

City of Milwaukee Foreclosure Prevention Initiative Stabilization Committee

Final Report

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Introduction

The City of Milwaukee is on the threshold of new development and new opportunity. However, targeted predatory lending, overly aggressive federal homeownership policy objectives, and a declining real estate market have resulted in a foreclosure crisis that threatens to undermine both the progress and potential of Milwaukee's poorest neighborhoods. During the past two years, foreclosure filings in Milwaukee Circuit Court have tripled and over 1700 properties are now held by financial institutions after sheriff's sales. Aggravating this problem is the concentration of high-cost lending and resultant defaults in the most racially segregated and economically disadvantaged neighborhoods of the city.¹ While the cause and spread of the foreclosure crisis are national phenomena, Milwaukee must develop an early, aggressive, and effective local response.

Simply put, Milwaukee cannot afford to ignore this problem and must concentrate its resources, both intellectual and financial, to address it head-on. There is no single solution or approach to this problem. Rather, the current crisis suggests the need for a comprehensive and multi-faceted response – including the development of neighborhood revitalization plans. This process cannot – and ought not -- be conducted by City of Milwaukee staff alone. While this report recognizes the extraordinary progress the City has already made, further efforts to

¹ See Todd Clausen, "Milwaukee Housing Settlement Patterns: A History of Immigrants and Refugees" (Nonprofit Center of Milwaukee 2008).

coordinate responses across departments (City Development, Neighborhood Services, Public Works, Administration) must continue and coordinate with the work and resources of other government units, nonprofit agencies, foundations, private institutions, and perhaps most importantly, the input of neighbors who reside in the areas affected by these efforts. In particular, we urge the City to continue to work with the volunteers who have committed themselves to this initial recommendation process over the past few months, to convene agencies and companies interested in contributing to the response, and to conduct extensive outreach in neighborhoods most severely affected by foreclosed and abandoned properties.

All of this is to suggest that, despite the difficulties inherent in the crisis at hand and the shortage of monetary resources to address it, there are tangible and efficacious solutions which can and should be pursued, and that –working together – we can use this moment to develop a comprehensive strategy for developing challenged neighborhoods and attracting new resources and interest in the City of Milwaukee. Moreover, while this Stabilization Report makes recommendations reflective of a consensus among our diverse membership, there will be other solutions that suggest themselves. We have tried to point to strategies in other communities that might also be considered. Finally, we endorse the good work and recommendations presented by the Prevention and Intervention Committees and commit ourselves to supporting all of these plans to prevent the expansion of the problem in the future.

Stabilization in Context

While community education is critical to the prevention of future predatory lending, and intervention strategies such as loan refinancing and court mediation can forestall or prevent the sale of occupied properties, the end of the foreclosure process marks the beginning of a

new set of problems that arise as a consequence of vacant and abandoned homes. Foreclosed properties are referred to as bank-owned or real estate owned (REO). As NeighborWorks America points out, “although foreclosed properties present real challenges, they also present opportunities to:

- Rehabilitate housing to make it more energy efficient, healthier and safer;
- Create or preserve housing affordability;
- Encourage mixed-income communities;
- Promote sustainable homeownership and provide quality rental housing;
- Enhance neighborhood viability; and
- Selectively use demolition to create side-lots and green space.”²

Foreclosures have increased throughout Milwaukee, yet the burden of high-cost lending, foreclosure filings, sheriff’s sales, and retention of abandoned real estate has not affected all areas of the city in an equal manner. Thus, some neighbors may hardly notice the effects of the foreclosure crisis, while others are surrounded by newly vacant properties. Yet all of the City’s constituents will be affected by this problem if prompt action is not taken. After a period of decline in the last decade, the City of Milwaukee’s population has begun to stabilize, and even to experience modest growth.³ After two decades of nearly stagnant housing development,⁴ Milwaukee has begun to increase and revitalize its housing stock – most noticeably in the 3rd Ward and Park East district. Milwaukee has also made a significant step toward reducing violent crime⁵ and thus creating more livable neighborhood environments. If supported, these trends will support a new urbanism, the reduction of urban sprawl and greener economic development. The ravages of predatory lending, and the resultant foreclosure crisis, can have a

² See NeighborWorks America website <http://www.stablecommunities.org/> for stabilization strategies.

³ Change in Wisconsin Cities 2000 - 2007 at NewGeography.com based upon U.S. Census Population Estimates.

⁴ “Vacant Lots as a Percentage of All Lots” in Making Connections Databook (Nonprofit Center of Milwaukee 2005).

⁵ Homicides fell 32.4% in 2008, the fewest killings in the city since 1985, reversing a troubling trend from 200-2007 when the numbers of homicides involving black teens and young adults increased dramatically (62% for blacks and 4% for whites). Gina Barton, JS-Online, December 29, 2008 & Sharif Durhams, JS-Online, January 2, 2009.

devastating effect on this progress – increasing blight, devaluing homeownership, decreasing equity and assets among the poorest citizens, driving up crime, increasing homelessness and overcrowding, and reducing neighborhood stability. Housing stabilization must be a key component of any economic development strategy – an equally important factor with jobs, transportation, and education.

Unfortunately, just as these positive trends were taking effect, high-cost lending grew exponentially in the central city and the near north and south sides of Milwaukee. As a series of reports from the University of Wisconsin – Milwaukee’s Employment and Training Institute point out:

The historic economic advantage of affordable housing within the City of Milwaukee appears to have eroded, according to the 2006 American Community Survey census data. The U.S. Census Bureau estimates that almost 49,000 Milwaukee County residents are living in [owner-occupied] homes with housing costs exceeding 50% of their income. Of these, 38% are estimated to expend 75% or more of their household income on housing costs. Moreover, 31% of renting households in the City of Milwaukee are spending at least half of their income on housing.

Subprime lending jumped dramatically in Milwaukee County beginning in 2003. The HMDA (Housing Mortgage Disclosure Act) data shows [that] high interest rate mortgages issued by non-subprime lenders rose 35% from 2005 to 2006 [alone]. Analysis of lending activity by race showed African Americans far more likely to receive high-cost, disadvantageous loans than whites or Latinos with similar income. Subprime housing loans in Milwaukee County rose from 206 mortgages totaling \$7.7 million in 1993 to 10,451 subprime mortgages totaling over \$1 billion in 2005.⁶

The following chart illustrates these trends from 1980 forward in Milwaukee County.

During this period, housing affordability declined while vacancy rates increased. Essentially, the population increased slightly, while total occupancy stayed the same. A modest gain in the

⁶ “Milwaukee's Housing Crisis: Subprime Mortgages, Foreclosures, Evictions and Affordability,” <http://www4.uwm.edu/eti/2007/Housing.htm> (UWM-ETI, November, 2008).

