009. Job loss has reduced the ability of many homeowners to make their mortgage payments. Economists who have studied foreclosure filings at the local level note that job losses are causing a second "wave" of foreclosures. Each 1% increase in the unemployment rate has resulted in a 6% increase in foreclosures.⁸

Income Characteristics and Housing Cost Burden: According to the census data, only 6 cities in the country have a higher percentage of population living in poverty than the City of Milwaukee. The NSP 2 program area is severely economically disadvantaged and is home to many of Milwaukee's low-income families. According to 2000 census data, 32.9% of residents in the program area were below the poverty line. In 2008, the median family income in the program area was \$29,792, compared to an area median income (AMI) of \$67,700. One third of NSP 2 census tracts are "high poverty census tracts," with over 40% of residents below the poverty line. Only 11% of families have incomes above 120% of AMI. 85.6% of program area residents are minorities.

⁷ Source: University of Wisconsin-Milwaukee ETI "Legal Action of Milwaukee Report on Mortgage Lending Practices in Milwaukee County"

⁸ Source: University of Wisconsin-Whitewater Professor Russ Kashian comments published in Milwaukee Journal Sentinel, November 11, 2008.

The chart below displays income and housing cost burden data for the CDBG area of the City of Milwaukee. (The NSP 2 target neighborhoods are located within the CDBG area). While the chart does not display cost burden data specifically for those households making less than 120% of AMI, the data provided for those households making greater than 80% of AMI will closely approximate this information given the few households in the program area above 120% AMI.

Name of Jurisdiction:			
Milwaukee(CDBG), Wisconsin			
Source: HUDUSER CHAS Data Book (2000 Census Data)			
Household by Type, Income, & Housing Problem	Renters	Owners	Renters & Owners
1. Household Income <= 50% MFI	60,950	19,073	80,023
% of total Households in category	49.1%	18.7%	35.4%
2.% with any housing problems	72.9%	61.6%	70.2%
3.% Cost Burden >30%	68.1%	59.7%	66.1%
4. % Cost Burden >50%	39.1%	33.6%	37.8%
5. Household Income >50 to <=80% MFI	28,702	21,594	50,296
% of total Households in category	23.1%	21.2%	22.3%
6.% with any housing problems	22.3%	31.6%	26.3%
7.% Cost Burden >30%	13.4%	27.4%	19.4%
8. % Cost Burden >50%	1.1%	4.4%	2.5%
9. Household Income >80% MFI	34,502	61,122	95,624
% of total Households in category	27.8%	60.0%	42.3%
10.% with any housing problems	7.6%	8.3%	8.0%
11.% Cost Burden >30%	1.9%	5.9%	4.4%
12. % Cost Burden >50%	0.2%	0.5%	0.4%
13. Total Households	124,154	101,789	225,943
% of total Households in category	100.0%	100.0%	100.0%
14. % with any housing problems	43.0%	23.2%	34.1%
15. % Cost Burden >30%	37.1%	20.5%	29.6%
16. % Cost Burden >50%	19.5%	7.5%	14.1%

“Any Housing Problems” includes households where overcrowding is present in addition to those paying greater than 30% of gross income on housing costs.

As indicated in the chart, significant numbers of city owners and renters in the program area paid more than 30%, and in many cases more than 50%, of their monthly gross income on housing costs. Preliminary research done on city-wide level shows that this trend worsened during the early part of the decade, coinciding with the increase in subprime lending. As of 2006, 56% of renters and 41.4% of homeowners across all income brackets city-wide were cost burdened; spending more than 30% of their monthly gross income on housing costs. 31% of renters and

18.1% of homeowners were severely cost burdened, spending more than 50% of their gross income on housing. This percentage of cost burdened renters was the second highest in the Midwest.⁹

Additional Factors Contributing to Destabilization: A number of additional factors contributed to the destabilization of the NSP 2 target neighborhoods and were considered when developing strategies for the NSP 2 program.

Loss of Homeownership: 61% of foreclosed homes in the program area were owner-occupied prior to foreclosure. During the last 6 months of 2008, only 20% of purchases of bank owned foreclosed homes in the program area were by owner occupants. This loss of homeownership has seriously destabilized the program area.

Vacancy: Foreclosures have contributed to higher residential vacancy in the program area. In December of 2008, the City of Milwaukee passed an ordinance requiring lenders who filed a foreclosure action against residential property to routinely inspect the property and register it if vacant. The Department of Neighborhood Services (DNS) has begun vacancy inspection samples on homes with pending foreclosure filings. Based on inspections of nearly 1,000 homes, DNS determined that 19% were vacant. This is in addition to the vacant bank-owned properties which have already gone through Sheriff's Sale. High vacancy rates contribute to the destabilization of the area and must be reduced in order to achieve desired program outcomes.

Crime: For the past two years, through aggressive community policing efforts, Milwaukee has recorded consecutive years of decreases in violent crime. However, the Police Department reports that unsecured abandoned and foreclosed homes in neighborhoods are contributing to criminal activity, including squatting, vandalism, drug dealing and arson. Fires in vacant homes have doubled from historical averages. Without intervention, crime related to vacancy and foreclosure is a threat to the stability of the NSP 2 program area and will undermine gains in public safety.

Activities Most Likely to Stabilize Program area: The City of Milwaukee is applying for \$25 million in NSP 2 funding for the following activities that will arrest decline, address the need factors that have been identified, and stabilize the neighborhoods in the NSP 2 program area:

- **Direct Homebuyer Assistance** and the **Acquisition, Rehabilitation, and Resale** of foreclosed homes for homeownership are needed to reverse loss of homeownership. This activity will be linked to rehabilitation assistance and include a strong homebuyer education component.
- **High-Quality Affordable Rental Development** will be needed as currently not all properties are viable for homeownership, and a mix of housing types is important to assuring a range of affordability options.
- **Land banking** will be utilized to reduce the number of properties purchased by speculators and to acquire key properties to support neighborhood stabilization activities.

⁹ Source: University of Milwaukee Employment and Training Institute. "Milwaukee's Housing Crisis: Housing Affordability and Mortgage Lending Practices."

- **Demolition** of blighted properties will be employed where, due to age of the housing stock and the number of properties that have been vandalized and “stripped” of their components, it will be necessary to undertake targeted demolition.
- **Redevelopment of vacant** land will ensure that demolition does not contribute to decline in the program area. On sites where redevelopment is not feasible in the short term, **reprogramming** in the form of urban gardens and other green uses, will contribute to neighborhood beautification and blight removal.
- **Financing mechanisms** will leverage additional resources and increase access to capital to carry out NSP 2 activities. This will maximize the number of units addressed and the impact of NSP 2 funds to achieve program goals.

A number of non-NSP funded activities will also be carried out to stabilize the neighborhoods which make up the NSP 2 program area.

- **Foreclosure prevention and intervention** efforts will stem the tide of newly foreclosed homes onto the market.
- Marketing and supporting **homeownership** will highlight opportunities in the current market and will provide a supply of buyers for homes.
- Aggressive **code compliance enforcement** will address blight.
- **Economic development and job creation** will address the loss of employment.
- Complimentary **neighborhood redevelopment quality of life initiatives** will leverage NSP 2 efforts and insure sustainable neighborhood change.

Factor 2: Demonstrated Capacity of the Applicant and Relevant Organizational Structure

a. Past Experience of the Applicant

The City of Milwaukee is uniquely qualified to implement the proposed activities for Neighborhood Stabilization Program 2 funding. The City has extensive experience in:

- the administration of federal programs, including the NSP 1 Program;
- the planning and implementation of neighborhood plans and redevelopment efforts that include housing, commercial and economic development activities;
- the acquisition, management and redevelopment of real estate, including foreclosures;
- leveraging resources for Milwaukee neighborhoods;
- innovative approaches to redevelopment that incorporate the latest strategies in regard to brownfields redevelopment, green building technologies, storm water management and energy efficient rehabilitation and new construction; and,
- working collaboratively with the local community partners in quality of life initiatives that support redevelopment efforts.

The City’s approach to neighborhood redevelopment, as well as the NSP 1 program, reflects a multi-disciplinary effort which includes a wide array of partners. The approach goes beyond the “bricks and mortar” of development and incorporates strong planning, commercial, economic development, and quality of life initiatives.

City government has mobilized to provide a comprehensive response to the foreclosure crisis in Milwaukee. Efforts under the NSP 2 program (as with the City's NSP 1 program) will be led by the City's Community Development Grants Administration (CDGA), its Department of City Development (DCD), and Department of Neighborhood Services (DNS). The City's NSP "foreclosure team" also includes the support of other City departments including the Health Department, Housing Authority of the City of Milwaukee and the Milwaukee Police Department.

Community Development Grant Administration (CDGA): For 35 years, Milwaukee's Community Development Grants Administration (CDGA) has administered a variety of programs that involve housing rehabilitation and construction, blight elimination, special economic development activities relating to job and business development, and public service programs such as crime prevention, job training, housing for homeless, youth recreation programs and community organization programs. Funding is awarded to the city through federal entitlement guidelines and through competitive applications.

CDGA is responsible for recommending the allocation and overseeing the effective use of local, state and federal funds for programs in city neighborhoods. This includes funding under Community Development Block Grant (CDBG), HOME Investment Partnerships, Stewart E. McKinney Emergency Shelter Grants (ESG), Housing Opportunities for Persons with AIDS (HOPWA), American Dream Downpayment Initiative (ADDI), the NSP 1 program and Milwaukee's Housing Trust fund.

On an annual basis, CDGA administers an average of \$24 million in federal funding, as well as Milwaukee's \$3.3 million Housing Trust Fund. In the past two years, the CDGA activities have resulted in the acquisition and/or rehabilitation of over 800 housing units.

Department of City Development (DCD): As it has with the NSP 1 Program, Milwaukee's Department of City Development (DCD) will be primarily responsible for the implementation of programming related to NSP 2 activities. DCD's mission is to improve the quality of life in Milwaukee by guiding and promoting development that creates jobs, builds wealth and strengthens the urban environment, and at the same time respects equity, economy and ecology.

The organizational structure of DCD includes the City's Redevelopment Authority, development center, and planning, real estate, economic development, housing and commercial development divisions. With its planning, development, real estate, economic development and permitting functions under "one roof," DCD's unique organizational structure provides for a coordinated and powerful approach to promoting redevelopment and improving the quality of life in City neighborhoods. This structure is also well suited to achieving the goals of the NSP 2 program - which include utilizing a coordinated effort to arrest neighborhood decline that includes a combination of planning, resources, redevelopment efforts and strong community partnerships.

Department of Neighborhood Services (DNS): The City of Milwaukee Department of Neighborhood Services (DNS) is the City agency responsible for building inspections, building code enforcement, condemnation and demolition, environmental and nuisance control and landlord training. In the last 24 months, DNS has demolished 175 buildings containing 242 housing units.

DNS works closely in partnership with City housing programs, providing building inspections, addressing code enforcement and nuisance property issues in City neighborhoods and by providing a nationally recognized landlord training program for property owners. DNS has been an active partner in the City’s efforts to address the foreclosure problem by creating a special “Strike Force” response team to undertake aggressive code enforcement efforts for foreclosed properties and designing new local legislation to help address the problem of foreclosed and abandoned properties in City neighborhoods.

City of Milwaukee NSP Activity Recap (May 2007 – May 2009)

Below is a recap of the City of Milwaukee’s experience during the past 24 months in carrying out activities similar to those proposed in the NSP 2 plan.

NSP Activity	# of units	Activity Experience
(a) Establish financing mechanisms for the purchase and/or redevelopment of foreclosed upon homes and residential properties	578 Units	Rehabilitation loan program, Tax Incremental Financing, ADDI Program
Housing Counseling Activities (to support above)	2,607 403	Persons Counseled Closed Loans
(b) Purchase and rehabilitate homes and residential properties that have been abandoned for ownership and rental	667 Units	Housing Rehabilitation and Purchase Programs
(c) Establish land banks for homes and residential properties that have been foreclosed.	357 221	Properties Acquired Properties Disposed of
(d) Demolish blighting structures	242	Properties demolished
(e) Redevelopment of demolished and vacant property as housing	398 units	Development assistance through TIDs, Housing Trust Fund

The City’s experience and expertise in the specific NSP 2 activities listed above as well as other key activities identified in the NSP 2 NOFA as important to achieving neighborhood stabilization goals are described more fully below.

