RESIDENTIAL AND COMMERCIAL MARKET AFFORDABILITY STRATEGY

King Drive Neighborhood

JANUARY 2018

PREPARED FOR THE DEPARTMENT OF CITY DEVELOPMENT OF THE CITY OF MILWAUKEE AND THE HISTORIC KING DRIVE BUSINESS IMPROVEMENT DISTRICT

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LOCKLY VALUATION

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Study Overview

The City of Milwaukee and the Historic King Drive Business Improvement District (BID) aim to attract investment to the area, including capitalizing on a potential streetcar extension, while balancing the preservation of commercial and residential affordability as well as neighborhood character.

- HR&A Advisors and its subconsultant Lockly Valuation were retained to conduct a residential and commercial market analysis of the existing conditions along the transit corridor and develop an affordability strategy for the long-term planning of the area.

- This Residential and Commercial Market Affordability Strategy will support a larger City effort to create an equitable transit-oriented development (TOD) plan for the areas being considered for future extensions of the Milwaukee Streetcar.

- The King Drive Neighborhood is one of two areas being studied, the other being Walker's Point/Harbor District to the south.

- The Market Analysis will also consider potential opportunities to advance development of the Bronzeville Cultural and Entertainment District.

Source: Historic King Drive; City of Milwaukee


Source: Walker's Point; City of Milwaukee

Study Overview

King Drive has a rich history that reflects the shifting demographic and economic composition of Milwaukee.

- The King Drive neighborhood formed in the mid-1800s when German settlers migrated to Milwaukee. They built a self-sustaining economic zone as retail businesses opened on what is now Dr. Martin Luther King Jr. Drive.
- By the 1900s, the southeastern portion of the community took on an industrial character, with the neighborhood's proximity to the rail and river system encouraging manufacturers to locate in the area.
- In the 1920s, the area became increasingly diverse as the first African American families moved to the neighborhood.
- Like many comparable neighborhoods around the country, King Drive experienced urban disinvestment in the mid to late 1900s. However, in the past 15 years there has been renewed interest in the area with substantial new development and community growth.