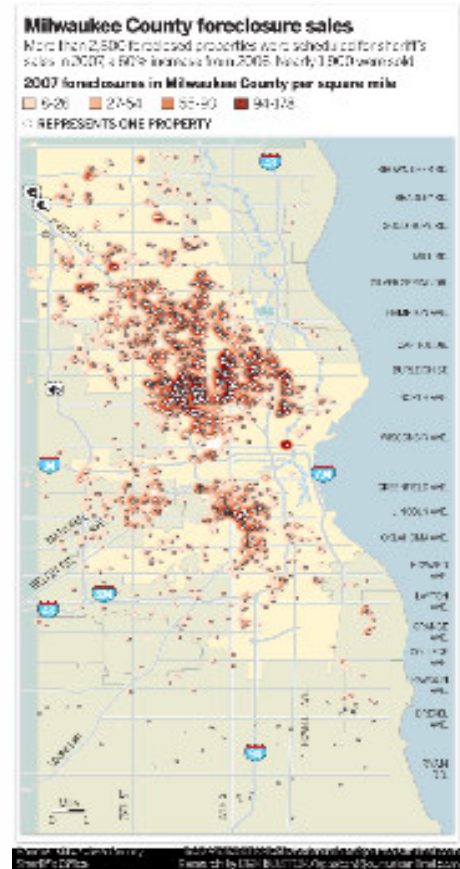
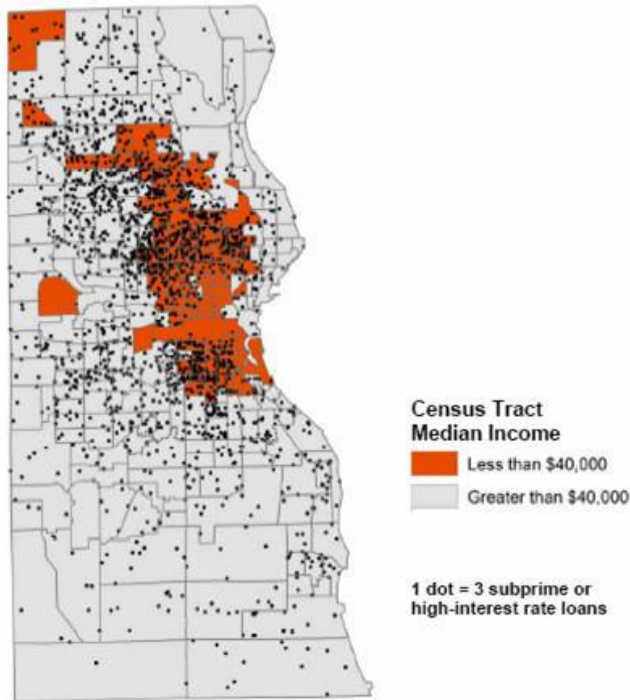
housing stock (17,399 units) pushed the vacancy rate from less than 5% to almost 9%. Also reflected are modest gains in homeownership from 47% to 55%, which will likely erode over the next several years. Strikingly, the foreclosure crisis is foreshadowed by the dramatic rise in homeowners paying more than 30% of their household income in housing costs – from 17% of all mortgage holders in 1980 to nearly one-third of all such mortgage holders in 2007.

	Owners 30%<	Renters 30%<	Mortgage	Rent	TotUnits	Occ Units	Owner	Renter
2007	32%	49%	\$1399	\$708	408,114	372,636(91.3%)	55%	45%
2003	29%	47%	\$1175	\$621	401,000	375,000(93.5%)	55%	45%
2000	20%	37%	\$1013	\$555	400,093	377,729(94.4%)	48%	52%
1990	17%	42%	\$ 732	\$434	390,715	373,048(95.5%)	47%	53%

As noted in the accompanying graphics,⁷ the concentration of high cost lending has resulted in a similar concentration of foreclosed properties entering REO status.

⁷ “Bidders must do background work in sheriff's sales,” Milwaukee Journal-Sentinel, (January 21, 2008); “Milwaukee's Housing Crisis” (UWM-ETI November, 2008).

High-Cost Mortgages Issued in Milwaukee County in 2006



The challenge of addressing foreclosed properties in Milwaukee is a daunting task.

There are currently over 1,700 bank owned properties on the market and 4,000 additional properties that are in various stages of foreclosure. Housing conditions vary greatly even within the same block and thus each property must be assessed individually in light of neighborhood conditions to determine an appropriate disposition strategy. The Stabilization Committee recognizes that the best strategy for addressing the problem is intervention before foreclosure – renegotiating the terms of the mortgage so that the property remains occupied. For this reason, we strong endorse the Mayor’s call for a moratorium on foreclosures and the establishment of a mandatory mediation process, so that owners are given every opportunity to renegotiate the terms of their mortgage and remain as owner-occupants.

Further, the current economic climate does not favor a rapid return to high homeownership rates, particularly in already vulnerable markets. The real estate market is very depressed in neighborhoods hardest hit by foreclosures – properties are selling for 20-25% of their assessed value – and it is taking an average of over 200 days to resell a property from the time of the foreclosure auction. Lack of financing is another problem – capable, community-minded, motivated buyers cannot get timely financing for the acquisition and rehabilitation of foreclosed houses that are coming onto the market. The condition of foreclosed properties within neighborhoods is subject to many variables:

- ✓ Some foreclosed properties are in very poor condition, while some have real potential for immediate re-use;
- ✓ Bank-owned properties tend to be vacant while city-owned properties tend to be occupied;
- ✓ Neighborhoods show a lot of variation from one block to the next. Some show pride of ownership while other blocks show general neglect. There are numerous vacant lots.

As an experiment, a subgroup of Committee members visually inspected foreclosed properties in one Milwaukee neighborhood (Lindsey Heights) and *estimated* that:

- ✓ 5% of houses need very little work and could be re-sold “as is”
- ✓ 15% need a modest amount of work
- ✓ 50% need major rehabilitation – i.e. \$40,000 – \$50,000 in order to make them habitable
- ✓ 30% are candidates for demolition

All of these data points indicate that the City of Milwaukee must develop a comprehensive and dedicated team to effectively deal with the wide variables involved in both market and property conditions. A targeted strategy, integrated with existing neighborhood development efforts is likely to best utilize available resources and have a lasting impact on the city.

Guiding Principles

Immediately upon receiving its charge, the Stabilization Committee viewed this process as an opportunity to contribute to Milwaukee's economic development. Drawing upon a wide constituency,⁸ Committee members strove to work together to alleviate the harmful effects of the foreclosure crisis and are committed to remaining actively involved in implementing the recommendations contained within this report. Echoing in great measure the principles set forth in the Federal Reserve Bank of Philadelphia's excellent October 2008 Community Affairs report⁹ the Committee quickly came to consensus around the guidelines that should be pursued when addressing stabilization efforts:

1) *View crisis as an opportunity to further existing community economic development.*

The City of Milwaukee already has already developed neighborhood revitalization plans.¹⁰ Working in concert with these existing plans, new resources can help to stabilize and reshape neighborhoods, making them more attractive for the long term.

2) *Capture, utilize, and make public, data to drive strategic and transparent decisions.*

While there is a need for urgency, decisions regarding housing stabilization are complex. Such decision-making is best informed by timely and accurate data, local

⁸ Participants in the MFPI Stabilization Committee are recognized on the final page of this report.

⁹ Alan Mallach, "How to Spend \$3.92 Billion: Stabilizing Neighborhoods by Addressing Foreclosed and Abandoned Properties," (Federal Reserve Bank of Philadelphia: October, 2008). This report is attached and recommended.

¹⁰ See, e.g. City of Milwaukee Housing Strategy Plan (Sept., 2001) and Stronger Neighborhood's Initiative (2007).

input, and transparent oversight. Making information regarding foreclosures, housing opportunities, and the disposition process easily accessible to the public will increase the likelihood of public and private support and long term success.

- 3) *Provide an overall vision for neighborhood development, realizing that new resources from HERA/NSP funds will reach only a fraction of properties affected.*

As will be noted elsewhere in this report, the potential volume of properties that may be subject to post-foreclosure disposition could exceed 2% of the entire housing stock in the City of Milwaukee. While occupancy numbers have remained fairly stable over the past 15 years, homeownership has switched places with renting as the predominate form of occupancy. Given the large number of homes involved in the recent foreclosure spike, the availability, safety and adequacy of the housing stock is threatened. While the market may immediately absorb 25% of affected homes, with additional resources such as NSP funding assisting another 40%, durable solutions must be suggested for the remaining properties.

- 4) *Target new resources to complement existing public and private development efforts.*

Past experience in developing affordable housing in the City of Milwaukee suggests that careful planning and targeted investment offer the most efficient and effective use of new financial resources. “Concentrating on a few key areas is likely to be far more beneficial than scattering acquisition or rehabilitation funds around a city, while leaving large numbers of problem properties untouched.”¹¹ Fortunately,

¹¹ Mallach, “How to Spend \$3.92 Billion,” at 9.