Activity Category Experience

1) City and Regional Planning

The City’s planning efforts include: preparation and maintenance of the City’s Comprehensive Plan, as well as thirteen individual neighborhood plans; collaboration with other governmental units in the preparation of plans and studies; preparation of redevelopment plans; and technical assistance and collaboration for the preparation and implementation of community driven planning initiatives.

The City's planning efforts have involved a strong community involvement process that has resulted in plans that represent the "collective vision" of neighborhood interests. Accordingly, the City's neighborhood plans and existing community planning initiatives are being utilized to help guide long range redevelopment strategies for NSP 2 targeted neighborhoods by identifying catalytic project opportunities, recommended land use strategies, sustainable development approaches and key neighborhood partnerships.

City planning and environmental staff also conducts environmental reviews for federally funded City activities (between 600 and 1,000 per year), provide technical assistance and staff the City's Historic Preservation Commission.

2) Acquisition and disposition of foreclosed real estate

The City's real estate department is responsible for the acquisition, management and responsible disposition of all city owned properties, including tax foreclosures. In the past 24 months, the department has acquired 357 properties and disposed of 221 properties for neighborhood supporting uses. The total neighborhood investment that has resulted from these sales activities exceeds \$25.7 million.

For the NSP 1 program, the City has established the Milwaukee Neighborhood Reclamation Corporation, a limited liability corporation organized for the purpose of acquiring and disposing of key foreclosed properties in targeted Milwaukee neighborhoods. To support its activities, the land bank has forged a partnership with the National Community Stabilization Trust (NCST). The NCST is a new national nonprofit organization created to connect servicers and investors holding foreclosed properties with local organizations and coalitions working to stem decline in communities with high concentrations of vacant and abandoned foreclosed properties. The NCST has established business relationships with financial institutions to help make the local programs more cost-effective and is providing targeted technical assistance and sharing best practices to create a successful and fast response to the foreclosure crisis.

3) Rehabilitation of housing/Operation of revolving loan funds

The City has operated housing rehabilitation loan and grant programs for over 30 years. Most recently, in the past two years the City has utilized its CDBG, HOME, City Housing Trust Fund, Tax Incremental Districts, and other funding sources for the acquisition and rehabilitation of over 1,000 housing units. The City's approach to these efforts includes an emphasis on code compliance, energy efficiency, lead safe housing, and exterior improvements that will have a positive impact on city neighborhoods.

As part of these efforts, the City provides technical assistance to homeowners and responsible investor owners in the preparation of a scope of work, assistance in the bidding process and monitoring and oversight of the construction process. Staff includes loan officers, construction inspectors/technical specialists, and fiscal and accounting professionals responsible for grant administration, monitoring and reviewing progress payments.

Many of the City's rehabilitation programs involve providing loans for both small and large projects. As a result, the City has extensive experience in underwriting, originating and monitoring loan portfolios. Currently, the City manages a loan portfolio of over 2,300 housing loans totaling over \$16 million.

An important secondary benefit of the City's rehabilitation programs is the economic development opportunities they create for local businesses. The City has achieved a 54% minority contractor participation rate in the rehabilitation loan programs it operates. For the NSP 1 Program, the City held an open house and meetings for local contractors to make them aware of business opportunities in the program. As a result of feedback received from this outreach, the City implemented several enhancements to its bidding process for housing rehabilitation work. Local contractors are notified of bidding opportunities electronically through the City's "e-notify" system and scopes of work for NSP rehab projects are posted on the City's website (with applicant's approval). In addition, to respond to a need identified by the local African American Contractors Association for startup capital for home rehabilitation jobs, the City created a revolving loan fund for small contractors working in NSP rehabilitation programs.

4) Redevelopment of Vacant Property

The City and its Redevelopment Authority are actively involved in the acquisition, preparation, disposition and development of property (with an emphasis on blighted and underutilized property) for redevelopment purposes. This experience includes working in partnership with private and non-profit developers, as well as taking the primary development role. The City has acquired vacant and boarded properties, renovated them and sold them for homeownership; acquired vacant land and environmentally contaminated sites and prepared them for development; and acted as developer on two central city subdivisions, acquiring land, preparing it for development, designing and installing infrastructure and marketing it for new home building.

In the past 24 months, the City and its Redevelopment Authority through land sale activities and by providing development assistance have assisted in the redevelopment of 153 sites, including ones that resulted in the development of 376 units of housing and over \$60 million of new neighborhood investment.

5) Program Marketing and management of waiting lists for potential residents

The City has established a strong marketing program and linkages to market its programs under NSP 1. This includes a comprehensive foreclosure website (www.milwaukeehousinghelp.org) which contains program information, applications and an interactive map of foreclosed properties. In addition, the City has forged strong collaborations with local neighborhood partners to distribute and market programs at the neighborhood level, is working with local homebuyer counseling agencies who provide homebuyer counseling and referrals for the NSP 1 program and has formed a partnership with the Greater Milwaukee Association of Realtors to distribute information to members and link the local Multiple Listing Service with the City's foreclosure website, providing broad distribution of information on foreclosed properties and resources to the real estate industry and the community.

The City is also working with the Apartment Association of Southeastern Wisconsin, local developers and the Housing Authority of the City of Milwaukee to make information available to prospective renters (including renters and homeowners displaced as a result of foreclosure) regarding available affordable housing opportunities and NSP funded rental properties. The City's strong partnership with Milwaukee's Housing Authority (see below) will also provide it with the necessary technical expertise to manage any waiting lists that are necessary for the program.

6) Accessing operating and investment capital

The City has a proven track record in employing financial tools and leveraging outside funding for its development efforts. These include:

- Tax Incremental Financing Districts (TID) - Nearly \$1 billion of new investment achieved in previous 5 years.
- Bond issues - \$565 million in previous 5 years for industrial, educational, housing and commercial projects.
- Housing Trust Fund - \$3.3 million created to support affordable housing projects.
- Philanthropic and corporate partnerships to support quality of life initiatives in targeted neighborhoods - \$1 million in the past three years.
- Loans and grants, especially through money generated from the US Environmental Protection Agency (EPA) and other federal agencies - \$1 million received annually from EPA for environmental revolving loan fund program for each of the last 5 years.

For its NSP 1 program, the City is working with a number of different lenders, philanthropic partners, and a partnership with the Wisconsin Housing and Economic Development Authority who are currently providing capital for NSP activities. For the NSP 1 Program, the City engaged a number of local lending partners who are providing mortgage financing for the purchase and acquisition of foreclosed properties. Local foundations have provided financial support for targeted neighborhood initiatives, marketing activities and foreclosure related initiatives. These efforts and partnerships will continue under the NSP 2 program.

For the NSP 2 program, the City has also formed a partnership with the National Community Stabilization Trust and will be accessing their leveraged financing programs to utilize additional private loan capital to finance the acquisition and rehabilitation of vacant and foreclosed homes.

7) Working productively with other organizations

The City has a proven track record of working with a number of different community partners and organizations to achieve its goals. The City's redevelopment efforts go beyond "bricks and mortar" activities. In each of its targeted neighborhood and redevelopment initiatives, the City has built alliances with a significant array of partners, including the local philanthropic community, lenders, government, community based organizations, real estate professionals and local residents. This approach has also been utilized to address the foreclosure issue in Milwaukee. In 2008, the City formed the Milwaukee Foreclosure Partnership Initiative (MFPI). The charge of the MFPI was to build on the work that was already underway in the community to carry out a coordinated strategy which included *prevention efforts* to prevent similar issues from developing in the future, *intervention efforts* to assist homeowners at risk of losing their homes to foreclosure, and

stabilization efforts for neighborhoods affected by increasing numbers of vacant foreclosed homes.

The MFPI included over 100 members representing a broad range of interests who came together to create a blueprint for how the City of Milwaukee and its partners will respond to the challenges posed by the foreclosures crisis. The MFPI aggressively completed its plan, and is now implementing its recommendations (further discussion of some specific MFPI recommendations is contained in the “Soundness of Approach Section” of this application).

8) Homebuying Counseling Activities

High quality homebuying counseling services are key to promoting and sustaining homeownership. In the wake of the foreclosure crisis, the correlation between strong homebuyer education and successful and sustainable homeownership is striking. The City has worked with and funded several local HUD approved homebuying counseling agencies in its homeownership initiatives for a number of years. These agencies not only provide effective pre and post homebuyer education services, but have been strong partners in linking these services to support and preserve City neighborhoods. In the past 24 months, over 2,600 families have received counseling services and over 400 families have purchased homes as a result of their efforts.

For the NSP 1 program, Milwaukee’s homebuyer counseling agencies have been active partners in providing counseling services to support the City’s NSP Homebuyer Assistance Program, providing homebuying counseling, feedback on program design and implementation and marketing efforts – linking homebuyers and foreclosed properties.

Support of other City Departments

Housing Authority of the City of Milwaukee: The Housing Authority of the City of Milwaukee (HACM) is assisting the City in its foreclosure efforts. HACM is working closely with the City in considering foreclosed properties for acquisition and rehabilitation/redevelopment nearby its recent HOPE VI sites, as well as those slated for redevelopment. Neighborhoods targeted for NSP 2 activities include those in which HACM is undertaking major redevelopment efforts.

HACM has significant capacity, managing 4,403 units of low-income housing that are subsidized by the U.S. Department of Housing and Urban Development and administering 5,289 Section 8 vouchers. The Housing Authority also owns and manages 968 units of affordable housing and 63 units of market rate rental housing. The Housing Authority has developed a number of award-winning programs that focus on the development of healthy communities, which provide safe environments for families and their children. HACM has significant development experience. HACM has implemented five highly-successful HOPE VI projects, as well as a sixth mixed-finance project completed within the past year.

Also noteworthy is HACM’s tremendous success with its homeownership program. With HACM’s assistance, 445 families living in public or subsidized housing have gone on to purchase a home. HACM is working with the City in its NSP 1 Program by considering foreclosed properties for acquisition and rehabilitation as part of its homeownership program.

City of Milwaukee Health Department: The City of Milwaukee Health Department operates the City's Childhood Lead Poisoning Prevention Program (MHD CLPPP), a nationally recognized and award-winning program. CLPPP program staff currently provides risk assessments and inspections for all NSP 1 housing rehabilitation projects and are collaborating with program staff to leverage additional resources for housing program activities.

Milwaukee Police Department: The Milwaukee Police Department (MPD) has been a key partner in the City's neighborhood redevelopment efforts, as well as its foreclosure initiative. MPD's community liaison officers work with City staff, neighborhood organizations and residents to address quality of life issues in conjunction with neighborhood redevelopment efforts. On a monthly basis, City staff provides MPD with a comprehensive list of foreclosed properties that is distributed to neighborhood block clubs to assist in the monitoring of vacant foreclosed properties in City neighborhoods.

b. Management Structure

Because of its extensive experience in administering federal funds and community development programs, including the NSP 1 program, the City of Milwaukee has a management structure in place with the demonstrated capacity to successfully implement the NSP 2 program and ensure compliance with all program regulations.

The Community Development Grants Administration (CDGA) will be responsible for administration, monitoring and general oversight of the NSP 2 program. CDGA will also carry out all of the reporting requirements associated with NSP 2. CDGA's director has 11 years of experience in the administration of federally funded grant programs. CDGA has a full staff of 7 Grant Monitors (including one dedicated solely to NSP activities). CDGA's Grants Compliance Manager, who has 22 years of experience in administering federal program, will ensure that all NSP 2 programs are operated in accordance with federal regulations.

The Department of City Development (DCD) will be responsible for implementing the majority of NSP 2 activities. The overall NSP 2 program will be managed by DCD's Redevelopment and Special Projects Manager, who has 22 years of experience in administering housing and neighborhood redevelopment activities, including federally funded programs. The City's Foreclosure Project Manager and Management Services Specialist will assist in marketing of NSP resources, outreach to the partners and stakeholders, foreclosure trend analysis and program troubleshooting.

All down payment assistance and housing rehabilitation activities will be overseen by DCD's Manager of Residential and Commercial Rehabilitation who has 24 years of experience in managing residential and commercial rehabilitation programs, including federally funded programs. He manages a staff of 1 Program Manager, 3 Loan Officers, 4 Rehabilitation Specialists, and 1 Community Outreach Liaison. These Loan Officers will be responsible for accepting and reviewing applications for the Homebuyer Assistance, Rental Rehabilitation, and Buy in Your Neighborhood programs, ensuring compliance with income, property discount, and other program guidelines, and arranging for closings. Rehabilitation Specialists will draft scopes of work, assist with securing bids, and monitoring construction for these programs. City Health Department Risk Assessors will assist in lead risk assessments for all properties and contracted

energy auditors will identify energy efficiency upgrades for inclusion in scopes of work. The Community Outreach Liaison will be responsible for communicating program availability and information to residents and community based organizations within the program area neighborhoods.