Source: Historic King Drive BID; HR&A Advisors

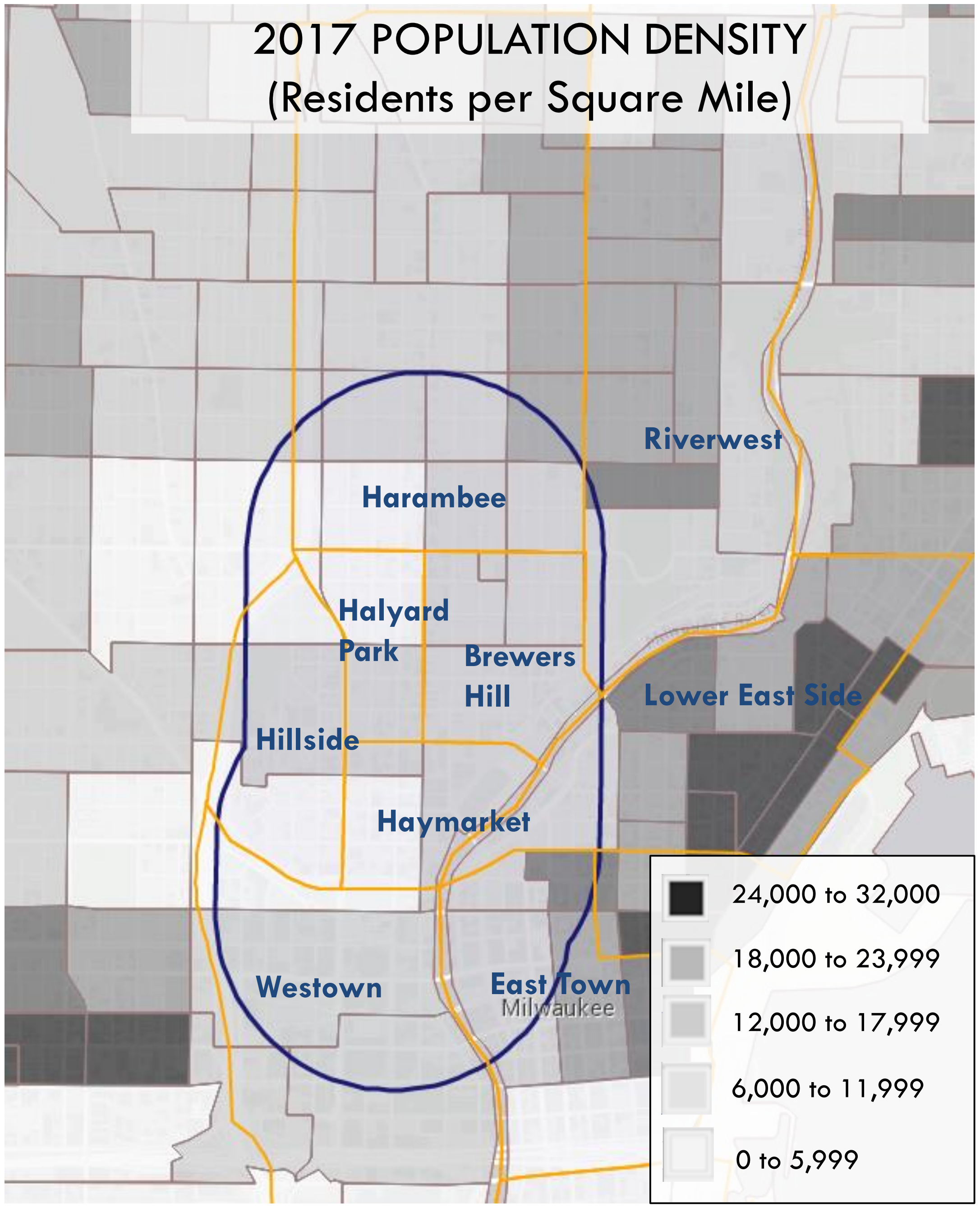
Source: Urban Milwaukee


Source: Urban Milwaukee

Market Analysis: Key findings

Overview

Over 20,000 residents (9,000 households) live within the King Drive Neighborhood, with lower density located to the north and western portions of the Study Area (defined as a ½ mile from the potential alignment and adjacent tracks for the streetcar expansion).



Source: ESRI 2017; HR&A Advisors

Harambee, north of North Avenue, consists primarily of single-family homes, with some multifamily buildings and commercial properties along King Drive.

Halyard Park, a historically middle-class neighborhood, consists primarily of single-family, suburban-style homes.

Brewers Hill contains a mix of both single-family, small rental, and multifamily, as well as retail along King Drive. This area has seen some gentrification over the past decade.

Hillside has the majority of public housing in the King Drive Neighborhood, as well as open space. Housing is largely multifamily and almost all renter-occupied.

Haymarket is characterized by its commercial uses, with some single-family housing and limited multifamily.

Lower East Side, located east of the Milwaukee River, has a large and growing share of multifamily and mixed-use commercial buildings.

Westown is home to many commercial, entertainment, and institutional uses, with some multifamily housing.

East Town is the heart of Milwaukee's central business district with a growing residential population.

Key findings and implications

Demographics

While the Study Area **saw population growth between 2000 and 2015** (1,565 people), the **African American population decreased** by ~1,200 people and the **White population increased** by ~2,300.

However, these trends **may not be uniformly due to displacement**. In **Brewers Hill, Westown, and Haymarket, total African American population has increased** despite the share of the population declining. In western Harambee, the African American population has fallen, but so too has the overall population. Only in **eastern Harambee are there indications of displacement**, with the African American absolute population and share falling substantially while the White and Hispanic population increased.

The Study Area has **higher levels of poverty** (33%) when compared to the City (25%) as a whole.

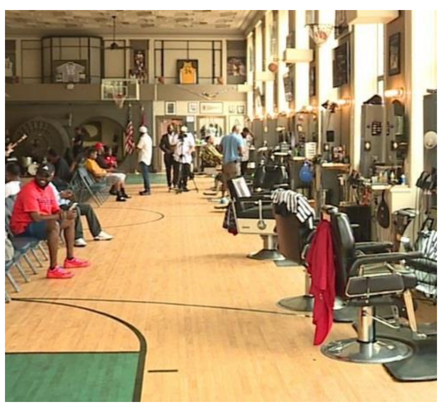
Residential

Recently completed and pipeline multifamily development is primarily occurring in the Lower East Side, Brewers Hill, and Westown, averaging **170 new units per year since 2012.**

The area has a significant supply of affordable housing, with both naturally-occurring affordable and subsidized housing (2.4K subsidized units). Nearly **4,000 households** (45%) are housing burdened (pay more than 30% of their income on housing), demonstrating **a large need today for affordable housing**. About **540 more households are likely to become housing burdened** if rents increase due to continuing market trends and the extension of the streetcar.