Milwaukee already has in place a number of public and private initiatives that suggest themselves for complementary and strategic targeting.

5) *Support and favor market-based solutions to the greatest extent practicable.*

Ultimately most housing stock preserved through an intervention program must be returned to the private market. Moreover, “market conditions, more than any other single factor, set the framework for making rational decisions about which properties to acquire, which to rehab, and which to demolish.”¹² Long term stabilization means fostering neighborhoods that are both affordable and attractive. Increased demand for housing in targeted neighborhoods will help drive business and economic development, just as economic development can spur housing demand and affordability. Neither strategy should be pursued in isolation.

6) *Increase the capacity of existing nonprofits, CHDOs, and the City of Milwaukee, particularly the Housing Authority, to play an effective role in meeting new demands.*

While there is significant goodwill to address the foreclosure crisis, stabilize neighborhoods and increase the availability of affordable housing, Milwaukee has a dearth of effective Community Housing Development Organizations. At the same time, the Housing Authority of the City of Milwaukee has been internationally recognized for affordable housing innovation.¹³ In order for the recommendations of this report to be effectively implemented, resources must be garnered to increase

¹² Mallach, “How to Spend \$3.92 Billion,” at 7.

¹³ Paul Vornholt, “Milwaukee Earns ‘World Leadership’ Award: Housing Authority hailed for transforming neighborhoods” (December 2005).

capacity for data collection, neighborhood safety, and housing development activities by both private and public partners.

- 7) *Focus on preserving or reintroducing occupancy as quickly as possible in order to preserve the housing stock and neighborhood stability.*

“It is critical to understand that even one vacant, boarded-up property can undermine the vitality of an entire city block.”¹⁴ Thus, an aggressive strategy for identifying, reporting, securing and patrolling vacant structures is a necessity. Even more important, however, are efforts that keep housing units occupied. Since market forces and affordability will drive the vacancy rate, all alternatives, including: homeownership, investment, and affordable housing should be considered.

- 8) *Rebuild equity among low-income homeowners and neighborhood-based investors.*

One of the most discouraging aspects of this foreclosure crisis is its impact on homeownership among lower income, and particularly, minority communities. For these individuals, homes were by far the most significant, and often the only asset they owned. With the severe downturn in home values (properties sold at sheriff’s sale in the city have been acquired on average at half of their assessed value), asset building strategies for persons living within these neighborhoods should be a focus.

- 9) *Establish an entity that can quickly acquire, hold, and dispose of large numbers of properties not amenable to immediate market solutions in an orderly fashion.*

Whether through the establishment of a community land trust, land bank, or public housing entity with increased capacity, the city of Milwaukee should be prepared to

¹⁴ Mallach, “How to Spend 3.92 Billion,” at 10.

quickly acquire bulk properties from non-local servicers who have little incentive to maintain or rehabilitate vacant houses.¹⁵

10) Pursue safety and development strategies that involve neighbors to create attractive, livable, economically viable, and environmentally friendly communities.

While city government, nonprofit housing agencies and private developers all have a clear stake in the outcome of this Initiative, long term residents in neighborhoods most affected by increased foreclosures have the greatest interest in neighborhood preservation and can offer realistic assessment of market conditions and livability.

Involving neighbors in all suggested strategies will increase long term success.

The MFPI Stabilization Committee has developed its recommendations in accord with these guidelines to ensure that vacant properties are maintained and managed in a manner that minimizes their blighting influence, returns these properties to qualified homeowners and responsible landlords, and encourages the stabilization of neighborhoods through a coordinated community campaign. The Stabilization Committee divided into three separate working groups to address issues of safety, acquisition & disposition of vacant properties, and neighborhood occupancy and revitalization. The recommendations presented by each of these workgroups follow in turn.

¹⁵ E.g., Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation and NeighborWorks America have worked together to sponsor the National Community Stabilization Trust. The Trust will coordinate the transfer of REO properties from financial institutions nationwide to local housing organizations. See: http://www.ci.minneapolis.mn.us/cped/docs/Nat_Comm_Stabil_Trust_Fact_Sheet.pdf.

MFPI Safety Subcommittee Recommendations

Foreclosure results in the vacation of both owner-occupied and rental properties. Vacant properties increase the risk of criminal activity, including arson, threaten the security of the neighborhood, and have a negative effect on the values of other properties in the area.¹⁶ Vacant properties are a drain on city resources and a destabilizing influence; information about ownership and management of these properties is lacking, hindering stabilization efforts. Therefore, the Safety Subcommittee has as its goal ensuring vacant properties are maintained and secured from being used to conduct criminal activities as well as to prevent arson. These recommendations, we believe, will help maintain the property's value and the value of the surrounding properties, which will assist in stabilizing neighborhoods.

Recommendation # 1: Create a coordinated Notification System to Identify Vacant Properties

An agreement has been reached with the Milwaukee County Clerk of Court's Office to provide the City of Milwaukee notification of each *lis pendens*¹⁷ filed on property located in the City that is a subject of a foreclosure action. This information will be sent to the Department of City Development and shared with the Department of Neighborhood Services. The Milwaukee County Sheriff's Department has also agreed to provide notification directly to the Milwaukee Police Department of any properties in which it

¹⁶ Results from a intensive study indicate that an additional abandoned structure within 500 feet will reduce the sale price of a residence by 2.27%; an additional abandoned structure within 1000 feet will decrease sale price by 1.92%; and an additional abandoned structure between 1001-1500 feet will decrease sales price by 1.11%. Nigel Griswold & Patricia Norris, "Economic Impacts of Residential Property Abandonment and the Genesee County Land Bank in Flint, Michigan," Michigan State University Land Policy Institute Report # 2007-05 (April 2007).

¹⁷ *lis pendens*: A notice, recorded in the chain of title to real property. . . , to warn all persons that certain property is the subject matter of litigation, and that any interests acquired during the pendency of the suit are subject to its outcome. Black's Law Dictionary (8th ed. 2004). In Wisconsin, "a judgment of foreclosure and sale shall not be entered [in a real estate foreclosure action] until 20 day after the *lis pendens* has been filed. Wis. Stat. 846.01(2).

has assisted with a foreclosure-related eviction. Additionally, neighbors will be able to report suspicious activity and unlawful entry to a property that has been boarded or abandoned with phone numbers that would be provided to the public:

- City board-up crews will have door hangers that will be placed on occupied homes on each side of the boarded property that will encourage neighbors to report suspicious activity (286-2268) and tall grass and weeds (286-8282).
- The Police Department will be notified of all reported abandoned, vacant, and boarded properties (933-4444). Each District Station maintains information regarding vacant properties, and this information should be reported as soon as possible. This will allow officers to pay attention to these properties during their working hours.
- It would be advisable to place battery-operated alarms in these properties before they are stripped of copper and other materials. These alarms should have an audible enunciator that will sound whenever there is smoke and/or an intruder in the property. This may cause the Police Department to have to adjust its policies on responding to verified alarms.
- Download vacant properties onto the Compass system so that Police and other city agencies can compare crime information with the locations of vacant properties. This will assist with identifying areas of great concern (blighted conditions), and initiatives can be planned to prevent and change this condition.
- Information will be added to water bills going to the public with information regarding foreclosure assistance, vacant, and abandoned property and phone numbers to call when neighbors notice that someone has moved in the middle of the night.

Implementation: The Clerk of Courts, Sherriff, MPD, DNS and DCD are already coordinating this effort to provide timely information on foreclosures and potential vacancies.

Cost: This recommendation adds no additional costs and is procedural in nature.