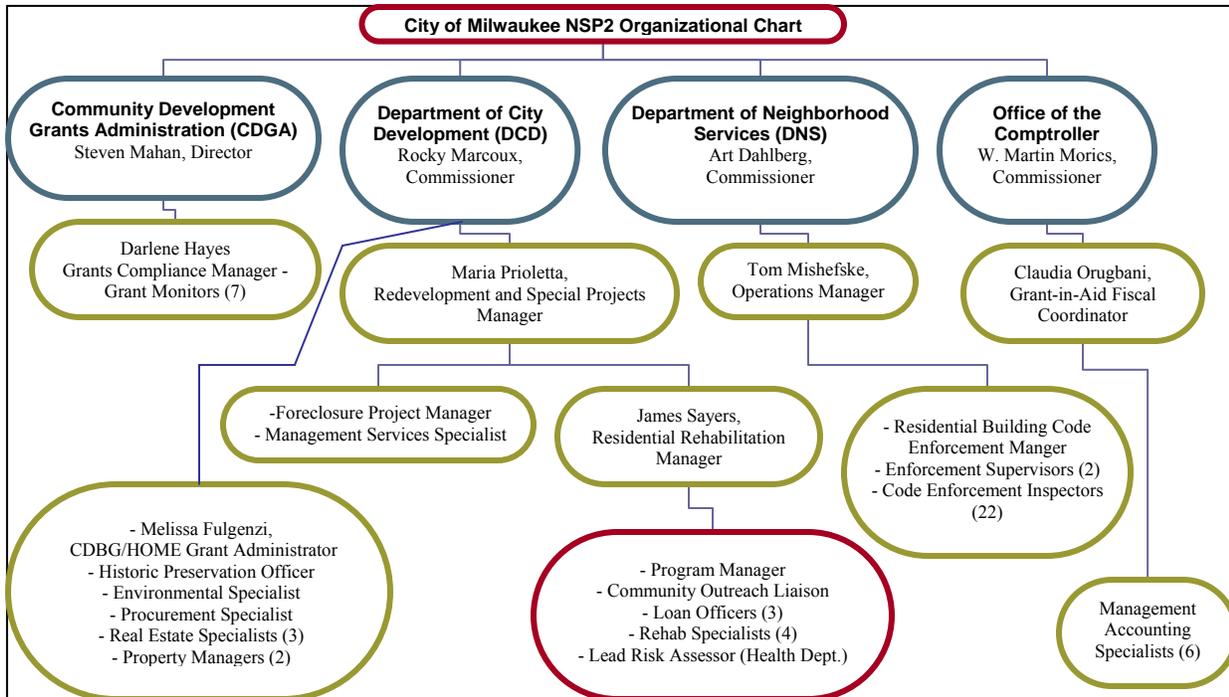
Larger scale development projects which involve NSP 2 financial assistance to private developers (New Construction and Large Project Scattered Site Rehabilitation) will be overseen by the Redevelopment and Special Projects Manager with support from DCD development, contract compliance, and procurement staff, as well as the Milwaukee City Attorney's office.

DCD has a staff of 3 Real Estate Specialists and 2 Property Managers who will assist in the acquisition, disposition, and management of homes acquired by the City through NSP 2, including through its land bank. DCD's Management Services Specialist will support these efforts by maintaining the City's foreclosure database, providing real estate market analysis and evaluating potential properties for purchase. DCD Environmental Staff will be responsible for carrying out all required environmental reviews. DCD's CDBG/HOME grant and fiscal administrator, who has over 20 years of experience, will oversee NSP activity budgets, procurement activities, and monitor and oversee contracts and payments for NSP funded program activities.

The Department of Neighborhood Services (DNS) will be responsible for carrying out NSP 2 funded demolitions. This activity will be overseen by the Commissioner of DNS who has 24 years in the interpretation and enforcement of building, housing and fire codes. He will be assisted by DNS's Neighborhood Services Operations Manager. DNS also will be responsible for carrying out targeted code enforcement to support the NSP 2 program and issuing certificates of code compliance. These tasks will be overseen by the Residential Building Codes Enforcement Manager, who oversees a staff of two building Enforcement Supervisors, four Special Enforcement Inspectors, and 22 Code Enforcement Inspectors, including a special "foreclosure team" that are providing intensive and targeted enforcement activities for foreclosed properties.

The City Comptroller's office will provide general financial monitoring and oversight for the grant activities to ensure that obligations and expenditures are reasonable, allowable and allocable; as well as ensuring that adequate books and records of the grant activities are maintained to support expenditures and financial reporting requirements. The Comptroller's Grant-in-Aid Fiscal Coordinator, who has 16 years of grant accounting experience, will supervise these functions which will be carried out by the Management Accounting Specialists under her supervision.

The organizational chart below displays the key managers and staff responsible for day-to-day administration of the NSP 2 program. It is important to note that not all of these positions will be directly supported by NSP 2 administrative funds. They are listed to reflect the depth of experience and capacity that will be available to manage NSP activities, and in particular respond effectively to periods of increased demand and activity. The City will comply with the NSP 2 requirement that no more than 10% of the total NSP 2 grant will be used for program administration and the remaining staff support will be provided through other funding sources.



References: The individuals below are familiar with the City’s recent success in carrying out work similar to that proposed in the NSP 2 plan.

<p>Steve Chernof Attorney, Godfrey & Kahn (Co-Chair Milwaukee Foreclosure Partnership Initiative, Member, Common Council Special Committee on the Redevelopment of Abandoned and Foreclosed Homes) 780 North Water Street Milwaukee, WI 53202 414-273-3500 schernof@gklaw.com</p>	<p>Ricardo Diaz Executive Director United Community Center (Member of Steering Committee of Milwaukee Foreclosure Partnership Initiative) 1028 South 9th Street Milwaukee, WI 53202 414-384-3100 ricardod@ucc.org</p>
<p>Kathryn Dunn Community Investment Officer Helen Bader Foundation (Co-Chair Milwaukee Foreclosure Partnership Initiative) 233 North Water Street Milwaukee, WI 53202 414-755-4372 kathryn@hbf.org</p>	<p>Mr. Miguel Pesquiera Vice President/ Community Lending Manager North Shore Bank 15700 West Bluemound Avenue Brookfield, WI 53005 (262) 785-6207 mpesqueira@northshorebank.com</p>

Factor 3: Soundness of Approach

a. Proposed Activities

Program Approach

The City of Milwaukee has established a coordinated neighborhood stabilization strategy that will guide its efforts under the NSP 2 program. NSP 2 resources will be key to addressing neighborhoods impacted by abandoned and foreclosed homes. However, Milwaukee’s approach recognizes that addressing vacant properties in itself will not fully address the foreclosure crisis or result in meaningful and sustainable change for City neighborhoods. The City’s neighborhood stabilization strategy contains three key components. In addition to the NSP 2 program, Milwaukee will continue the implementation of a comprehensive foreclosure strategy and a targeted neighborhood approach to achieve its NSP 2 neighborhood stabilization goals.

COMPONENT 1 – THE NSP 2 PROGRAM

Milwaukee’s NSP “toolkit” of activities has been carefully designed to address the specific neighborhood impacts of the foreclosure crisis that are described in the “Need Factor” section of this application. Proposed activities will increase owner occupancy, return vacant and abandoned homes to productive use for both homeownership and quality affordable rental opportunities, intervene in the marketplace by acquiring key foreclosed and abandoned properties that would otherwise be purchased by speculators who are not prepared to appropriately invest in them, eliminate severe blighting conditions through selective demolition, redevelop vacant and demolished properties for productive use that adds value to the targeted geography, establish financing mechanisms to leverage NSP resources and provide access to credit and restore confidence to the real estate market.

The programs being proposed for NSP 2 are essentially the same ones that the City has designed and implemented for its NSP 1 program, so the City will be able to immediately begin implementation upon receiving NSP 2 funds. The programs were carefully crafted with significant input from local realtors, lenders, homebuying counseling agencies and neighborhood organizations to insure they would be effective in the community. While the full range of activities will be available in each neighborhood, they will be deployed in number and priority based on the specific market conditions of the neighborhood.

To the greatest extent possible, NSP 2 resources will also provide economic benefits for area residents. In the NSP 1 program, the City conducted extensive outreach with local emerging business enterprises. As a result, an “e-notify” system was developed to make contractors aware of bidding opportunities for NSP rehabilitation work and a revolving loan fund was established to provide them with a modest amount of start-up capital for jobs.

NSP 2 resources will conservatively impact an estimated 1,000 housing units. This means a critical mass of properties will be addressed which will result in both measurable and visible results for the target geography.

COMPONENT 2 – THE MILWAUKEE FORECLOSURE PARTNERSHIP INITIATIVE

Vacant and boarded properties are only one component of the foreclosure crisis in Milwaukee. Recognizing this, in September of 2008, the City formed the Milwaukee Foreclosure Partnership Initiative (MFPI). The charge of the MFPI was to build on the work that was already underway in the community to carry out a coordinated strategy to address the foreclosure crisis in Milwaukee. The full report of the MFPI recommendations is available at www.milwaukeehousinghelp.org. While many recommendations resulted from this work, several are noteworthy in that they will provide essential support to insuring the overall success of NSP 2 neighborhood stabilization efforts. These include:

The Milwaukee Foreclosure Mediation Program – Created with funds from the City, State of Wisconsin and local foundations, this program was launched on July 1, 2009. The program allows homeowners facing foreclosure to elect to “mediate” their cases through the local Courts and the opportunity to negotiate with their lender to save their home. Similar programs have resulted in a 50% success rate for participants. This will be key to stemming the number of foreclosures that result in vacant and boarded properties and help insure that NSP efforts aren’t undermined by a continuing wave of foreclosed properties.

The Milwaukee Homeownership Consortium – The consortium was launched in April of 2009 to create a permanent structure to support homeownership education and preservation efforts in Milwaukee neighborhoods. Its members include local lenders, homebuying counseling agencies, the Greater Milwaukee Association of Realtors, the State’s Housing Finance Agency (WHEDA), local philanthropic representatives and government. One of the Consortium’s first tasks is developing a collaborative and comprehensive marketing campaign to help market foreclosed properties in City neighborhoods.

The Milwaukee Vacant Property Ordinance/Department of Neighborhood Services Strike Force – Milwaukee created legislation that requires lenders, upon filing a foreclosure action to regularly inspect the property and insure that it is maintained and secure, regardless of whether or not they have taken title. This is critical to preventing the deterioration and vandalism of properties in the foreclosure process. This will support NSP 2 program efforts as it will result in the City’s ability to save more foreclosed properties from demolition, to spend less NSP 2 resources in rehabilitating them once they are foreclosed on, to minimize the blighting influence they are having on neighborhoods, and to protect property values. A special Strike Force response team has also been created within the City’s Department of Neighborhood Services that regularly inspects both properties in the foreclosure process and foreclosed properties to insure code compliance.

Foreclosure Intervention Efforts – Several Milwaukee homebuying counseling agencies are providing intervention counseling to homeowners facing foreclosure. The MFPI is supporting these important efforts by working to expand the resources available to increase these services in the community. In addition to one-on-one counseling, several “community intervention events” are taking place which bring together lenders, servicers, counseling agencies and homeowners who are at risk of foreclosure. WHEDA is also developing a “rescue/refinance” loan program that will help homeowners who are facing foreclosure refinance their mortgages. These efforts will all

be vital to NSP 2 stabilization efforts in that they will help reduce the number of foreclosures that result in vacant and boarded properties and preserve homeownership.

COMPONENT 3 – TARGETED NEIGHBORHOOD STRATEGY

Targeting resources in a coordinated approach to achieve the maximum impact on City neighborhoods has been a cornerstone of the City’s past neighborhood redevelopment efforts. This is the same approach that will be utilized for the NSP 2 program. The City’s target geography for the NSP 2 program was selected based on two criteria. It reflects the City’s areas of greatest need. It also has the following characteristics which are consistent with the City’s targeted neighborhood approach:

- Neighborhoods where the City, HUD and its partners have, or will be making significant investments (all NSP 2 neighborhoods were also included in the City’s NSP 1 program area).
- The presence of other commercial, economic development, or redevelopment activities that leverage both resources and benefits for the neighborhood.
- The presence of a strong local neighborhood partner, who can assist in addressing quality of life improvements that support physical investment.
- Utilization of a strong planning component and use of existing neighborhood planning efforts to help guide improvement efforts.