Retail Analysis

Key findings and implications



The market within 20 minutes the King Drive Neighborhood represents **$5.3B in spending potential, of which $485M comes** from residents and workers who are **located within a 5-minute drive.** Much of this is spent shopping for destination goods, which are often located within malls and shopping centers.

Beauty salons and barber shops, restaurants, and grocery have become anchors for the area. The vast majority of businesses in the King Drive Neighborhood are **locally-owned**, with a few fast food venues and gas stations along North Avenue representing the national chains. The area has **few neighborhood-serving goods and service businesses** to support residents and employees, as evidenced by field observations and the gap analysis.

The demand analysis demonstrates support for **general merchandise, building materials/garden supply and electronics/appliances.**

While the analysis does not show a gap for dining, this is likely due to fast food facilities on North Ave. and restaurants in Westown, which serve customers both inside and outside the area. However a review of existing venues shows a lack of **sit-down and family dining** along King Drive, further supported by resident and stakeholder input.

While the development of **America's Black Holocaust Museum** will become an anchor for the proposed **Bronzeville Cultural and Entertainment District**, there are few other existing businesses/institutions that currently support this vision. However, the market within a 45 minute drive represents **$443M total entertainment spending potential.**

Office and Industrial Analysis

Key findings and implications

Office space is concentrated in the southern portion of the Study Area, in Schlitz Park, Westown, and East Town. Major employers include Manpower Group, Spectrum, and Trusted Media Brands. Office **rents range from $8 to $21 PSF**, with new and renovated spaces and areas closer to the Third Ward commanding the highest rents. **Vacancy rates are 7%** for the area, excluding East Town. Delivery of new office product in the past 10 years has been extremely limited.

Industrial spaces are primarily located in the southern portion of the Study Area, with major employers including Lakefront Brewery and Miller Bakery. Rents are **relatively low ($1-$5 PSF)** when compared to the region ($4.5 PSF), reflecting low-intensity uses such as storage. **Vacancy has been declining** since 2013 (10% to 5%) and there have been no new deliveries in the area in the past 10 years.

Of the **41,400 total jobs in the King Drive Neighborhood**, which are primarily in public administration as the area includes the County civic center as well as information, and education, **only 2% are filled by King Drive residents**.

If the Study Area captures its fair share of projected County job growth (1%), it will add **~1,000 jobs between 2020 and 2030**, which will require **22K SF of office and 3.4K SF of industrial space annually**. Job growth and additional space needs will be met through a combination of **backfilling of existing, vacant spaces and new development,** preferably **targeted along the streetcar route.**

TRANSIT CONSIDERATIONS

Transit Considerations

Transit investment has numerous impacts for communities, some of which are quantifiable.

TRANSIT CONSIDERATIONS

- Access to new jobs
- Improved walkability
- Increased pace of development
- Reduction in car usage
- Increases in visitation to local anchors
- Change in neighborhood perception
- Increased activity at retail businesses
- Potential rent increases
- Potential land value increases

Milwaukee Streetcar, Phase 1

Transit Considerations

While the impacts of transit vary by city, nationwide streetcars & light rail generally spur increased in land value for surrounding properties and increases in the pace of development.

	System	Product Type	One Time Land Value Increase	Annualized Growth
Residential	Minneapolis Blue Line*	Multifamily	9%	
	Portland Streetcar	Multifamily	-	3.3%
	San Diego Trolley Blue & Orange Line*	Multifamily	4 - 17%	
	Seattle South Lake Union	Multifamily	-	0.4%
	San Diego Trolley Blue & Orange Line*	Condominium	2 - 6%	
	Minneapolis Blue Line*	Single Family	0 - 12%	
	San Diego Trolley Blue & Orange Line*	Single Family	-4 - 1%	
	St. Louis MetroLink Red Line*	Single-family	31-33%	
	Potential Milwaukee Impact	*All*	5-10%	0.5-1.5%
Commercial	Portland Streetcar	Commercial	N/A	3.6%
	Santa Clara County*	Commercial	5-15%	
	Seattle South Lake Union	Office		2.0%
	Seattle South Lake Union	Retail		2.1%

Note: Due to the limited number of completed streetcars in the US, there are limited examples of the impact they have for economic development. Existing literature focuses on the impacts of light rail systems. Studies demonstrate that the greatest impact is seen within .25 miles of an alignment.
* Light Rail

Transit Considerations

The impact of a streetcar in Milwaukee will depend upon broader planning efforts that are coupled with placemaking initiatives, station locations, and developer perception of transit.