Recommendation # 2: Establish a Rapid Response System to Inspect and Secure Foreclosed Properties

It is important that properties remain secure during and after foreclosure, and that the City is notified quickly if the property becomes vacant. It is equally important that banks and other financial institutions be held accountable for the securing of these properties. In this regard, the Safety Subcommittee recommends:

- The development of a rapid response team that will, upon receiving a call that a property was

just vacated by its occupants during the night, respond and assess the property to determine if it should be boarded up. All unsecured properties shall be boarded and the cost passed on to the tax roll of the property. The Bank or Finance Company will be notified as soon as practical of the actions taken regarding the property. The response team should comprise of members from DPW, DNS, MPD, and the servicing company if the call is made during normal business hours. After business hours, particularly, during the early morning hours current procedures shall be followed, and notifications to the rapid response team made at the start of business that day.

- The installation of inexpensive alarms to assist in protecting the property from intruders and arson. All companies that provide board-up services should adopt materials standards that minimize the appearance of blight by utilizing materials including interior wire mesh and 3M films to protect the glass from being broken and vandals from easily entering the property.
- Consider maintaining some power to the property in order to preserve pipes or other critical infrastructure from cold weather damage. Take all necessary steps to drain pipes, cut off gas and water supplies unless property is being regularly maintained or serviced by a realtor. Coordinate services with the Water Works, WE Energies, and the mortgage servicer.
- Provide information, training and a simple inspection and notification system to service providers, such as mail carriers, meter readers, WE energies personnel, and delivery personnel so they are able to easily report to the City properties that they find have become vacant.

Implementation: DNS and MPD are working at increasing patrols and inspection resources to respond to notices of vacant properties and secure them if necessary within 24 – 48 hours. Standards for securing homes should be developed and disseminated and service companies contacted.

Cost: An additional housing inspector dedicated to foreclosed properties @ \$50,000. There may be some additional costs from increased patrols by MPD and enforcement by the City Attorney.

Recommendation # 3: Promote an Adopt-A-Property Program to Complement Block Watch Activities

The Adopt-A-Property program will take advantage of the opportunity to establish new block watch groups throughout the city by offering established and new community watch groups' stipends. Established and newly formed block watches would be offered stipends for caring for vacant property: mowing grass, picking up debris, and snow removal. The stipends would be modest and for the purpose of assisting block watches with other clean-ups or activities that would bring neighbors out of their homes to enjoy their neighborhoods. Grant money could be spent to provide the stipends to community groups and paid to Community Based Organizations (CBOs). The CBOs would be responsible for providing reports on the number of block watch groups initiated and the activities of such groups in

neighborhoods with a high number of foreclosures. These clubs would be provided with contact information regarding any private mortgage servicing agency that was connected to the property in order to coordinate effective servicing and prevent trespass complaints.

Implementation: Expand current Block Watch and Safe Streets programming by MPD to include specific attention to foreclosed properties.

Cost: Provide \$ 40,000 for incentive payments to Block Watch partners to provide additional notice of vacancy, care for abandoned properties, and reporting.

Recommendation # 4: Pass a Pre-Foreclosure Ordinance to Require Maintenance of Vacated Properties

An ordinance to regulate the maintenance of abandoned residential properties pending foreclosure and during foreclosure proceedings is desirable. Under the terms of such an ordinance, when initiating a foreclosure action the lender will be required to perform an inspection of the property within 30 days of notice of default to the owner. Upon inspection, if the property is determined to be abandoned the lender shall be responsible for the following:

- Registering the property in the name of the lien holder with the Commissioner of Neighborhood Services within 5 days of the inspection.
- Provide periodic inspections every 14 days
- Maintain a written record of all re-inspections and identify any change in condition of the property requiring correction, the action taken or planned to assure compliance.
- Assure that all structures on the property remain secure against unauthorized entry.
- Assure that no conditions external to the buildings and structures contribute to neighborhood blight including removal of litter and trash, weeds, tall grass and overgrown bushes, and graffiti abatement.
- Assure that no conditions upon the property presenting an immediate risk to health and safety of the public including removing or abating fire hazards, removing or containing potentially toxic materials and explosives, removing nuisance vehicles, securing the perimeter of swimming pools, ponds, or other bodies of water, and maintaining public walkways free of ice and snow.

Implementation: A similar ordinance has now been passed by the Common Council.¹⁸ Enforcement through DNS and the Office of the City Attorney will be necessary.

Costs: Passage of this ordinance should help lower maintenance costs by requiring those initiating foreclosure actions to take affirmative steps to maintain property. An additional Housing Inspector, as requested earlier, could assist with enforcement.

Acquisition and Disposition Sub-Committee Recommendations

Once properties are vacated and secured, timely and effective disposition must be addressed. The federal government is providing Milwaukee with \$9.2 million in Neighborhood Stabilization Program [NSP] funds through a supplemental CDBG grant under the Housing and Economic Recovery Act. Milwaukee is hopeful that a similar amount will be distributed from the State of Wisconsin's NSP allocation. The City of Milwaukee has submitted a plan¹⁹ for the use of these funds which incorporated many of the recommendations of this Committee during its deliberations. In addition, it should be noted that the State of Wisconsin is allocating over \$18 million of their NSP allocation for "local governments, Tribes, Housing Authorities, Community Action Agencies and other not for profit organizations" to benefit high need areas around the state (in terms of foreclosure impact). By every measure, Milwaukee is one of the areas hardest hit by this problem. As has been done relative to other state financing programs, we recommend that all interested parties come together around a single, strong, coordinated application to the State rather than having various parties competing for funds with the possible net loss of resources for Milwaukee. Yet, NSP funds will be insufficient to cover all costs associated with the scope of this foreclosure crisis. Indeed, we recognize that the Committee's charge is broader and that consideration must be given to a strategy that addresses the overall scope of increased and abandoned properties in Milwaukee. Thus, before discussing specific recommendations, we summarize the principles that guided this discussion.

¹⁸ Note: the full text of the ordinance is available at <http://milwaukee.legistar.com/LegislationDetail.aspx?ID=263729&GUID=A9AA2C95-C48C-415C-8A38-81083C43CE13&Search=&Options>.

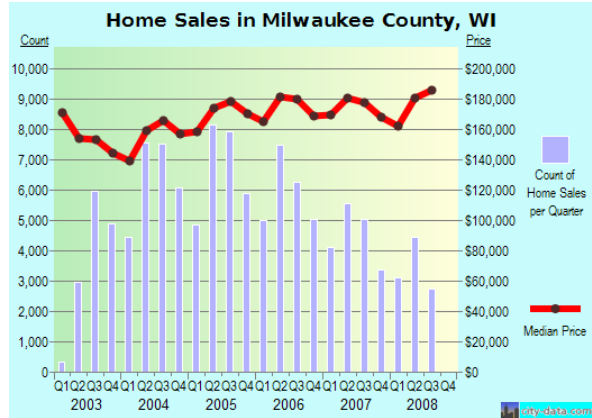
¹⁹ The full proposal is downloadable from the City of Milwaukee's webpage: <http://www.city.milwaukee.gov/>.

Preserving and expanding home-ownership is the preferred outcome for the properties that have fallen into foreclosure. As mentioned earlier in this report, much progress has been made to increase homeownership in Milwaukee over the past decade. Unfortunately, much of this progress was achieved through high cost financing instruments that were ultimately unsustainable. In many cases, the financial system created a system that encouraged failure. Through actuarial instruments, low-income borrowers were deemed a higher risk for default. This risk was translated into higher cost financial instruments (e.g. subprime loan rates, higher insurance premiums) which were made available and often aggressively marketed to those least able to afford them. In many cases teaser rates, ARMs with lower initial rates, and add-on servicing fees further increased the cost of these mortgages, making them far more costly over the long term than traditional financing. This resulted in a high and relatively quick default rate among these borrowers. Instead of evaluating affordability, the market built in a disincentive for success. Given the rise in the default rate among lower-income borrowers, financial institutions have begun to tighten credit, making it much more difficult to qualify for a mortgage at an affordable rate. Somewhat counter intuitively, in many instances if higher risk borrowers would have been provided loans with *lower* rates and subsidized or no fees, this crisis may have been averted.