This targeting approach is key to not only achieving the stabilization goals for the program, but also insuring that the change is sustainable over time.

A summary of the major investments and activities (both economic development and housing) in the City’s target NSP 2 neighborhoods that will support and strengthen the City’s NSP 2 activities is included at the end of this section.

Milwaukee’s Strategy to Achieve Neighborhood Stabilization Goals

The charts on the following pages summarize 1) Milwaukee’s NSP 2 program activities and 2) other programming and initiatives that will support NSP 2 activities. Each chart also reflects the goals for each activity and the projected impacts that will result in stabilization of the housing market in the NSP 2 target geography.

City of Milwaukee Neighborhood Stabilization Program NSP Funded Activities (\$25 Million)					
Goals:					
<i>(A) Increase the # of foreclosed properties sold for owner occupancy, addressing loss of homeownership caused by foreclosures and stabilizing NSP 2 neighborhoods.</i>					
<i>(B) Reduce the number of vacant and abandoned homes in targeted neighborhoods which are blighting influences and undermining neighborhood stability.</i>					
<i>(C) Restore confidence to the real estate market in targeted neighborhoods which will be reflected by an increase in property values and sales prices.</i>					
<i>(D) Protect past investments by the City, HUD and partners and build on future investment to address the foreclosures and stabilize NSP 2 neighborhoods.</i>					
<i>(E) Create economic opportunities to support and complement NSP 2 Program activity.</i>					
<i>(F) Promote energy efficiency, green building principles and sustainable development.</i>					
Milwaukee NSP 2 Activity	NSP 2 Eligible Activity	CDBG Eligible Use	Amount/ Units	Responsible Entity	Goals/ outcomes
Homebuyer Assistance	(A) Establish financing mechanisms for purchase and rehabilitation of foreclosed upon homes and residential properties	24 CFR 570.201(a), (b), (n) 24 CFR 570.202	\$4,000,000 160 units	Community Block Grant Administration, Department of City Development	A,B,C,D,E,F
Rental Rehabilitation	(A) Establish financing mechanisms for purchase and rehabilitation of foreclosed upon homes and residential properties	24 CFR 570.202	\$2,250,000 150 units	Community Block Grant Administration, Department of City Development	B,C,D,E,F
Buy in Your Neighborhood	(A) Establish financing mechanisms for purchase and rehabilitation of foreclosed upon homes and residential properties	24 CFR 570.201(a), (b)	\$480,000 80 units	Community Block Grant Administration, Department of City Development	B,C,D,E,F
Rental Development Large Projects (inc. scat.site)	(A) Establish financing mechanisms for purchase and rehabilitation of foreclosed upon homes and residential properties	24 CFR 570.202	\$2,400,000 80 units	Community Block Grant Administration, Department of City Development	B,C,D,E,F
Acquisition/Rehab	(B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon	24 CFR 570.201(a), (b), (n) 24 CFR 570.202	\$3,450,000 46 units	Community Block Grant Administration, Department of City Development	A,B,C,D,E,F
Demolition	(D) Demolish vacant properties	24 CFR 570.201(d)	\$2,020,000 125 units	Community Block Grant Administration, Department of Neighborhood Services	B,E
Vacant Land Initiative	(E) Redevelop demolished or vacant properties as housing	24 CFR 570.201(a), (b) 24 CFR 570.202	\$3,400,000 180 units	Community Block Grant Administration, Department of City Development	C,D,E,F
Land Bank	(C) Establish land banks for homes and residential properties that have been foreclosed upon	24 CFR 570.202	\$3,000,000 100 units	Community Block Grant Administration, Department of City Development	A,B,C,D,E,F
Leveraged Loan Fund	(A) Establish financing mechanisms for purchase and rehabilitation of foreclosed upon homes and residential properties	24 CFR 570.206	\$1,500,000 120 units	Community Block Grant Administration, Department of City Development	A,B,C,D,E,F
Administration	Administration	24 CFR 570.205 and 206	\$2,500,000	Community Block Grant Administration, Department of City Development, Department of Neighborhood Services, Comptroller's	N/A

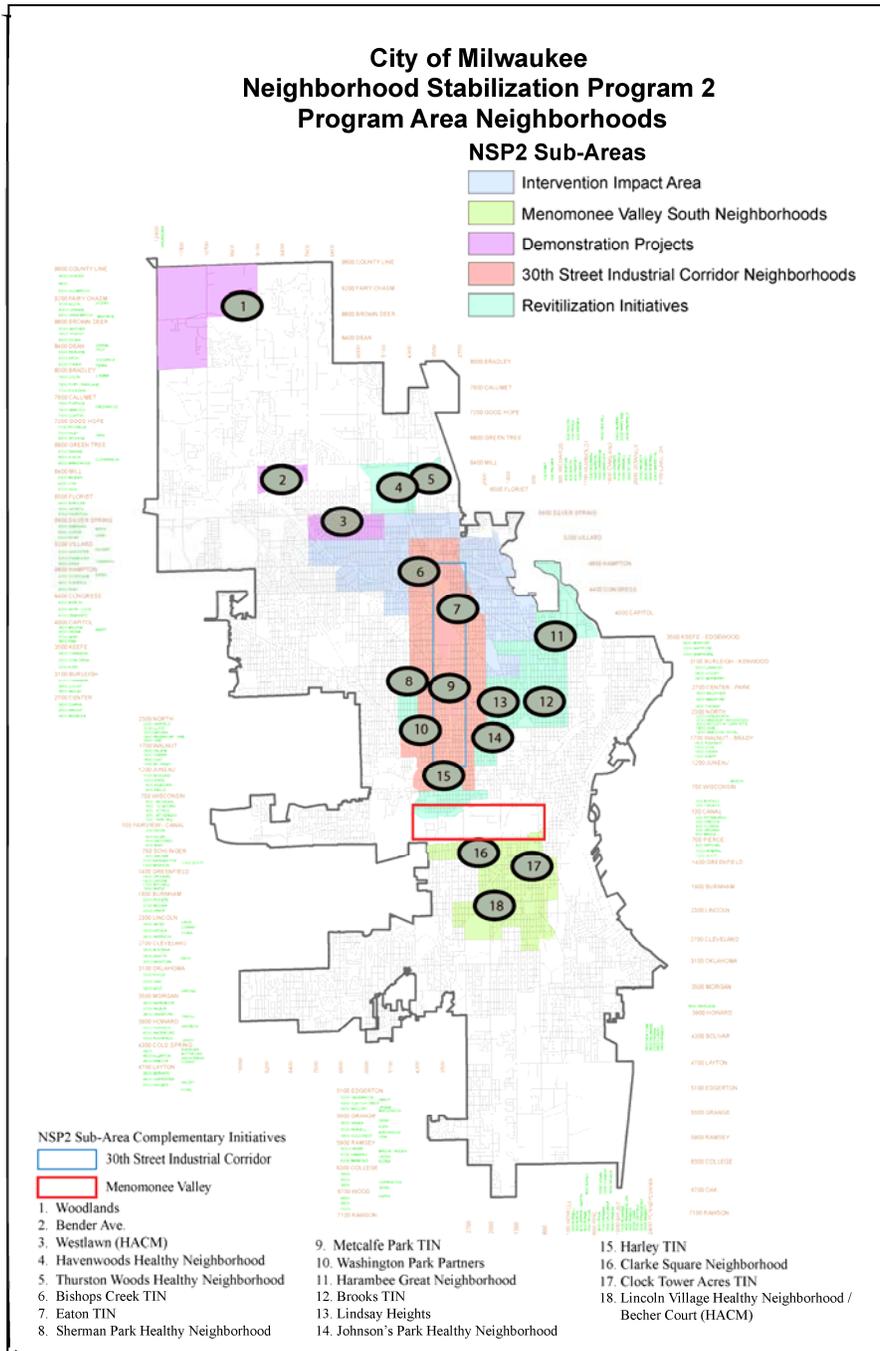
**City of Milwaukee Neighborhood Stabilization Program
Non-NSP Funded Foreclosure Initiative Activities**

- Goals:**
- (A) Increase the # of foreclosed properties sold for owner occupancy, addressing the loss of homeownership caused by foreclosure and stabilizing NSP 2 neighborhoods.*
 - (B) Reduce the number of vacant and abandoned homes in targeted neighborhoods which are blighting influences and undermining neighborhood stability.*
 - (C) Restore confidence to the real estate market in targeted neighborhoods, which will be reflected by an increase in property values and sales prices.*
 - (D) Reduce the number of homeowners losing their homes to foreclosure, resulting in a decrease in the number of vacant and foreclosed housing units.*
 - (E) Protect past investments by the City, HUD and partners and build on future investment to address foreclosures and stabilize NSP 2 neighborhoods.*
 - (F) Create economic opportunities to support and complement NSP 2 Program activity.*
 - (G) Promote energy efficiency, green building principles and sustainable development.*

Activity	Non-NSP Funding Source	Goals/outcomes
Foreclosure Court Based Mediation Program	City funds State of Wisconsin funds Philanthropic funding	B, D
Foreclosure Intervention Counseling and Events	City funds Private funding Philanthropic funding	B, D
NSP Strike Force - Targeted Code Enforcement	City funds	B, C, D
Targeted Neighborhood Investment Initiatives	City funds Philanthropic funding Private funding	A,C, E, F,G
Milwaukee Homeownership Consortium	Philanthropic funding Private funding	A, B, C, D, E
Wisconsin Rescue Refinance Product	State of Wisconsin funds Local Lender funds	B, D
Contractor Outreach and Revolving Loan Fund	City funds	F

NSP 2 Neighborhoods

The neighborhoods identified for the NSP 2 program each have a convergence of investment, quality of life initiatives and neighborhood partners that will greatly support and strengthen the City’s ability to achieve goals for neighborhood stabilization. A map of these neighborhoods is below. The complementary efforts which are underway and which will support NSP2 activities are described in the following pages.



30TH STREET INDUSTRIAL CORRIDOR NEIGHBORHOODS

The City of Milwaukee is working with local, state and federal partners on a plan to redevelop the 30th Street Industrial Corridor, an industrial corridor which was the home to Milwaukee industry, including Master Lock, Miller Brewery, Harley-Davidson, Eaton Corporation, A.O. Smith and others. Many of these companies remain today. The area has been designated a “Greenlight District” - a zone where the City is giving the “greenlight” on use of Tax Incremental Financing and other economic development tools to attract and retain businesses and improve surrounding residential neighborhoods. The City is also working to utilize vacant and underutilized sites within the corridor to attract and grow businesses, create jobs, incorporate job training incentives and workforce development. The centerpiece of the efforts is the City’s acquisition of the Tower Automotive Site, a vacant 86 acre industrial site which will be redeveloped into an urban industrial park that will provide between 700 and 1,000 jobs for local residents.

Targeted Investment Neighborhoods (TINS)

The 30th Street Industrial Corridor is home to 5 recent TINS including Bishop’s Creek, Harley Davidson, Metcalfe Park and Eaton. In a TIN, the City, working with neighborhood partners, focuses resources in a relatively small geographic area in an effort to stabilize and increase owner occupancy, strengthen property values and improve the physical appearance of the neighborhood. In addition to the physical redevelopment activities accomplished through home rehabilitation loan programs in the TINs, the City works with its partners in initiatives to address quality of life issues in the neighborhood.

A unique feature of the Industrial Corridor TINS is a strong partnership with local industry and employers in each. For example, the Harley Davidson Foundation has supported the TIN effort with resources for home and neighborhood improvements and the Eaton Corporation has supported TIN quality of life and outreach efforts.

MENOMONEE VALLEY SOUTH NEIGHBORHOODS

The City, State and several private sector partners have been working in close partnership to redevelop Milwaukee’s Menomonee Valley. The Menomonee Valley was historically home to many of Milwaukee’s manufacturing jobs and, as a result, dense working class neighborhoods grew up around it. The neighborhoods remain, but as the jobs moved away, income has declined considerably. That is changing, as the City has invested over \$100 million in infrastructure and site preparation to prepare the Valley for redevelopment. To date, this has leveraged over \$600 million in private sector business investment.