- Transit is not a silver bullet for economic development. Instead, it must be coupled with placemaking and development policies and incentives in order for cities to see the desired development and growth.

- Given the variety of market conditions in the King Drive Neighborhood, transit will have varied immediate and long-term impacts.

- Affordability strategies will need to recognize the impact streetcar will have in each of these neighborhoods, providing flexibility as market conditions change.

Portland Streetcar

Affordability Strategies: Housing

Affordable Housing: Goals

During interviews and discussions stakeholders described a variety of affordable housing goals for the two Study Areas. The goals are listed in the approximate order they were prioritized by those interviewed. With the exception of Increase Affordable Housing which was given lower priority in the King Drive Neighborhood and significantly higher priority in Walker's Point/Harbor District.

Goal	Explanation
Retain Residents	Prevent displacement by enabling existing residents to remain in the neighborhood and benefit as the quality of life improves.
Retain Character	Retain neighborhood character - the Latino and creative communities within Walker's Point/Harbor District and African American communities within the King Drive Neighborhood.
Increase Affordable Housing	Increase the supply of high quality affordable housing.
Increase Mixed-income Development	Foster new mixed-income residential development.
Improve Housing Quality	Improve the quality of the housing stock, particularly single-family.
Expand Homeownership	Expand homeownership among low- moderate-income Milwaukee residents.

Affordable Housing: Tools

A range of affordable housing tools were evaluated and these tools were selected based on their feasibility and fit for each of the two target areas. All of the tools are appropriate for both target areas but how they should be applied differs.

Tool	Description
Acquisition Fund (incl. Mixed-Income)	Dedicated funding to acquire strategic land parcels for future development as affordable housing.
Scattered Site Rental	Additional public support to expand scattered site affordable rental development.
Leverage QAP	Changes to the Qualified Allocation Plan (QAP) and the City's approach to working within existing QAP frameworks.
Owner-Occupied Tax Relief	Tools to mitigate increases to property taxes for elderly homeowners to prevent displacement as values increase.
Affordability Incentives	An affordable ownership structure that preserves long term affordability through a limited (shared) appreciation value mechanism.
Developer Incentives	A set of policy standards to memorialize affordability requirements for projects receiving financial or other forms of support from City.

Affordable Housing: Tools and Goals

Different affordable housing tools are more effective at addressing different affordable housing goals. As the planning process moves forward, the City and community members will further refine the housing goals decisions about which housing tools to prioritize can be made.

Tools

	Acquisition Fund			Scattered Site Rental	Leverage Qualified Allocation Plan (QAP)	Owner Tax Relief	Affordability Incentives		Developer Incentives
	Mixed-income	LIHTC Multi-family	LIHTC Single-Family				Community Land Trust	Affordability Restrictions	
Retain Residents	Limited	Limited	Strong	Strong	Limited	Strong	Limited	Limited	Limited
Retain Character	Limited	None	Strong	Strong	None	Limited	Limited	Limited	Limited
Mixed-income	Strong	None	None	None	None	None	Limited	Limited	Limited
Affordable Housing	Limited	Strong	Limited	Limited	Strong	None	Limited	Limited	Limited
Homeownership	None	None	Limited	Limited	None	Strong	Strong	Limited	Limited
Housing Quality	None	None	Strong	Strong	None	None	Limited	Limited	Limited

Note: "Strong" ability to provide affordable housing denotes a tool's capability to contribute a larger number of new units or to deliver units in a more effective manner than tools with a more "Limited" capacity to deliver affordable units.

Affordable Housing Tools: Acquisition Fund

There are at least three different focuses that an acquisition fund could have, mixed-income, LIHTC multifamily, LIHTC single-family. They achieve distinctly different housing goals and the City and community members should discuss carefully which they want to pursue.

Mixed-Income: Dedicated pool of public, and sometimes, private, funding used by local governments, nonprofits or developers to acquire and hold sites for future development that will include affordable housing.