Now, given the current economic outlook and the tightening of credit, homeownership may not be possible or feasible in all cases in the short term. ***Maintaining occupancy and getting vacant units occupied and managed by responsible parties must be the top priority.*** In this regard, the best alternative is to prevent default and foreclosure in the first instance – and so this Committee supports the recommendations of the Intervention Committee, particularly the development of workable refinancing products for local borrowers and the institution of a foreclosure mediation system. The Stabilization Committee expresses a strong preference for ***market-based approaches*** – i.e. conveying properties directly to owner-occupants, “neighborhood owners” and investor-owners, rather than holding properties through an intermediary without a clearly defined disposition strategy. Moreover,

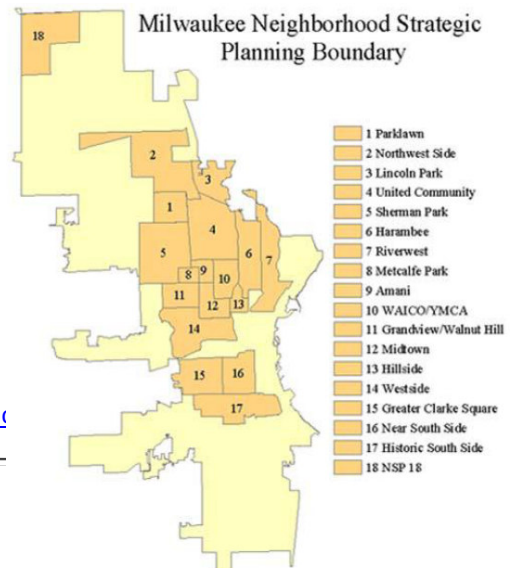
any program to assist in conveying properties to investor-owners should have strong *preference for “neighborhood owners”* since this strategy will likely result in higher quality management and has the added benefit creating wealth in neighborhoods that have experienced disinvestment.

The good news is that Milwaukee as a whole has not experienced as significant a housing downturn as other areas in the country. Indeed, as the chart²⁰ to the right indicates, median housing prices have been relatively resilient throughout this period, though housing sales have experienced a sharp decline. For those homes that have been resold after sheriff’s sale in areas of high foreclosure



concentration however, the median sale price has averaged 50% of the property’s assessed value. Thus, traditional home marketing will continue to play an important role in restoring occupancy, but it is likely that incentive programs will be necessary to move properties more quickly and to preserve homeownership. Programs such as those provided by ACTS Community Development Corporation may serve as a model. In the short term, however, neighborhood investors must be considered along with homeowners if occupancy is to be maintained and property values preserved.

In targeting areas for investment, *priority should be given to those neighborhoods where complementary activities are underway* to address broader quality of life issues. This principle has been stressed throughout the discussion for other than proprietary reasons. Both past experience with affordable housing programs in the City of Milwaukee and the counsel of experienced national urban planners suggest that housing programs must be targeted if they are to sustain



²⁰ Information from <http://www.city-data.com/city/Milwaukee-Wis>

neighborhoods in the long term and such targeting is most likely to be effective where other resources provide supportive structures to leverage the investment. Fortunately, Milwaukee has a patchwork of existing development programs and special financing districts already in place. The recent announcements of new HOPE VI funds for the Housing Authority of the City of Milwaukee and the Zilber Neighborhood Initiative add new leveraging possibilities.

The use of available funds for acquisition and disposition purposes should be **transparent** and seek the involvement of local persons affected by the crisis. Dealing with foreclosed properties will require a **complex sorting process**. There is no single solution, **houses need to be evaluated block by block** and different disposition strategies will be appropriate for different properties. The Stabilization Committee thus offers its assistance in contributing members to a task force that would assist with oversight of property selection and disposition, particularly in view of the release of NSP funds. The Committee cautions that, in light of NSP guidelines²¹, it is important that the City not overpay for a property in the acquisition phase, and in some cases negotiate the gifting of properties to the City or an identified holding entity for rehabilitation and disposition. Moreover, the Committee is concerned that acquired properties be returned to responsible owners who will maintain them properly and contribute to an increase in the neighborhoods quality of life. The Committee also believes it is very important to involve and seek input from neighbors when considering acquisition and disposition alternatives. Neighbors can give important insight into the past use and value of particular properties, as well as help identify potential new owners. With this preliminary discussion set forth, the Acquisition and Disposition subcommittee sets forth the following recommendations:

Recommendation # 5: Integrate Economic Development and Job Creation with Disposition Strategies

²¹ Section 2301(d) (1) of HERA provides: “Any purchase of a foreclosed upon home or residential property under this section shall be *at a discount from the current market appraised value of the home or property*, taking into account its current condition, and such discount shall ensure that purchasers are paying below-market value for the home or property.”

Regardless of the strategy being implemented (i.e. demolition, acquisition for resale to owner-occupants, acquisition for rental development, etc.) the strategy should integrate economic development and job development outcomes, even if it may mean higher costs. One beneficial outcome is that responding to foreclosures may create opportunities for job creation for low-skilled workers. Training individuals to work as energy auditors on housing rehabilitation projects, using deconstruction techniques for demolition projects, or building the capacity of home improvement contractors presents an economic development opportunity that should not be overlooked.

Implementation: Job creation is a necessity to maintain homeownership levels. Rehabilitation and disposition strategies should incorporate local job creation to the maximum extent possible.

Recommendation # 6: Create a Small Real Estate Investor Support Program

Creating a program which will train and support small neighborhood property investors would create an infrastructure to support real estate entrepreneurs, with the goal of building local business opportunities, creating new jobs and maintaining assets in local neighborhoods. Such a program might include the following components:

- ✓ General knowledge of real estate investment with a focus on small scale properties
- ✓ Tools for analyzing potential investments including economic and market analysis
- ✓ Management training relevant to hands on owner/operators
- ✓ Hands on support for applying tools and training to target properties
- ✓ Information on financing mechanisms available under current market conditions including available support from city programs
- ✓ Strategies for obtaining buyer's equity stake
- ✓ Peer support mechanism from established owners/managers

- ✓ Introductions to lenders and investors for joint venture opportunities

WHEDA, using NSP funds from the State of Wisconsin, is implementing a purchase-rehabilitation loan program in order to assist owner-occupants in buying foreclosed properties. This program will be broadly available in the City of Milwaukee and the Committee strongly endorses this approach. While the Committee believes that a purchase-rehab product for owner-occupants is an essential tool, we also believe that a similar program is needed for investor-owners and preferentially for “neighborhood owners”. Home ownership strategies, by themselves, will not be sufficient to deal with the current volume of properties on the market. We need to put in place a system to support responsible investor-owners – both financially and with technical assistance. This program would build upon the already successful Landlord Training Program offered by the Department of Neighborhood Services.

Ideally, financing for this program could be implemented in collaboration with NHS of Chicago, the Community Investment Corporation of Chicago, or BizStarts Milwaukee, building on their experience and track-record and eliminating the need to develop a new organization in Milwaukee. Karen Long with the Department of Neighborhood Services already offers an annual training course for landlords that has historically drawn nearly 400 attendees. This training could be leveraged to assess the level of interest and the demand for additional supportive resources as described here, but it is agreed that technical assistance for small-scale investors must be expanded to include financial management.