The City has been working to reestablish ties to nearby Valley residential neighborhoods and several initiatives are underway to promote new residential investment, increase homeownership, improve the quality of neighborhood life and link residents with new jobs. These include:

Clarke Square Zilber Neighborhood Initiative

The Clarke Square Zilber Neighborhood Initiative is in the Menomonee Valley South Neighborhoods Area. In 2008, the Zilber Family Foundation announced a \$50 million investment

in Milwaukee neighborhoods and selected Clarke Square as one of the first of two neighborhoods to receive philanthropic investment. Multi-year grants are being provided to the neighborhood to develop and implement a neighborhood plan, and improve the social, economic and physical conditions of their neighborhood. These efforts have already raised significant capital for a key “early action” project - a school-based community center.

Targeted Investment Neighborhoods (TINS)

The Clocktower Acres and Weed and Seed (also in the Clarke Square neighborhood) TINS are located in the Menomonee Valley South Neighborhoods area. (See description of TIN initiative above).

Housing Authority Initiatives

Milwaukee’s Housing Authority (HACM) has a national reputation for success and has been a strong partner in the City’s revitalization efforts. The Menomonee Valley South neighborhood includes HACM’s Becher Court project, which will be undergoing a significant redevelopment effort and the City will be working with HACM to undertake companion redevelopment efforts in the surrounding neighborhood. It also includes HACM’s Olga Village tax credit project – a 37 unit new elderly project on the campus of Milwaukee’s United Community Center.

REVITALIZATION NEIGHBORHOODS

There are 7 neighborhoods within the NSP 2 program area where significant targeted neighborhood planning and investment activities are underway that will support NSP 2 efforts.

Lindsay Heights Zilber Neighborhood Initiative

The Lindsay Heights Initiative is a collaborative effort between the City and several private sector and community partners to improve housing conditions as well as the quality of life in the Lindsay Heights neighborhood. One of the primary strategies of the initiative was to build new infill housing on vacant scattered site lots in the neighborhood. The City created a Tax Incremental District to support these new construction efforts and provide resources to existing property owners to rehabilitate their homes. As of year end 2008, over 350 homes were built or rehabilitated, representing over \$28 million in new neighborhood investment.

Lindsay Heights is designated as one of two Zilber Family Foundation Neighborhood Initiative areas. Multi-year philanthropic grants are being provided to develop and implement a neighborhood plan, and improve the social, economic and physical conditions of the neighborhood. One of Lindsay Heights’ first initiatives will be locating a neighborhood youth job creation, training facility and warehouse to deliver job training and certification in green construction while rehabbing homes and reclaiming foreclosed properties for community ownership.

Washington Park Partners Neighborhood

The Washington Park Neighborhood Partners is a coalition of neighborhood stakeholders who

have developed a quality of life and redevelopment plan for their neighborhood. Partners include community based agencies, residents, philanthropic organizations and local developers.

These partners are currently working together to implement many of the strategies contained in that plan. They have also developed a neighborhood specific foreclosure strategy to help address the impacts of foreclosures in their neighborhood.

Harambee Neighborhood

In the Harambee Great Neighborhood Initiative, Harambee residents created a plan which represents a vision for their community that includes physical, social, and economic improvements that address quality of life issues. Partners also included local neighborhood organizations, LISC, Habitat for Humanity and Thrivent Financial. Thrivent Financial is providing \$1 million in contributions to help implement the plan and undertake activities that also focus on education, the neighborhood housing market, creating jobs, and improving public safety, health and the environment.

Healthy Neighborhoods/TINS

There are 4 neighborhoods within the program area that are City of Milwaukee “Healthy Neighborhoods.” These include the Havenwoods, Sherman Park, Johnson’s Park and Thurston Woods neighborhoods. The Healthy Neighborhood approach focuses on marketing a neighborhood’s positive attributes instead of focusing on the problems a neighborhood may be experiencing. Although problems are not overlooked, they are made secondary to communicating and marketing a neighborhood’s assets. The Greater Milwaukee Foundation and the City of Milwaukee have made financial commitments totaling over \$1 million to support neighborhood activities for the initiative.

The Brooks TIN is also located in the program area, and is immediately adjacent to the City’s “Bronzeville Cultural and Entertainment District,” a redevelopment initiative which is promoting African-American arts, entertainment and culture.

MICRO-NEIGHBORHOODS – SPECIAL DEMONSTRATION PROJECTS

Included in the City’s NSP target geography are three “micro-neighborhoods.” These are areas that while relatively small in geography, their relative health has considerable influence on the surrounding area. All involve existing and planned redevelopment efforts which will be negatively impacted if foreclosures are not addressed.

Woodlands

The Woodlands is a 576 unit condominium development on Milwaukee’s northwest side. The development consists of 59 buildings on 55 acres of land and is the largest condominium project in the state. Because of its size and location, its health is of strategic importance to the surrounding commercial areas and residential neighborhoods.

The project was originally designed for owner occupancy, but due to declining neighborhood conditions, many owner occupants have left and owner occupancy significantly declined. Over

the past few years, the City and its partners including the local Chamber of Commerce, Habitat for Humanity, the YMCA, local churches, schools and residents have been working to improve the development. Significant progress has been made, but there is still more work to be done. Foreclosures are increasing in the development and it is important to intervene to ensure that the progress that has been achieved is not undermined.

Westlawn Neighborhood

The Milwaukee Housing Authority's Westlawn Development is a 75-acre site with 726 housing units. It is the largest multifamily development in the State of Wisconsin. The Housing Authority is working with residents and neighborhood stakeholders to complete a master plan for the revitalization of the project. As nearby single family and rental housing have been impacted by foreclosures, the Housing Authority and the City will be collaborating on a companion strategy to improve and stabilize conditions in the adjacent neighborhood.

Bender Avenue

The Bender Avenue neighborhood project consists of 51 four family properties located in a roughly eight block area on Milwaukee's Northwest side. Because of absentee ownership, several of the properties have negatively impacted the surrounding residential neighborhood and have been targets for nuisance and criminal behavior. Since the beginning of 2008, the neighborhood has been significantly impacted by foreclosures. Efforts are underway to create a coordinated redevelopment strategy for the neighborhood, including a property façade and landscaping improvement program, an organizing effort for responsible landlords and outreach to residents to encourage their involvement in activities that improve the quality of life in the neighborhood. Addressing neighborhood foreclosures in a responsible manner will be key to the overall success of the redevelopment initiative.

INTERVENTION IMPACT AREA

The Intervention Impact area is located on Milwaukee's North and Northwest side. Two major neighborhood planning efforts have recently been, or are about to be, completed for the areas. These neighborhoods include several historically solid owner-occupied residential neighborhoods with relatively intact housing stock. They are also home to significant public and recreational amenities, including Lincoln Park, a 312 acre park and its community center that serves as the neighborhood coordinating agency for the area. NSP efforts will focus on intervening in the neighborhood in order to maintain a strong base of homeownership.

NSP 2 Program Proposed Activities

The City of Milwaukee proposes 10 principal programmatic activities, which are described in more detail below. Several elements will unify all programs:

- Proper screening to insure properties are program-eligible (e.g. the property is foreclosed, is in an approved census tract, the purchase price at least 1% less than appraised value, an environmental review has been conducted, no displacement of tenants, mortgage terms meet program guidelines, etc.).

-
- Verification of initial and ongoing client eligibility (i.e. property will be sold to or rented by an income-qualified family and the required period of affordability will be maintained).
 - Insuring feasibility (e.g. determination of a clear disposition strategy, development of a project budget including purchase, holding, and construction costs).
 - Determination of construction costs through a cost-estimated scope of work including energy audit that will meet the housing rehabilitation standards in Appendix “2”.
 - Restrictive covenants running with the land guaranteeing long-term affordability.
 - Use of qualified and experienced Rehabilitation Specialists to manage the construction work, including disbursement of funds after the work is inspected and deemed acceptable.

Summary narrative description of activities:

Homebuyer Assistance (\$4,000,000 – 160 units): Increasing homeownership is an important goal of the NSP 2 program. The activity will provide soft second mortgage financing of up to 30% of the acquisition and rehabilitation costs to owner occupant purchasers of foreclosed homes. Families with incomes less than 120% of AMI will be eligible for the program and the amount of assistance will vary based on income. The financing is intended to serve as an incentive to encourage the purchase of foreclosed homes for owner occupancy, as well as eliminate the need for private mortgage insurance, increasing access to mortgage financing for potential purchasers. A minimum of 8 hours of homebuying counseling by a HUD approved counseling agency will be a condition of participation in the program.

Rental Rehabilitation (\$2,250,000 – 150 units): The foreclosure problem is resulting in a loss of quality affordable rental housing in City neighborhoods. The program will offer forgivable loans to responsible landlords, on a matching funds basis, to pay for repairs to foreclosed properties (participants will purchase the foreclosed property with their own resources). The program will pay for up to half of the rehabilitation costs (capped at \$17,500 per unit, with the amount depending on income targeting benchmarks that are met). Property owners will be screened with the local city and court records, and only those with good track records of owning and managing property will be eligible for participation. Landlords participating in the program will commit to income and rent restrictions consistent with those required for the federal HOME program.

Buy In Your Neighborhood (BIYN) (\$480,000 – 80 units): 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. The second mortgage loan will be amortizing, but at a reduced interest rate (3-4%). The buyer will provide 10% equity. When rehabilitation is required, buyers may be able to also utilize the Rental Rehabilitation Program to obtain matching funds for improvements. Participants in the program will commit to income and rent restrictions consistent with those required for the federal HOME program.

Rental Development for Affordable Housing-Large Projects (\$2,400,000 – 80 units): 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 units or

more) 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 consistent with those required for the federal HOME program.

Acquisition, Rehab and Resale (Acquisition/Rehab) Program (\$3,450,000 – 46 units): The program will help increase homeownership in neighborhoods impacted by foreclosures. The Acquisition/Rehab Program will involve purchase and redevelopment of vacant foreclosed properties by private developers or by a City of Milwaukee-affiliated entity. When the work is done, the property will be offered for sale as affordable homeownership. Developers will apply to the program for subsidies to provide “gap funding” for the difference between the cost to purchase and rehabilitate a property and the sale price for affordable homeownership. These properties will be targeted for purchase by families with income of less than 120% of area median income.

Land Bank (\$3,000,000 – 100 units): The City has created a Limited Liability Corporation which will acquire eligible property on its own or with the assistance of the National Community Stabilization Trust. In general, this approach will 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 primary interim and long term uses (it is not the intent of this program to hold properties for a protracted period of time – generally 24 months or less) 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.

Demolition (\$2,020,000 – 125 units): Approximately 50% 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. Many of these properties have been on the market for a period of six months or more, and have been the target of significant vandalism and “cannibalization” of building components and materials. The cost of rehabilitating these properties to the standards prescribed for the NSP 2 program would be far in excess of their market value. As a result, NSP 2 funds will be used to selectively demolish those structures that are the most severely blighted and detrimental to neighborhood stability. The City will be proactive in its strategies for reuse of the vacant land resulting from demolition, as more fully described in the “Vacant Land Initiative” activity below.

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 (\$3,200,000 – 40 units) and Reprogramming (\$200,000 - 100 units): The program will involve the reprogramming and reuse of vacant land resulting from the demolition of abandoned, foreclosed and blighting structures. It includes 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 the “reuse” of the property for new development.

When demolition results in sites that because of size, topography, or other conditions are not suitable for redevelopment, resources will be provided for “reprogramming” for uses that benefit residents and neighborhoods. This includes:

- **Urban gardening** on vacant lots to beautify neighborhoods and eliminate blight.
- **Urban agriculture** to produce healthy fresh food on vacant lots in neighborhoods underserved by local grocery stores.
- **Urban forestry** to sequester greenhouse gases and absorb storm-water runoff.
- **Storm-water management** with lots being planted with rain gardens and bio-swales, to be placed in the City’s “storm water bank” to offset the effects of other new development.

The City of Milwaukee will create a prototype “template” for each of the proposed reuse strategies. Education and management programs will be coordinated with residents and community organizations with the capacity to undertake the activities. The vacant lots may be leased or sold to neighboring owners, with a stipend provided to undertake improvements. Management of vacant lots that remain in public ownership will be overseen by the City of Milwaukee Department of Public Works and the Department of Neighborhood Services.

Leveraged Loan Fund (\$1.500,000 – 120 units): 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 and support other NSP 2 activities.

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 budgets and schedules, preparing reports, and other costs for goods or services needed for administration of the program. Administration costs will be limited to 10% of the overall NSP 2 grant amount.