LIHTC Multifamily: Dedicated pool of public and private financing available to developers to acquire sites for multifamily LIHTC development.

LIHTC Single-Family: Dedicated pool of public, and sometimes private, funding used to acquire sites for single-family LIHTC by developers or neighborhood nonprofits (see SSR section).

Goals	Mixed-Income	LIHTC Multifamily	LIHTC Single-Family
Retain Residents	Limited	Limited	**Strong**
Retain Character	Limited	None	**Strong**
Mixed-income	**Strong**	None	None
Affordable Housing	Limited	**Strong**	Limited
Homeownership	None	None	Limited
Housing Quality	None	None	**Strong**

Affordable Housing Tools: Mixed-Income Acquisition Fund

By acquiring sites while land values are low appreciation can be used to subsidize affordable housing in mixed-income developments.

What	A mixed-income acquisition fund is a dedicated pool of public, and sometimes philanthropic, capital used local governments, nonprofits or developers to acquire and hold sites for future affordable housing development. A mixed-income acquisition fund would help the City to purchase strategic parcels in areas of opportunity and growth and develop them to include affordable housing in the future.
Why **Goals Addressed:** • Retain Residents • Retain Character • Affordable Housing • Mixed-Income	An acquisition fund would allow the City to incorporate affordability into neighborhood planning, especially in areas with: **Few Publicly Owned Parcels:** The City has a limited portfolio of publicly-owned land in the King Drive Neighborhood and Walker's Point/Harbor District. Public ownership of strategic sites can allow the City to request proposals for developments that will incorporate affordable housing into their projects. The City can acquire these sites and offer the site for development as market values increase along transit corridors. **Low Acquisition Prices:** A mixed-income acquisition fund offers the City the ability to offer land at a discount to support affordable or mixed-income development or other strategic purposes. Certain areas with lower market values represent an opportunity to purchase land at a lower price and save it for future use or offering. This strategy is appropriate for both target areas because of the low land values. In areas with foreclosures and vacancies, the City can acquire properties to overcome any issues such as titles or back taxes, holding properties tax-free, before offering to developers that include affordable housing in their programs. This strategy should be focused on those areas where there is an expectation of significant appreciation in land values. For the King Drive neighborhood there is a greater need for market-rate housing which should be reflected in the income mix of any development. A higher portion of affordable units is potentially more appropriate for Walker's Point/Harbor District.
Limits	Requires a significant amount of public funding, because the final disposition plan is not set at the time of acquisition it will be difficult to leverage private funding. Potentially long hold periods where the land remains vacant before it is redeveloped. Additional public subsidy beyond discounted land value will be necessary to support affordability.
Key Actors	City of Milwaukee, philanthropic entities, and future developer.
Housing Type	Multifamily, mixed use, mixed-income.
Population Served	Varies based on project.

Affordable Housing Tools: Tax Credit Acquisition Fund

By providing acquisition financing the number of affordable housing developments in areas of opportunity can be increased.

What	A tax credit acquisition fund is a dedicated pool of public and private funding used to finance the acquisition and hold of sites for future multifamily or single-family LIHTC development by developers or neighborhood nonprofits. An acquisition loan fund that aligns with the prioritization set forth by WHEDA for LIHTC projects in the QAP would help the City, in partnership with philanthropic or mission-motivated investors and municipalities, to encourage affordable housing development, especially in strategic locations (e.g. along transit corridors). Using tax credits, the City can provide additional support for multifamily development, or single-family homeownership if used in combination with programs such as scattered site single-family rental (see Single Family Rental program).
Why **Goals Addressed:** • Retain Residents • Retain Character • Affordable Housing • Housing Quality • Homeownership	As land values rise and competition from market-rate developers increase tax credit developers will struggle to secure sites in suitable locations. A tax credit acquisition fund would provide flexibility to address issues including: **Few Publicly Owned Parcels:** The City has a limited portfolio of publicly-owned land in the King Drive Neighborhood and Walker's Point/Harbor District. Acquisition funding can help incentivize affordable housing development on land outside of City control. **Small Amounts of Available Upfront Capital:** Affordable housing developers struggle to compete for development sites with private buyers, who can often pay in cash upfront. While experienced affordable housing developers may be able to access acquisition funds through bank partners or Community Development Financial Institutions (CDFIs), these capital sources typically will only provide loans for 75-80% of project cost, leaving developers with a gap to be filled before they can act. These capital constraints make it very challenging for affordable housing developers to gain control of sites in increasingly desirable locations along burgeoning transit corridors. Acquisition funding can help to fill such gaps to ensure that affordable housing development remains competitive in shifting markets. **Quick Execution in Competitive Market:** Affordable housing developers struggle to compete for development sites with private buyers who can often leverage financing and other equity to close deals quickly. Acquisition funds can allow developers to act quickly in a changing market, to hold parcels to develop improved site plans, to combine with other development sites. These funds also help organizations to adjust for the slow process to receive additional subsidies or other public gap funding.