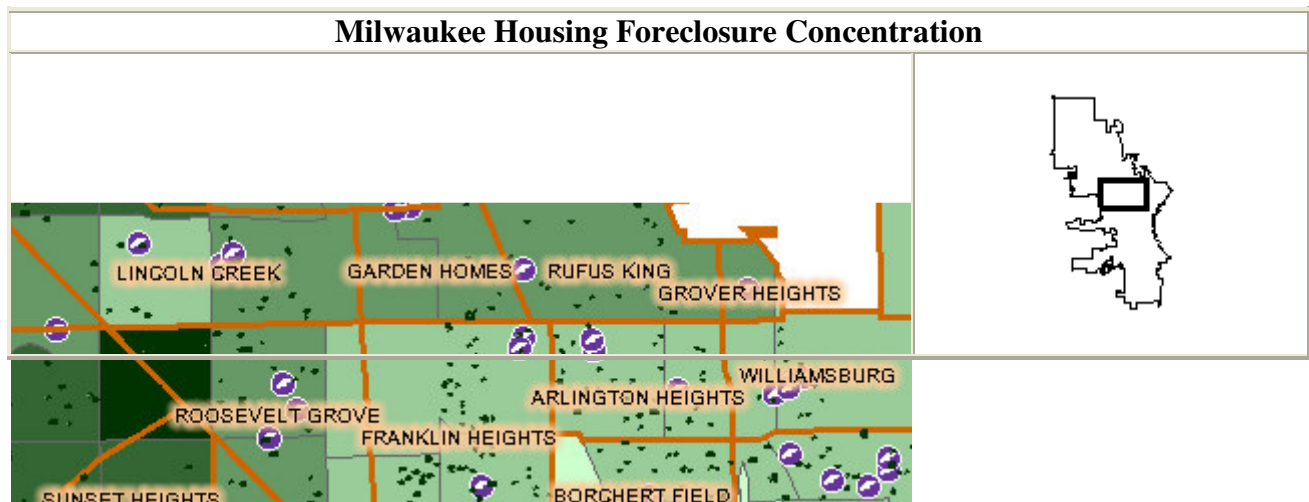
Implementation: LISC is exploring options for the expansion of Milwaukee’s landlord training program to include ongoing support and technical assistance for new local investors, perhaps in partnership with CIC in Chicago, Marquette’s ACRE program, or BizStarts Milwaukee. The goal would be to have a program in place by February 2009.

Funding: Some grant funding will be necessary to establish such a program in Milwaukee with an estimated annual cost of \$35,000.

Recommendation # 7: Add Foreclosure and Lending Data into MapMilwaukee and COMPASS

Increasing the capacity of City of Milwaukee’s Compass mapping resource to serve as a central data source regarding foreclosed properties and their location vis-à-vis other neighborhood resources and targeted neighborhood development activities will assist with both acquisition and disposition strategies, as well as assist with market driven home sales. Foreclosed properties would be a viewable layer on MapMilwaukee (<http://gis.milwaukee.gov/website/mm1/viewer.htm>) and COMPASS (<http://isdweb1.ci.mil.wi.us/compass/disclaimermap.html>). Additionally, it is recommended that the City prepare a comprehensive foreclosure website which will allow users to print lists of foreclosed properties by area, provides links to housing resources, details NSP plans and dispositions, promotes a comprehensive neighborhood improvement and marketing strategy and maps foreclosed properties in a manner which incorporates MLS listing information.

Implementation: The City of Milwaukee has already incorporated this information into its systems and made it publically available.²² An example of the usefulness of this mapping technology is illustrated with the map below, which was printed from COMPASS and illustrates the high concentration of foreclosures in certain Milwaukee neighborhoods that are also troubled by violence.



²² See MapMilwaukee (<http://gis.milwaukee.gov/website/mm1/viewer.htm>) and COMPASS (<http://isdweb1.ci.mil.wi.us/compass/disclaimermap.html>).



Recommendation # 8: Prepare and RFP to Solicit Proposals from Intermediary Housing Agencies

The City should prepare an RFP to solicit proposals from potential intermediary agencies to assess their interest and capacity to manage and redevelop groups of properties. The RFP should identify specific roles that the Intermediary could play – e.g. acquiring properties for rehab and re-sale to owner-occupants, facilitate sales to owner occupants, etc. For-profits, nonprofits, and governmental agencies should be encouraged to participate. For example the New York State Housing Finance Agency and the City of Oakland have released similar RFPs²³ In addition, as part of a targeted neighborhood stabilization strategy, the City should consider recruiting an established developer(s) to aggregate properties into a scattered site tax credit project within a compact geographic area. Properties would be maintained as rental units or lease-to-purchase units for 15 years (this may provide a structure for keeping long-time residents who may have lost their homes through foreclosure in the neighborhood).

²³ <http://www.nyhomes.org/index.aspx?page=803>; <http://www.oaklandnet.com/government/hcd/cdbg/NSP.html>

Implementation: In order effectively utilize resources and target neighborhoods, the City should prepare an RFP to assess interest in capacity among various housing and real estate agencies. In addition, the City should convene local agencies to solicit feedback and support for the NSP proposal.

Recommendation # 9: Establish a Community Land Bank (“holding company”) to Acquire and Hold Local Properties for Redevelopment

Establish an entity (or assign responsibility to an existing entity) to work with the National Community Stabilization Trust to ensure access to local properties available for bulk purchase from national servicers. Consider having the Housing Authority of the City of Milwaukee [HACM] in coordination with the Redevelopment Authority of the City of Milwaukee [RACM] develop a holding company to acquire properties in bulk for targeted redevelopment . On the national level, four nonprofit intermediaries (Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation and NeighborWorks America) have formed the National Community Stabilization Trust (NCST). The Trust will coordinate the acquisition or transfer of real estate owned (REO) properties from lenders, loan servicers, investors and GSEs nationwide and work through local organizations, in collaboration with state and local governments, to return the properties to the stock of rental and ownership housing available primarily for low- and moderate-income families. NCST has indicated a willingness to work in Milwaukee as soon as a point of contact is identified to act as an agent. In addition, in very limited circumstances a community land trust may provide an effective mechanism for preserving affordable housing and utilizing green space for community gardens in cases of demolition.²⁴

Implementation: Provide support to the Housing Authority of Milwaukee and the Redevelopment Authority of the City of Milwaukee to establish the legal structure for acquiring properties in bulk through the National Community Stabilization Trust for the purpose of holding, maintaining, rehabilitating, renting and potential resale.

²⁴ See Matthew Mikolajewski, “Milwaukee Community Gardens: Current Trends and Recommendations (UWM School of Architecture & Urban Planning May 2002).

Funding: Utilize NSP funds in accordance with the City of Milwaukee’s NSP plan. Increase capacity of the Housing Authority of the City of Milwaukee to acquire, hold, manage and rehabilitate or demolish properties acquired from the NCST.

Recommendation # 10: Solicit Capital from Local Corporations and Financial Institutions to Support the Activities of the Land Bank and to Finance Redevelopment Activities.

Neighborhood Stabilization Program Funds (NSP), allocated by the federal government are a valuable resource for addressing the growing foreclosure challenge. These funds, by themselves however, can only address a modest number of properties that are coming on the market as result of foreclosure. The NSP funds needs to leveraged to the maximum extent possible to insure the greatest possible impact for the funds available. The Committee suggests assessing the availability of credit resources available to address this issue and then, if appropriate, convening local lenders to establish a funding collaborative to provide financing for neighborhood owners, owner-occupants, and the Land Bank, since some local financial institutions may be more willing to invest capital into an intermediary rather than creating specialized portfolio products.

Recommendation # 11: Target Foreclosure Relief Efforts to Complement Other Investments Being Made in Target Neighborhoods that have been Adversely Impacted by Foreclosures

As noted earlier the most impact can be achieved by leveraging additional resources in neighborhoods adversely impacted by foreclosures that already have supportive environments.

Milwaukee has a number of these areas including:

- City of Milwaukee target areas – TIFs, TINs, BIDs, Main Street Districts
- Areas surrounding HOPE VI redevelopments
- LISC “great neighborhoods” – Washington Park & Harambee

- Zilber Initiative Neighborhoods (Lindsay Heights & Clarke Square)
- “Healthy neighborhood” target areas
- Historic districts (e.g. Garden Homes)

At the same time, the Committee recommends that the City reserve some funds to respond to scattered problems in transitional and otherwise stable neighborhoods, particularly where an initial foreclosure with long term vacancy threatens to devalue other homes in the immediate area.