Uses of funds and firm commitments

The City of Milwaukee will leverage NSP 2 funding in two ways. First, the City’s proposed NSP 2 activities have been designed to achieve the maximum amount of private investment leverage, while at the same time providing the “right size” of subsidy to encourage investment and attract private capital. The City of Milwaukee has a proven track record of leveraging private funding in its deployment of federal resources. For its NSP 2 activities, the City is leveraging

\$84,976,000 to support its neighborhood stabilization program. Refer to Rating Factor 4, leveraging other funds, for identification of firmly committed leveraged partnership resources.

Demolition and preservation – refer to discussion of demolition in “narrative activities” section above. Information regarding units that will be replaced or added to inventory as a result of NSP 2 activities is provided in Appendix “3”.

b. Project Completion Schedule

Given that activities proposed under NSP 2 are nearly identical to those the City is already administering under NSP 1, the City will expend NSP 2 grant funds as soon as they are received. Below are the completion milestones for the NSP 2 implementation period.

		12 months	18 months	24 months	30 months	34 months	36 months
Milestone				55%		100%	
Activity							
Homebuyer Assistance	Process Applications/ close loans	32 units \$800K	All funds expended \$4,000,000				
Rental Rehabilitation	Begin to take application/ close loans	30 units \$450K	All funds expended \$2,250,000				
Buy in Your Neighborhood	Begin to take application/ close loans	16 units \$96K	All funds expended \$480,000				
Rental Development-Large Projects	Sub-grantees identified	16 units \$480K	All funds expended \$2,400,000				
Acquisition /Rehab	Sub-grantees identified	9 units \$675K	9 units \$675K	10 units \$750K	10 units \$750K	8 units \$600K	All funds expended \$3,450,000
Demolition	Begin property identification	25 units \$404K	All funds expended \$2,020,000				
Vacant Land Initiative	Begin property identification	36 units \$680K	All funds expended \$3,400,000				
Land Bank	Begin property identification	20 units \$600K	All funds expended \$3,000,000				
Leveraged Loan Fund	Secure credit line	24 units \$300K	All funds expended \$1,500,000				
Administration		\$833K	\$416K	\$416K	\$416K	\$419K	All funds expended \$2,500,000

c. Income Targeting

All NSP funds will be targeted to provide benefit to person whose incomes do not exceed 120% of area median income. At least 25% of funds will be used for families whose incomes do not exceed 50% of AMI. While 25% will be a minimum the City will, to the greatest extent possible, encourage additional targeting of resources for housing units for individuals or families whose incomes do not exceed 50% of AMI. Specifically, by category:

Activity	Total Budget Amount	Amount Targeted to families with incomes <50% of AMI
Homebuyer Assistance	\$4,000,000	\$ 600,000
Rental Rehabilitation	\$2,250,000	\$1,350,000
Buy In your Neighborhood	\$ 480,000	-0-
Rental Development – Large Projects	\$2,400,000	\$1,200,000
Acquisition/Rehab	\$3,450,000	-0-
Land Bank	\$3,000,000	\$ 900,000
Vacant Land – Reprogramming	\$3,200,000	\$1,600,000
Vacant Land - Reuse	\$ 200,000	-0-
Leveraged Loan Fund	\$1,500,000	\$ 600,000

d. Continued Affordability

The City is committed to long term affordability for its NSP funded projects. The City’s existing affordable housing programs (both federally funded, as well as City funded) contain affordability restrictions. At a minimum, the affordability requirements for each NSP 2 assisted project will be consistent with HOME requirements:

Homeownership Programs:

<u>NSP 2 Subsidy/Assistance Amount</u>	<u>Period of Affordability</u>
<\$15,000	5 years
\$15,000-\$40,000	10 years
\$40,000+	15 years

Rental Programs:

<u>NSP 2 Subsidy/Assistance Amount</u>	<u>Period of Affordability</u>
<\$15,000/unit	5 years
\$15,000-\$40,000/unit	10 years
\$40,000+/unit	15 years
New construction	20 years

For both rental and homeownership programs utilizing NSP 2 funds, the City of Milwaukee will utilize mortgages and restrictive covenants to ensure continued affordability of NSP 2 assisted housing. Homeowners and renters (both initial and subsequent purchasers and tenants) will have their incomes certified consistent with regulations for the NSP 2 program.

e. Consultation, Outreach, Communication

Consultation with other governments: The City of Milwaukee has consulted with local, state and federal government partners in the development of its foreclosure strategy and the design and implementation of its NSP 2 program. The City’s Milwaukee Foreclosure Partnership Initiative (MFPI) steering committee and working groups include representatives of local, state and federal government. The MFPI’s stabilization workgroup crafted strategies for NSP funded activities. In addition, Milwaukee’s Common Council’s Joint Committee on the Redevelopment of Abandoned and Foreclosed Homes has provided ongoing guidance in the preparation, implementation and monitoring of NSP activities. These groups and stakeholders continue to hold public meetings on a regular basis to monitor and provide feedback on foreclosure stabilization activities.

Outreach and marketing: The City of Milwaukee has established a comprehensive marketing and outreach strategy for the NSP 1 which will continue for NSP 2 program. It includes the following:

- Creation of a comprehensive foreclosure website which provides NSP program information and applications, as well other foreclosure resources available to residents, developers and community groups (milwaukeehousinghelp.org).
- Partnerships with local homebuying counseling agencies that provide referrals for NSP homeownership programs.
- Creation of a media advertising campaign for homeowner education and a public service campaign for foreclosure intervention resources and NSP program opportunities through local television Channels 10, 18 and 24.
- Press releases and media events regarding the NSP program and funding opportunities.
- Working with Milwaukee’s newly formed Homeownership Consortium to create a marketing campaign to promote Milwaukee neighborhoods as well as NSP program opportunities.
- Grass roots community organizing efforts and door-to-door literature drops to thousands of individual residents through community partners and volunteer services.

Communication of program information and responsiveness: The City has convened quarterly meetings with representatives from the real estate sector, lending community, neighborhood non-profit organizations and counseling agencies to communicate information about NSP program opportunities, provide updates, and solicit feedback in order to address challenges and continually improve program effectiveness.

NSP program information on the City’s foreclosure website is regularly updated and a detailed NSP “Question and Answer” section provides information about the NSP process. In addition, the City has provided both an e-mail and telephone contact on the website for questions/concerns related to NSP programming and other foreclosure related questions. Inquiries are returned within 24 business hours. The City also has implemented the practice of a “second look” committee to

review NSP funding applications that were initially rejected, in order to ensure all considerations have been explored for program participants.

f. Performance and Monitoring

Since its inception in 1974 as a Participating Jurisdiction, the City of Milwaukee's Community Development Grants Administration (CDGA), has successfully administered the following federal grants to eligible sub-recipients:

1. Community Development Block Grant (CDBG)
2. HOME Investment Partnerships
3. Stewart E. McKinney Emergency Shelter Grants (ESG)
4. Housing Opportunities for Persons with Aids (HOPWA)
5. American Dream Downpayment Initiative (ADDI)
6. Weed and Seed
7. High Intensity Drug Trafficking Areas (HIDTA)
8. Juvenile Accountability Block Grant (JABG)

With a focus on ensuring compliance with NSP 2 federal program requirements, the CDGA will provide overall monitoring and oversight of all NSP 2 funded activities. Compliance with federal program requirements and federal certifications as listed in Appendix "4" of the NSP 2 application will be monitored and included in all contractual agreements with sub-recipients. CDGA will include clear expectations regarding performance standards and policies and procedures that sub-recipients must follow.

CDGA will fund specific monitoring positions to carry out the activities as specified in the NSP 2 application. Monitoring staff will utilize a very detailed monitoring process which includes extensive reporting of grantee activity. As a condition of payment, which is on a reimbursable basis, funded sub-recipients and/or subcontractors will be required to submit monthly financial and programmatic activity reports. CDGA monitoring staff will review these financial and programmatic activity reports to ensure that submitted costs are eligible and reasonable and that the funded activity is being performed to a satisfactory level. In addition, CDGA monitoring staff will maintain extensive contact with funded entities and provide technical assistance where needed.

Informal and formal monitoring visits will be conducted to ensure compliance with all program requirements. Risk assessments and in-house desk audits will be performed annually of all funded agencies to determine potentially risky areas of program operations and management.

The City Comptroller's office will have NSP-funded accountants provide the internal audit function, financial monitoring and oversight functions for the NSP 2 grant activities to ensure that obligations and expenditures are reasonable, allowable and allocable, as well as ensuring that adequate books and records of the grant activities are maintained to support expenditures and financial reporting requirements.

The financial monitoring will be an on-going process and will include both in-house and on-site monitoring of NSP 2 sub-recipient activities. As is required for the performance monitoring,

monthly cost reports are submitted by each sub-recipient for review by the Comptroller’s Office. Reimbursements are made based on these monthly cost reports.

In addition, an external site audit is performed by the Comptroller’s Office which includes a more extensive review of source documents related to federally funded expenditures. These reviews will verify that all transactions and activities are in compliance with federal OMB circulars, other applicable federal regulations and the terms and conditions of the grant. Any issues identified will be immediately communicated to the sub-recipient and the CDGA office.

Finally, it is a CDGA requirement that all sub-recipients provide a copy of their “Report of federal and State Awards”, as required by OMB Circular A-133, to the Comptroller’s Office. These reports are reviewed by the Comptroller’s Office for material weaknesses and/or significant deficiencies. All findings or concerns are provided to both the sub-recipient and the CDGA office.

Factor 4: Leveraging other Funds / Removal of Substantial Negative Effects

a. Leveraging other Funds

The organizations below have committed funds to support the City of Milwaukee’s NSP2 activities. A signed commitment letter from each organization is included as Appendix “5”. In total, the City has received commitments for \$85,490,941 to support its request for \$25 million of NSP 2 funds - a leverage ratio of \$ 3.42 in private contributions to every \$1 of NSP 2 funding.

Contributing Organization	Designation (federal, state, local, private)	Type of Commitment	Commitment in dollars
City of Milwaukee, Department of City Development	local government	financial	\$ 6,760,000
City of Milwaukee, Department of Public Works	local government	financial	\$35,414,800
City of Milwaukee, Housing Authority	local government	financial	\$22,000,000
Focus on Energy	private	financial	\$ 378,000*
Helen Bader Foundation	private	financial	\$ 75,000
Housing Resources Inc./ Select Milwaukee	private	financial	\$ 1,740,583
JP Morgan Chase	private	financial	\$ 95,000
Local Initiatives Support Corporation	private	financial	\$ 2,500,000
M & I Community Development Corp.	private	financial	\$ 85,000
Media, Channels 18, 24	private	in-kind	\$ 287,000
National Community Stabilization Trust	private	financial	\$ 8,100,000
State of Wisconsin, Dept. of Justice	state	financial	\$ 152,658
Wells Fargo Bank	private	financial/in-kind	\$ 52,900
Wisconsin Housing and Economic Development Authority	state	financial	\$ 2,050,000
Zilber Family Foundation	private	financial	\$ 5,800,000

*Estimate 126 units will participate in Focus on Energy Program and receive \$3,000/unit incentive.

b. Removal of Substantial Negative Effects

In order to arrest decline and maximize the stabilizing impact of NSP 2 funds, the City will attempt to address as high a percentage as possible of the abandoned and foreclosed homes in the program area. To achieve this goal, the City's proposed NSP 2 activities provide significant resources for the acquisition and rehabilitation of foreclosed homes for both owner occupancy and affordable rental housing. Based on the real estate market characteristics of the NSP 2 program area, including the age of the housing stock, high rates of vacancy, and physical degradation of many foreclosed properties, the City also proposes to undertake targeted demolition to support other NSP 2 activities.

Utilizing the "rubric for addressing vacant properties" created by HUD, the City's proposed NSP 2 activities result in value of **.38**. The calculations used to derive this value are attached as Appendix "6".

Factor 5: Energy Efficiency Improvements and Sustainable Development Factors

Transit Accessibility: The neighborhoods that make up Milwaukee's proposed NSP 2 program area are well-served by public transportation. The Milwaukee County Transit System (MCTS) operates 37 regular bus lines throughout Milwaukee County. The proposed NSP 2 areas are among the most densely-developed census tracts in the State of Wisconsin, and are served by 25 of the 37 bus lines. During peak times (i.e. Monday through Friday: 7 a.m. to 9 a.m., and 4 p.m. to 6 p.m.) the average wait time between buses in the NSP 2 areas is 18 minutes. Besides serving the NSP 2 neighborhoods, the bus lines provide access to regional employment centers such as the 30th-Street Industrial Corridor, the Menomonee Valley, Downtown Milwaukee, and several suburban employment centers.