Affordable Housing Tools: Tax Credit Acquisition Fund

By providing acquisition financing the number of affordable housing developments in areas of opportunity can be increased.

Why *(continued)*	For single-family scattered site rental projects developers must assemble enough sites to support the development of 30-50 units. It can take a considerable amount of time to assemble these properties and financing that is patient and low-cost to allow for properties to be held for years before the project can move forward is necessary. In Walker's Point/Harbor District, there is limited subsidized affordable housing and few publicly owned sites. An acquisition fund will allow sites to be acquired and developed as LIHTC increases the supply of subsidized housing. In the King Drive Neighborhood, where there is a high percentage of subsidized housing (26%), creating new multifamily LIHTC properties is less critical to an affordable housing strategy. An acquisition fund would only be relevant to the housing needs of the King Drive Neighborhood if it were used to target single-family properties in support of single-family scattered site LIHTC project.
Limits	Any site acquired must score well enough on the QAP to receive a 9% LIHTC award or if the developer secures a 4% LIHTC award than the City must produce additional subsidy. Acquisition funds, particularly multi-investor funds, can be resource intensive to establish, requiring significant staff time, technical expertise and funding to launch.

*Affordable Housing Tools: Tax Credit Acquisition Fund - Potential Structure**

A tax credit acquisition fund should be designed jointly by the funders, administrators, and tax credit developers.

Key Actors	City of Milwaukee would set the terms and provide funding, while CDFIs and/or local banks would administer funds and originate the loans to developers. If the fund was targeted to single-family properties, a CDC or other neighborhood-based organization might be the most effective at acquiring sites.
Housing Type	Typically multifamily, could be adapted to single-family.
Population Served	Below 60% AMI for rental.
Borrowers	Nonprofit and for-profit affordable housing developers with a track record of successful development, or if the target is single-family properties a neighborhood CDC well-positioned to engage local owners.
Investors	The City, philanthropies, anchor institutions (e.g. local universities), and financial institutions.
Fund Administrator	Experienced affordable housing lender, such as a Community Development Financial Institution (CDFI), or a bank that is regulated under the Community Reinvestment Act. • The fund administrator would hold all funds and be responsible for underwriting, approving, and monitoring loans using its established procedures. • Loans made with City funds would be made within parameters established upfront via a funding agreement with the City and other investors. • The fund administrator would provide regular reports to the City about the deployment of funds and performance of acquisition loans made with City participation.
Loan Types	Loans that are fast-turnaround (able to be approved and closed quickly); high loan-to-value; either interest-deferred or interest-only; and as low-cost as possible. Based on precedents from other communities, loan parameters might include: • Loan-to-value ratio: Up to 97% loan-to-value ratio, with City funds (and potentially other capital) covering the gap between 80% LTV and the maximum LTV. • Overall size: Maximum loan size on the order of $1.5M-$2M. • Term: Initial term of up to 3 years, with potential to renew for 2 additional years (5 years total) • Position in the capital stack: capacity to take subordinate position, such that the first lender provides an acquisition loan that goes up to 80% LTV and the fund provides a subordinate loan that covers the gap from 81-97% LTV. • Greater risk tolerance for acquisitions where takeout plans are not fully developed.