Other criteria for target area selection include choosing an area that matches the amount of resources available, the potential for neighborhood revitalization, social and organizational networks that can be mobilized to lead and participate in the revitalization effort, proximity to “neighborhoods of strength” that can help stimulate market activity in the target neighborhood, and presence of an effective lead agency that can be an effective advocate for local resident and stakeholder interests. There are many potential dispositional strategies for different situations, as illustrated by the following chart:

Table: Potential Property Recycling Scenarios²⁵

PROPERTY STATUS	BORROWER SITUATION	OTHER CONSIDERATIONS	STRATEGY
Occupied	Owner has adequate income to continue to pay mortgage in future	Amount of mortgage not in excess of property value	Sell loan at par to local lender

²⁵ Alan Mallach, “Tackling the Mortgage Crisis: 10 Action Steps for State Government,” Restoring Prosperity Initiative THE METROPOLITAN POLICY PROGRAM AT BROOKINGS (May 2008), p. 17.

Occupied		Owner is responsible with adequate credit, but cannot sustain mortgage payments, particularly with recent or forthcoming ARM reset	Assist borrower to refinance with local lender based on lower mortgage amount that owner can sustain
Occupied		Owner unable to carry any realistic mortgage amount, but maintains home adequately	Assist borrower to exit from mortgage by arranging short sale or deed in lieu of foreclosure. Convey property to responsible owner. Possibly permit owner to remain in property as tenant.
Occupied		Owner is irresponsible, either as a borrower or with respect to property	Foreclose and evict borrower. Recycle property as vacant property.
Vacant	Not applicable	Property in good condition with fair to good market value	Sell through realtor on private market
Vacant	Not applicable	Property in good condition with little market value	Sell to CDC or responsible landlord to maintain as affordable rental housing for Section 8 voucher holders
Vacant	Not applicable	Property in need of rehabilitation with fair to good market value after rehabilitation	Sell to CDC or responsible developer/contractor to rehabilitate and sell either as affordable housing or on private market.
Vacant	Not applicable	Property in need of rehabilitation and little or no market value	Hold, demolish, or stabilize, or convey to local government, CDC, or land bank entity to be held for long-term reuse or land assembly.

CDC = Community Development Corporation

Recommendation # 12: Encourage a community-wide advocacy effort to support expansion of the Section 8 voucher program.

The Committee received a report that the Section 8 Voucher Reform Act (SEVRA) is currently pending before Congress and includes a provision for 100,000 incremental Section 8 vouchers to be allocated over 5 years. The status of such efforts are uncertain, but a possible second economic stimulus package might be a good opportunity to pursue this agenda. The availability of additional vouchers would be a big boost to efforts to redevelop foreclosed properties. Although NSP funds can provide subsidy for development of units, long-term subsidy often is needed to operate these units,

especially for persons with special needs with extremely low incomes. Increases in federal support for public housing programs, including Section 8 voucher funding, has lagged inflation for many years. In order to sustain any increase in affordable public housing, additional subsidy dollars must be made available.

Neighborhoods & Resources Subcommittee

Finally, the Stabilization Committee was charged with exploring demand-side solutions to the foreclosure crisis. Given very tight credit markets and a glut of available properties, this may be a particularly challenging call, however, the Neighborhoods and Resources subcommittee views this moment as an opportunity to promote Milwaukee's neighborhoods and attract new investment. Other challenges must also be addressed, such as finding suitable alternative rental housing for tenants and homeowners who have been displaced as a result of foreclosure.

Recommendation # 13: Provide increased counseling resources to assist home buyers and "neighborhood buyers" to successfully engage in property ownership and management.

In order to connect potential homebuyers with affordable housing opportunities, it will be necessary to increase the capacity of nonprofit HUD certified housing counseling agencies. These agencies can counsel individuals regarding the wide range of financing options, special programs and subsidies available. Importantly, through education and financial counseling, they prepare potential homeowners for the challenges and responsibilities of homeownership, including the ability to qualify for and manage credit. At this time, existing housing counseling agencies are operating at potential and need additional resources to expand their services. The Stabilization Committee supports the Prevention and Intervention proposals in this regard, with the reminder that NSP funding can be used to support housing counseling programs that focus on purchase of properties acquired with NSP funds.

Recommendation # 14: Link Pre-Approved Homebuyers, Realtors & Renters with Available Properties

While market mechanisms may usually assist in drawing buyers and sellers together in the real estate market, extraordinary circumstances suggest that non-traditional linkages must be explored. For instance, the Committee suggests that connections could be fostered between the City's foreclosure initiative and the Milwaukee Public School system, the Archdiocese of Milwaukee Catholic Schools, and other educational institutions so that information about special incentive programs, home-buying services and available properties might be disseminated to parents of school age children and of educators serving within Milwaukee. Other groups that might be targeted are city and county employees including police and firefighters, and nonprofit groups. Of course one natural source for new MFPI homebuyers are the pre-approved customers of housing counseling organizations, realty brokers' & lenders.

On the "supply side," the Committee recommends identifying & training a "preferred" group of real estate professionals to recruit and serve buyers for foreclosed properties. The Greater Milwaukee Association of Realtors may be a natural co-sponsor of this effort. In this regard the MFPI could:

- ✓ Identify and engage firms with REO listings;
- ✓ Encourage co-brokering negotiation of commissions;
- ✓ Secure commitments to incorporate property condition reports/preliminary scopes/financing packages in listing & marketing efforts;
- ✓ Secure a commitment to work with community-based organizations (CBOs) in marketing & "brokering" transactions within & among neighborhood residents
- ✓ Secure private resources to support a closing bonus program for selling agents for sales to owner-occupants & investors utilizing NSP resources
- ✓ Ensure reciprocal link between GMAR & brokers sites & the MFPI website

As with acquisition and disposition strategies, home promotion strategies should engage community-based organizations to complement existing geographically focused initiatives and solicit

proposals from CBOs to assess interest and capacity to play a variety of roles related to the promotion & engagement of prospective home buyers of foreclosed properties. CBO engagement might include:

- ✓ Capacity for ground-level perspective of market conditions, including replication of the ACTS Community Development Corporation’s property & neighborhood “hotsheets” ;
- ✓ Capacity to discuss fluently with potential purchasers the merits of the neighborhood and the streets on which property is located;
- ✓ Hosting homebuying workshops & Technical Assistance information sessions for residents to buy foreclosed properties in their own neighborhood;
- ✓ Holding open houses and neighborhood home tours with realtors for neighbors who can encourage their friends, family, and co-workers to move into the neighborhood;
- ✓ Communicating to DNS/DCD info re vacant properties in the neighborhood via phone hotline or website;
- ✓ Provide financial or other incentives to neighbors who find qualified purchasers;
- ✓ Link existing websites to City site; create & maintain a neighborhood blog

Finally, because many foreclosed properties will likely require some repairs, the Committee recommends utilizing some NSP and/or private sector funds to provide technical assistance for “in-house” home inspection, scope writing, contractor selection, and project expediting service that can be offered to potential owner-occupants & investors. This may include contracting with Focus on Energy to include energy performance assessments as component of scopes and conditioning NSP purchase/rehabilitation subsidies on acceptance of an energy audit. For rehabilitation work, the Committee suggests that the MFPI develop a preferred contractor list to ensure quality and timely workmanship.

Implementation: Engage, equip & build capacity of service providers that facilitate housing occupancy. Utilize the existing network of HUD Housing Counseling agencies, realtors, brokers, CBOs, and others to identify and promote the purchase and rehabilitation of foreclosed properties. Include energy efficiency incentives and identify reputable contractors to assist with rehabilitation.