Green Building Standards: For one and two family new construction and gut rehab projects under NSP 2, the City of Milwaukee will exceed the national standards for Energy Star-new construction.

The City currently partners with Focus on Energy (Focus), Wisconsin's statewide energy efficiency and renewable energy programs, on NSP 1 initiatives. The partnership between the City and Focus will continue for NSP 2. Focus has programs that can be combined with the City's NSP programs: the "Home Performance with Energy Star Program" and the "Affordable Housing Program" (the Affordable Program.) The standards for the Affordable Program are very high, and will be utilized for new construction and gut rehabs. The Program utilizes dense-pack cellulose insulation in sidewall cavities, R-50 insulation in attics, foundation insulation, and Energy Star appliances. The Affordable Program has an overall energy-usage standard: HERS Index ≤ 80 , which is the same as the national standard for cold climates. However, according to Focus, the Affordable Program standards exceed the national standards for Energy Star in two principal ways:

- It has a "tightness" or infiltration standard: 0.35cfm/50 square feet of surface area; the national Energy Star Program has no standard.

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- It has a ventilation standard: ASHRAE 6.2.2; the national Energy Star Program has no standard.

It is also notable that the City will include Energy Star-qualified products (such as windows, furnaces, boilers, water heaters).

Besides new construction and gut rehabs, the NSP 2 moderate rehabilitation programs will strongly encourage Home Performance standards for Buy In Your Neighborhood, Rental Rehabilitation, Home Buyer Assistance, and Large Scale Redevelopment programs. All new appliances or window replacements for moderate rehabs under NSP 2 will utilize Energy Star products. To build capacity, Focus on Energy has agreed to train contractors on the proper methods for installing dense pack insulation.

While gut rehabs of mid-or high-rise multifamily housing is not anticipated, if such work is undertaken, it will meet the standards set forth by ASHRAE Standard 90.1-2004, Appendix “2” plus 20 percent.

Re-use of cleared sites: Before acquiring a property for demolition, the City will develop a disposition strategy for the cleared land. Within 3 years of clearance, land will either be re-used for replacement housing or will be re-programmed as a community resource or for an environmental function (where NSP 2 funds are used for re-use activities, timeframes for the expenditure of funds will be met).

The first priority will be to re-use the site for replacement housing. City Real Estate staff will work with potential developers and buyers to facilitate purchase of the land. Staff will also help buyers find qualified builders and construction financing.

Other planned uses for cleared sites are resources such as community gardens. Milwaukee has an active urban agriculture movement, and City staff regularly work with community-based organizations to sell or lease City parcels for community gardens. These initiatives are ongoing, and will continue with NSP 2.

The third use of NSP 2 funds will be re-programming of cleared land for environmental functions. If a lot is considered unbuildable (too small or difficult site) it will be offered to adjacent owner-occupants for use as green space. A condition of sale will prohibit new structures on the properties. Removing hardscape and keeping land undeveloped allows for natural absorption of rain water and snow melt. Such measures reduce the burden on waste water treatment facilities and help improve the water quality in area waterways and lakes. In the past, such land has been used in the City’s storm water land bank, offsetting the impact of other developments.

If acquired and cleared properties are not re-programmed for the uses described above, the City will hold them for a suitable re-use. All lots will be landscaped, including planting native tree species. Trees beautify neighborhoods and have the added benefit of capturing green house gases, a major contributor to global climate changes.

Deconstruction: As with Milwaukee’s current NSP programs, the City will use deconstruction for a portion of NSP 2 activities. The City will continue its partnership with private companies and non-profits to advance deconstruction efforts.

Other Sustainable Development Practices: There are several ways that NSP 2 funds will promote sustainable development practices in the City of Milwaukee. First, for new construction, the City of Milwaukee has a long-standing policy encouraging compact, relatively small homes that fit on narrow 30’ wide city lots. For example, in 2008 the City published “The Milwaukee New Home Catalogue.” The homes were designed for infill construction, to blend into the existing infrastructure of small lots close to public transportation and other amenities. Building plans are free-of-charge to buyers.

In the City of Milwaukee, large projects disturbing more than ½ acre (even when the sites are not contiguous) require a formal storm water management plan that demonstrates post-development flows will not exceed pre-development. For in-fill new construction and rehabilitation, the City strongly encourages storm water best management practices such as disconnecting downspouts from the combined sewer system.

The City encourages construction practices that minimize construction waste by use of off-site factory-built modular or panelized practices. These methods minimize material waste because the manufacturers design around standard building material dimensions and recycle most waste materials. For environmental and other reasons such as minimizing theft and vandalism, most central city Milwaukee developers use modular or panelized methods of construction. For example, recent central city housing developments such as Josey Heights, Lindsay Heights, and Walnut Circle utilized modular or panelized construction for 100% of the housing construction.

As with NSP 1, NSP 2 developments will encourage landscaping improvements on redeveloped properties and on land cleared and kept vacant. The City contracted with a landscape architect who identified native species that are appropriate to southeast Wisconsin. Clients opting for landscape improvements using NSP 2 funds for landscaping will be restricted to the use of approved species. Where possible, trees will be placed to provide shading in summer and to allow for heat gain in winter.

Sustainable community development practices will also be incorporated into NSP 2 activities, including marketing the NSP Homebuyer Assistance Program as part of “walk to work” initiatives for teachers, police officers and employers located in NSP 2 neighborhoods.

Finally, all NSP 2 sites in Milwaukee will go through an environmental review. This is standard practice for all federally-funded projects. A review with planning staff confirms that potential redevelopment sites in the NSP 2 areas do not contain wetlands within 100 feet or critical habitat within 1000 feet. Land zoned as parkland will not be developed, and there is no prime farmland in the NSP 2 area.

Factor 6: Neighborhood Transformation and Economic Opportunity

Consistency with Planning Efforts: The City of Milwaukee’s proposed NSP 2 activities were designed to increase the effectiveness of the planning and economic development efforts that have occurred and are ongoing in NSP 2 target neighborhoods.

The City of Milwaukee is currently in the process of updating its comprehensive plan. This comprehensive plan consists of thirteen individual area plans and a city-wide policy plan which includes Housing and Neighborhoods, Economic Development, and Land Use elements. Seven of the individual area plans have already been adopted by the Common Council. The remainder of the area plans and the policy plan will be adopted prior to the end of the year.¹⁰

The City’s proposed NSP 2 activities are designed to be consistent with and support the vision for neighborhood development articulated through the planning process, both at the area and city-wide levels. Key components of the city-wide Housing and Neighborhoods Plan, which were incorporated into the City’s NSP 2 activities, are to preserve the City’s housing stock, to provide a range of housing opportunities for City residents, to promote urban gardens, encourage energy efficiency and sustainable development practices, and to improve the quality of life in City neighborhoods.

An overarching goal of the city-wide economic development plan is to target City resources to best position neighborhood residents to benefit from growth in economic opportunity. The City’s NSP 2 program area is anchored by two areas (the Menomonee Valley and 30th Street Industrial Corridor) in which the City has invested significant resources to support economic development and job creation. NSP 2 activities will increase the effectiveness of these efforts by stabilizing the residential neighborhoods surrounding these areas and making them more attractive for private investment. Additionally, the City will strive to maximize the participation of Emerging Business Enterprise (EBE) contractors in all NSP activities to ensure that neighborhood businesses and local residents benefit from this investment.

In addition to City-led planning efforts, four of the neighborhoods which make up the NSP 2 have, or are in the process of undertaking, their own “quality of life” planning process which results in a transformative resident-driven neighborhood improvement plan. These planning efforts have been coordinated by the Milwaukee office of the Local Initiatives Support Corporation and funded through private philanthropic sources. In all four areas (Washington Park, Harambee, Lindsay Heights, and Clarke Square), City NSP staff meet regularly with the groups responsible for drafting and implementing those neighborhood plans to coordinate NSP and other foreclosure response activities. In the two neighborhoods where the plans have been completed, NSP 1 and NSP 2 activities have been designed to support the housing initiatives underway in those neighborhoods. In the two neighborhoods where the planning process is underway, the City has worked with the neighborhood planners to develop comprehensive foreclosure response strategies which are coordinated with NSP 1 and future NSP 2 activities.

¹⁰ Copies of all adopted plans, as well as working versions of plans underway are available at: <http://www.mkedcd.org/planning/plans/CompPlan/Area/index.html>.

Appendix 1
 City of Milwaukee
 NSP2 Program Area Census Tracts

Census Tract	NSP 2 Foreclosure Score	NSP 2 Vacancy Score	NSP2 "Max" Score
2.01	18	12	18
11	20	15	20
14	18	11	18
18	19	14	19
19	19	13	19
20	20	16	20
21	20	14	20
23	20	15	20
24	20	19	20
25	20	14	20
26	20	16	20
27	20	15	20
28	20	14	20
29	20	15	20
30	20	15	20
31	20	12	20
39	20	14	20
40	20	15	20
41	20	17	20
42	20	19	20
43	20	18	20
44	19	18	19
45	20	20	20
46	20	20	20
47	20	19	20
48	20	19	20
49	19	16	19
61	20	19	20
62	20	20	20
63	20	19	20
64	20	20	20
65	20	20	20
66	20	20	20
67	20	20	20
68	20	20	20
69	20	19	20
70	20	19	20
81	20	20	20
82	19	20	20
83	20	20	20
84	20	20	20
85	20	20	20
86	20	20	20
87	20	20	20
88	20	20	20
89	20	20	20

Census Tract	NSP 2 Foreclosure Score	NSP 2 Vacancy Score	NSP2 "Max" Score
90	20	20	20
91	20	20	20
96	20	19	20
97	20	20	20
98	20	20	20
99	20	20	20
100	20	20	20
101	20	20	20
102	20	20	20
103	20	20	20
104	18	19	19
105	18	20	20
106	19	20	20
118	19	17	19
119	20	18	20
120	20	20	20
121	19	18	19
122	19	20	20
123	19	18	19
133	19	20	20
134	18	20	20
135	17	17	17
136	19	18	19
137	20	20	20
138	20	18	20
139	20	20	20
149	20	18	20
156	18	19	19
157	19	17	19
158	19	18	19
159	18	14	18
160	18	15	18
163	18	19	19
164	18	16	18
165	19	16	19
167	18	19	19
168	18	19	19
169	19	18	19
173	18	12	18
174	18	15	18
175	18	16	18
176	19	17	19
177	19	18	19
186	19	19	19
188	17	19	19
Average	19.4	17.8	19.6

Appendix 2

Housing Rehabilitation Standards

NSP2 funds will be used to purchase foreclosed properties and/or to rehab them. The following summary describes the housing rehabilitation standards for such-assisted properties.

Scope of Work: Whether NSP2 funds are used to acquire or rehabilitate a property, a qualified professional will thoroughly inspect the property and develop a cost-estimated scope of work. The scope of work will list the minimum requirements to bring the property into code compliance.

Technical Specifications: Rehab work on NSP2-assisted properties will follow the City's "Technical Specifications and Performance Standards" manual ("Manual.") The Manual is currently used for the City's Federally-funded HOME programs. It combines the City's rehabilitation standard with programmatic policies, federal regulations, and State / local building codes. It is the overall guide to labor and material performance standards for Federally-assisted rehabs.

Lead Safety: All applicable laws and regulations relating to lead-based paint (federal, state, and local) will be addressed in NSP2-assisted properties. Lead abatement work will be done by State of Wisconsin-certified lead abatement contractors with properly-trained supervisors and crews. All work will be performed in a lead-safe manner and where applicable, completed work will have appropriate lead dust wipe clearance by the Milwaukee Health Department (MHD.)

Accessibility: Milwaukee's NSP2 housing construction programs will conform to the requirements of 24 CFR part 8.

"Green" Improvements: For 1- and 2-family new construction and gut rehab projects under NSP2, the City of Milwaukee will exceed the national standards for Energy Star-new construction. While gut rehabs of mid- or high-rise multifamily housing is not anticipated, if such work is undertaken, it will meet the standards set forth by ASHRAE Standard 90.1-2004, Appendix G plus 20 percent.

For moderate rehabilitation, there will be a strong emphasis on energy efficiency upgrades, such as high efficiency furnaces and boilers, energy-efficient windows, air-sealing, insulation, and efficient lighting.

Please also refer to "Green Building Standards" under Rating Factor 5 (page 37 of this application) for more detail about the energy standards for gut rehab, new construction, and moderate rehabilitation.

NSP2-assisted properties will require landscaping that beautifies the property. An added benefit is that trees and other permanent landscaping capture carbon dioxide, a major component of greenhouse gases. Whenever financially feasible, scopes of work will include environmentally-friendly improvements that conserve energy, manage storm water runoff, and minimize use of non-renewable resources.

Occupancy Permits and Final Inspections: In the City of Milwaukee, a building vacant for more than 1 year requires a renewed Certificate of Occupancy. Such buildings require clearance from MHD and the Department of Neighborhood Services (DNS.) It is assumed that many NSP2-assisted properties will need new Certificates of Occupancy.

Additionally, before a NSP2-assisted property is occupied, a qualified rehabilitation specialist or other housing professional will inspect the rehab work to insure the scope of work is completed in a professional manner, that permits were issued, that there is a valid Occupancy Permit, and that the all required MHD and Department of Neighborhood Services (DNS) sign-offs are on-file.

Demolition

The number of low and moderate income housing units anticipated to be demolished with NSP 2 funds is 125.

NSP 2 affordable housing units which will be produced with NSP funding:

Activity	Number of NSP 2 affordable housing units produced *	Units produced for families with incomes <50% of AMI	Commencement Date	Completion Date
Homebuyer Assistance	160	24	30 days after receipt of grant award and execution of grant agreement	Within 34 months of commencement
Rental Rehabilitation	150	90	30 days after receipt of grant award and execution of grant agreement	Within 34 months of commencement
Buy In Your Neighborhood	80	-0-	30 days after receipt of grant award and execution of grant agreement	Within 34 months of commencement
Rental Development – Large Projects	80	40	30 days after receipt of grant award and execution of grant agreement	Within 34 months of commencement
Acquisition/Rehab	46	-0-	30 days after receipt of grant award and execution of grant agreement	Within 34 months of commencement
Land Bank	100	30	30 days after receipt of grant award and execution of grant agreement	Within 34 months of commencement
Vacant Land – Reuse	80	40	30 days after receipt of grant award and execution of grant agreement	Within 34 months of commencement
Leveraged Loan Fund	120	48	30 days after receipt of grant award and execution of grant agreement	Within 34 months of commencement

State and Unit of Local Government Certifications

Each NSP2 **state or unit of local government** applicant will submit the following certifications:

1. Affirmatively furthering fair housing. The applicant certifies that it will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.
2. Anti-displacement and relocation plan. The applicant certifies that it has in effect and is following a residential anti-displacement and relocation assistance plan.
3. Anti-lobbying. The applicant must submit a certification with regard to compliance with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.
4. Authority of applicant. The applicant certifies that it possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.
5. Acquisition and relocation. The applicant certifies that it will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the notice for the NSP2 program published by HUD.
6. Section 3. The applicant certifies that it will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.
7. Citizen participation. The applicant certifies that it is carrying out citizen participation in accordance with NSP2 requirements.
8. Use of funds. The jurisdiction certifies that it will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008, as modified by the American Reinvestment and Recovery Act by spending 50 percent of its grant funds within 2 years, and spending 100 percent within 3 years, of receipt of the grant.
9. The applicant certifies:
 - a. that all of the NSP2 funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income; and

b. The applicant will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

10. Excessive force. The applicant, if an applicable governmental entity, certifies that it has adopted and is enforcing:

- a. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in nonviolent civil rights demonstrations; and
- b. A policy of enforcing applicable state and local laws against physically barring entrance to, or exit from, a facility or location that is the subject of such nonviolent civil rights demonstrations within its jurisdiction.

11. Compliance with anti-discrimination laws. The applicant certifies that the NSP grant will be conducted and administered in conformity with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

12. Compliance with lead-based paint procedures. The applicant certifies that its activities concerning lead-based paint will comply with the requirements of 24 CFR part 35, subparts A, B, J, K, and R.

13. Compliance with laws. The applicant certifies that it will comply with applicable laws.

Signature of Authorized Representative

Date Signed

_____ Mayor _____
Title

Appendix 6

Removal of Negative Effects Calculation

Rubric for Addressing Vacant Properties

The City used a variety of local data sources to determine the number of vacant properties in the NSP2 program area. There are 1,004 REO properties in the NSP2 program area which are virtually all vacant (Source: City of Milwaukee Property Records). Additionally, there are 507 properties in the NSP2 program area which are on the City's Department of Neighborhood Services (DNS) current vacant and boarded and raze lists.

In December of 2008, the City of Milwaukee passed an ordinance which required that lenders who have filed a foreclosure action against any residential property in the City routinely inspect the home and register it if vacant. In order to ensure compliance with this ordinance, DNS has begun to do vacancy inspection samples in the NSP2 program area. Based on an inspection of nearly 1,000 homes, DNS determined that 19% of these properties in the various stages of the foreclosure process were vacant. There are currently 2,415 properties in the foreclosure process (pre-Sheriff Sale) in the NSP2 program area. Using the vacancy rate determined in the DNS sample, roughly 459 of these are likely vacant.

When these three separate categories of properties are considered, the City was able to identify an estimated 1,970 vacant and abandoned properties in the NSP2 program area. Through its NSP2 activities, the City plans to assist in the acquisition and rehabilitation of 411* vacant properties. The City also plans to demolish 125 vacant blighted properties.

**This total includes all units impacted by the Homebuyer Assistance and Acquisition/Rehab/Resale activities as well as 66% of all rental units acquired and rehabilitated under NSP2. This assumes that roughly one-half of all rental properties acquired and rehabilitated through NSP2 will be single family properties and one-half will be two family properties. Unit totals by NSP2 activity are provided in Rating Factor 3: Soundness of Approach.*

The “score” for this portion of this portion of Rating Factor 4 is calculated below, using the NSP2 Rubric for Addressing Vacant Properties:

$$((1.5 \times 411 \text{ Acquisition/Rehab}) + (125 \text{ Demolition})) / 1,970 = .38$$

Appendix 7

Definition of Blight

Section 66.1333(2m)(bm) of Wisconsin State Statutes provides that “blighted property” means any property within a city, whether residential or nonresidential, which by reason of dilapidation, deterioration, age or obsolescence, inadequate provisions for ventilation, light, air or sanitation, high density of population and overcrowding, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime, and is detrimental to the public health, safety, morals or welfare, or any property which by reason of faulty lot layout in relation to size, adequacy, accessibility or usefulness, insanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the fair market value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, substantially impairs or arrests the sound growth of a city, retards the provisions of housing accommodations or constitutes an economic or social liability and is a menace to the public health, safety, morals or welfare in its present condition and use, or any property which is predominantly open and which because of obsolete platting, diversity of ownership, deterioration of structures or of site improvements, or otherwise, substantially impairs or arrests the sound growth of the community.

Appendix 8

Affordable Rent Limits

Affordable rents under the NSP 2 will be consistent with limits prescribed by HUD in conjunction with the HOME program. The following table displays 2009 HOME rent limits for the City of Milwaukee. The lower 50% AMI rent limit will be used in determining whether a unit can be counted towards the NSP 2 requirement that at least 25% of grant funds be used to provide housing for individuals whose incomes do not exceed 50% of AMI. Affordable rent limits will be updated each year of the NSP 2 implementation period to reflect any changes in HOME rent limits.

NSP 2 Affordable Rent Limits					
Unit Size	1BR	2 BR	3BR	4 BR	5BR
50% AMI Rent Limit	\$561	\$659	\$761	\$846	\$931
High Home Rent Limit	\$600	\$703	\$899	\$910	\$1,052

Limits assume tenant responsibility for all utilities other than sewer/water. Adjustments will be made using Housing Authority of the City of Milwaukee Utility Allowances when appropriate.

Appendix 9

Summary of Citizen Comments

The City of Milwaukee's public review of the proposed NSP 2 Plan began Friday, June 26, 2009 and ended Monday, July 6, 2009. During this public review timetable, no written comments were received for documentation.

Attached Public Notice denotes the specifics of the grant, including the URLs utilized for posting the plan.

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.

Appendix 10

City of Milwaukee: Code of Conduct

303-5. Standards of Conduct. 1. The common council reaffirms that an official or other city employe holds his or her position as a public trust, and any effort to realize substantial personal gain through official conduct is a violation of that trust. This chapter does not prevent any official or other city employe from accepting other employment or following any pursuit which in no way interferes with the full and faithful discharge of his or her duties to this city. The common council further recognizes that officials and other city employes are drawn from society and, therefore, cannot and should not be without all personal and economic interest in the decisions and policies of government; that officials and other city employes retain their rights as citizens to interests of a personal or economic nature; that standards of ethical conduct for officials and other city employes need to distinguish between those minor and inconsequential conflicts that are unavoidable in a free society, and those conflicts which are substantial and material and that officials and other city employes may need to engage in employment, professional or business activities, other than official duties, in order to support themselves or their families and to maintain a continuity of professional or business activity, or may need to maintain investments, which activities or investments do not conflict with the provisions of this chapter.

2. No official or other city employe may use his or her public position or office to obtain financial gain or anything of substantial value for the official's or other city employe's private benefit or that of his or her immediate family, or for an organization with which he or she is associated. This subsection does not prohibit an elected official from using the title or prestige of his or her office to obtain contributions permitted and reported under ch. 11, Wis. Stats.

3. No person may offer or give to an official or other city employe, directly or indirectly, and no official or other city employe may solicit or accept from any person, directly or indirectly, anything of value if it could reasonably be expected to influence the official's vote, the official's or other city employe's official actions or judgment, or could reasonably be considered as a reward for any official action or inaction on the part of the official or other city employe. This subsection does not prohibit an official or other city employe from engaging in outside employment.

4. No official or other city employe may intentionally use or disclose information gained in the course of or by reason of his or her official position or activities in any way that could result in the receipt of anything of value for himself or herself, for his or her immediate family, or for any other person, if the information has not been communicated to the public or is not public information. This provision shall not be interpreted to prevent such official or other city employe from reporting violations of this chapter or other illegal acts to the proper authorities.

5. No official or other city employe may use or attempt to use his or her position to influence or gain unlawful benefits, advantages or privileges for himself or herself or others.

6. No official or other city employe, member of an official's or other city employe's immediate family, nor any organization with which the official or other city employe or a member of the official's or other city employe's immediate family owns or controls at least 10% of the outstanding equity, voting rights, or outstanding indebtedness may enter into any contract or lease involving a payment or payments of more than \$3,000 within a 12-month period, in whole or in part derived from city funds, unless the official or other city employe has first made written disclosure of the nature and extent of such relationship or interest to the board and to the department involved in regard to the contract or lease. Any contract or lease entered into in violation of this subsection may be voided by the city in an action commenced within 3 years of the date on which the ethics board, or the department or officer acting for the city in regard to the allocation of funds from which such payment is derived, knew or should have known that a violation of this subsection had occurred. This subsection does not affect the application of s. 946.13, Wis. Stats.

7.a. No official or other city employe may represent a person for compensation before a department or any employe thereof, except:

- a-1. In a contested case which involves a party other than the city with interests adverse to those represented by the official or other city employe; or
 - a-2. At an open hearing at which a stenographic or other record is maintained; or
 - a-3. In a matter that involves only ministerial action by the department.
 - b. This subsection does not apply to representation by an official acting in his or her official capacity.
- 8.** No former official or other city employe:
- a. For 12 months following the date on which he or she ceases to be an official or employe, may, for compensation, on behalf of any person other than a governmental entity, make any formal or informal appearance before, or negotiate with, any officer or employe of a department with which he or she was associated as an official or employe, within 12 months prior to the date on which he or she ceased to be an official or employe.
 - b. May for compensation act on behalf of any party other than the city in connection with any judicial or quasi-judicial proceeding, application, contract, claim, or charge which might give rise to a judicial or quasi-judicial proceeding in which the former official or other city employe participated personally and substantially as an official or other city employe.
- 9.** The city attorney may not engage in the private practice of law for compensation during the period in which he or she holds office.
- 10.** This section does not prohibit an elected official from making inquiries for information on behalf of a person or organization or from representing a person or organization before a department if he or she receives no compensation therefor beyond the salary and other compensation or reimbursement to which the elected official is entitled by law.