Recommendation # 15: Secure Financial Resources to Increase Housing Affordability, Rehabilitation & Economic Diversity

Existing homeowners in target neighborhoods, as well as potential buyers will likely need incentives to buy into or maintain their homes in neighborhoods impacted by foreclosures. For example the MFPI could offer home improvement loans for existing owners in close proximity to targeted foreclosed homes or those being marketed. A new Milwaukee Home Improvement Loan Fund could support this effort. It will also be necessary to secure financial & programmatic resources to incentivize housing choice and to improve affordability, neighborhood diversity, and the condition of foreclosed properties for the end consumer.

For owner-occupant purchases, the Committee recommends garnering commitments for permanent, affordable financing with terms including:

- ✓ Combined total loan to value of 120% that accommodates rehabilitation;
- ✓ Accepts existing subsidies as well as new NSP subsidies;
- ✓ Permits a 2% – 3% borrower investment;
- ✓ Includes a loan loss reserve and/or sufficient equity investment/subsidy to avoid costly private mortgage insurance (PMI).
- ✓ Income limits up to 120% of the Milwaukee County median income;
- ✓ Inclusion of energy efficiency standards as a required component of underwriting.

Seventy-five (75) foreclosed property purchases would utilize approximately \$2 million in NSP resources to enhance affordability and/or as rehabilitation subsidies (assuming a subsidy of \$30,000 per property). A borrower “development” cost subsidy – rehab TA, legal services, and homebuyer counseling would utilize approximately \$150,000 and would leverage approximately \$750,000 in other existing private and public purchase and repair subsidies. WE Energies could be asked to support the costs of required energy audits – approximately \$50,000 for 75 transactions. The Milwaukee Health Department’s Primary Prevention program resources would be utilized where possible for lead abatement. Finally, a \$500 sales bonus to Realtors or CBOs for referrals of owner-occupant buyers could be financed through

private funding. A similar program could be developed for neighborhood investor purchasers modeled upon the City of Milwaukee’s existing “Buy on Your Block Program.” The Committee recommends that the Buy on Your Block program receive additional funding from NSP resources. Funding could also be utilized as incentive to existing tenants to progress to purchase-readiness, with a significant portion of rent paid as equity investment at closing.

Implementation: Offer home improvement loans for existing owners in close proximity to targeted foreclosed homes; utilize sweat equity; secure increased funding for “Buy on Your Block” program to encourage residents to buy properties in their own neighborhood; create alternative lending products and effectively advertise the availability of existing government programs; explore 12 month lease/rent-to-own or land contract options; and consider back tax and code violation forgiveness programs to incentivize purchase.

Funding: Programs such as those mentioned above will utilize NSP and other private dollars to leverage the funding necessary, estimated at nearly \$100,000,000 if all properties in REO were reached with the tax implications considered. It is envisioned that WHEDA and lenders will provide the bulk of the resources. Sweat equity on the part of homeowners could also be designed into one or more programs.

Recommendation # 16: Launch a High-Impact Campaign to Attract Owners & Local Investors

Returning to the theme of opportunity set forth at the beginning of this report, the Committee recommends tying all the MFPI efforts together by creating and launching a high-impact campaign that promotes housing & investment opportunity in Milwaukee. The campaign should be spearheaded by Mayor Barrett, possibly along with United State Senators Russell Feingold and Herb Kohl and U.S. Representative Gwen Moore. A committee of community representatives could do the legwork, possibly in conjunction with SERVE, a local PR firm that serves nonprofit organizations and has already

worked on foreclosure and lending issues. In addition to accessing SERVE's services, resources could be sought from the Realtors and Realtists, either through their foundation or through other sources.

This campaign would promote specific housing opportunities, and disseminate relevant information to potential housing consumers, housing intermediaries, community-based organizations, public and elected officials and the general public to help build demand and restore confidence on the part of the larger community & neighbors to offset the negative influences of foreclosures. Initially the City should create a website(www.openthedoorinmilwaukee.org) gathering information regarding all aspects of the MFPI program within a positively themed campaign (a New Dawn or A Fresh Start on the Fresh Coast are possibilities) in an easily navigable manner with access points for potential homebuyers, sellers & realtors, and service agencies. The site would also serve as a central public information point to enhance transparency regarding the use of NSP and other public funding for MFPI initiatives. The site could be sponsored and maintained by the City and be viewed as a trusted "one-stop" source of information and referral.

The campaign website should linked directly with MapMilwaukee and provide detailed property & neighborhood information model after ACTS "hotsheets," include a blogging function for residents & potential buyers, a description of unique properties that have the potential for renovation and are linked to special lending programs. The site should also include information about available rental units, links to home buyer counseling services, a calendar of workshops, training and information sessions, an affordable homeownership calculator, and podcasts of workshops, interviews with homeownership experts, residents & home buyers. City Channel, Time Warner Cable, and UWM or Marquette University media students could provide technical services. Links to this new site could be established through MPS, WHEDA, and Milwaukee.gov. Library and community groups could assist in publicizing the site and helping distribute print materials describing its availability and usefulness.

The website should be complemented with a full scale media campaign including TV, radio, print and public relations efforts modeled on the Money Smart Week effort. This campaign would highlight Milwaukee as an attractive home destination, indicate that new opportunities are available and advertise the newly designed website. Recruit trusted voices to deliver message and identify public affairs programming opportunities as well as strategically selected paid commercial advertising and op-ed or letters to the editor in the Journal-Sentinel and community newspapers. The campaign should accentuate the positive aspects of living within the City of Milwaukee and be aimed to recruit a wide range of potential homeowners, investors and renters.

If such a campaign is to be successful, it is critically important that the City of Milwaukee intensify its comprehensive planning efforts and use the new resources available to it, not only to stem vacancies from the foreclosure crisis, but to enhance the quality of life in its neighborhoods – particularly those hardest hit by predatory lending. As we have emphasized before, this will mean careful planning with the input of those living in targeted neighborhoods. It will also require tying investment to a comprehensive strategy that enhances the supportive structures that make neighborhoods attractive – small businesses that meet local needs, local health care, quality schools, safe streets, transportation options, green space, including parks and playgrounds, and local job opportunities. The MFPI effort cannot by itself address the myriad of challenges facing lower income neighborhoods in Milwaukee, but it can serve as an opportunity to spur change, improve neighborhoods, and elevate the perception of Milwaukee as a destination of choice.

Implementation: A comprehensive public relations campaign utilizing website, marketing, outreach, public service announcements, point of sale workstations and other techniques launched by the Mayor, Council members and other prominent officials would promote Milwaukee neighborhoods, including specific housing opportunities, “how-to” proceed, services, resources and available incentive funding and financing.

Funding: While such a campaign might be provided “pro bono” in cooperation with numerous participating nonprofits, in order to secure professional services and local media airtime and advertising placement, the City may need to devote up to \$500,000 to this effort.

Conclusion & List of Participants

The recommendations of the Stabilization Committee are a starting point. They will require the effort and commitment of many public and private partners to implement. The Committee realizes that some of these proposals may prove impractical, overly ambitious, or not in conformity to rapidly changing market conditions and government programs. Nonetheless, through the efforts and input of nearly one hundred volunteers, these recommendations provide ample vision to underscore the opportunities for revitalization and redevelopment that lie before us. While the rapid increase in home foreclosures can present dire consequences, particularly for those most directly affected, the

Committee remains optimistic that, through collective effort and goodwill, residents, businesses, the independent sector, and government will join together, address the issues presented, and create new opportunities for all city residents.

The Committee thanks the Mayor of the City of Milwaukee, the Common Council, and City of Milwaukee staff, especially Maria Prioletta, Thomas Mishefske, Jennifer Gonda, and Suzanne Dennik for the opportunity to convene and propose these recommendations as well as their diligent assistance in this work. Special thanks is due to all who volunteered their time, advice, and expertise in preparing these recommendations.

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