**Terms should be adjusted based on discussions between City, fund administrator, developers.*

Affordable Housing Tools: Acquisition Fund Case Study

Denver Regional Transit-Oriented Development (TOD) Fund
Denver, CO

Why	The Denver region is undertaking one of the nation's largest public transit expansions. Early on, affordable housing supporters recognized development around transit would contribute to rising land costs rents, putting pressure on low-income communities. As of May 2016, the Fund had provided nearly $20 million for the creation or preservation of more than 1,100 affordable homes and 100,000 square feet of community space at 13 transit-accessible properties across the region.
How	The Denver Fund was designed to allow affordable housing developers to **acquire and hold transit-accessible properties** for preservation or future development. By providing **flexible financing terms and a streamlined underwriting process**, the fund allows borrowers to react quickly to opportunities in a competitive market.
Program Components	**Funding:** Initially capitalized at $13.5 million; subsequently expanded to $24 million **Development Parameters:** Acquisitions must be located in the seven-county Denver Metro Area including incorporated cities; and within ½ mile of an existing or future fixed rail station or within ¼ mile of a high frequency bus corridor. **Loan Amount & Term:** Up to $5 million, maximum of 5 years term, loan-to-value Up to 90% of the lesser of the as-is appraised value or the purchase price. **Interest Rate:** fixed-rate; expected to be between 3.65% and 4.10% depending on term and geographic location
Key Actors	**Fund administrator:** Enterprise Community Partners. **Investors:** City of Denver, Colorado Division of Housing, Colorado Housing and Finance Authority, The Colorado Trust, The Denver Foundation, Enterprise Community Loan Fund, FirstBank, The Ford Foundation, The Gates Family Foundation, The MacArthur Foundation, Mercy Loan Fund, Mile High Community Loan Fund, Piton Foundation, The Rose Community Foundation, US Bank, Wells Fargo.
Housing Type	Multifamily affordable rental housing (for-sale may be considered); mixed-use projects that provide community facility and/or non-profit space in addition to housing; vacant/underutilized land that to be acquired for the purpose of producing housing or mixed-used projects.
Population Served	Low income residents of the seven-county Denver metro area.

Affordable Housing Tools: Scattered Site Single-Family Rental (SSR)

Milwaukee has the capacity to develop successful single-family tax credit developments and should leverage this capacity.

What	Scattered site single-family rental developments occur when a developer acquires and renovates or builds new single-family properties as rental housing for low-income households. Most development are composed of 30-50 units of a mix of single-unit and duplex properties in a 3-5 block area. The City should provide additional subsidy, land (parcels from tax foreclosures), and an acquisition fund for site assembly to support scattered site single-family rental developments
Why **Goals Addressed:** • Retain Residents • Retain Character • Affordable Housing • Housing Quality • Home-ownership	**Preserve affordable housing for neighborhood families:** More than twice the City's share of units in both target areas are naturally-occurring affordable housing (NOAH) with 3-bedrooms or more. New multifamily development will be composed of primarily of studio, 1- and 2- bedrooms, units that cannot house larger household even if it is affordable. **SSR is more likely to prevent the displacement of existing residents than other types of affordable housing** because it preserves the existing NOAH stock residents rely on. **Blight and vacancies:** Segments of the single-family housing stock in both target areas is past its functional life and in need of reinvestment. Scattered site single-family rental can be a tool to put the over 200 and over 127 foreclosed properties back to productive use in the King Drive Neighborhood and Walker's Point/Harbor District, respectively.
How	SSR strategies should: **Be publicly supported:** SSR should have dedicated local subsidy, access to City owned-properties and acquisition financing **Be tightly geographically targeted:** SSR projects should include properties tightly targeted in 3-5 block area to make construction and operations management work, and tie in a source of acquisition funding (see acquisition fund) to help a developer or local CDC to assemble enough properties. **Leverage LIHTC and existing City-owned land:** By dedicating local resources to a SSR program, Milwaukee can leverage the reinvestment category in the QAP attract additional 9% tax credits to the two target areas. **Increase homeownership or create a land trust:** LIHTC SSR can be structured to transition to homeownership or to a community land trust as they reach Year 30

Affordable Housing Tools: Scattered Site Single-Family Rental (SSR)

Milwaukee has the capacity to develop successful single-family tax credit developments and should leverage this capacity.

Limits	While SSR is similar to traditional LIHTC it is more difficult due to issues including: Developers have to gain control of many sites, and though foreclosed properties are one source, it's difficult to amass the volume necessary to support a viable project, around 30-50 units. Operating costs are often higher, and upfront funding is dependent upon special set-aside of 9% credits in the QAP. It would be extremely difficult to use a 4% LIHTC award to undertake a SSR development project.
Key Actors	City of Milwaukee, future developer and relevant NID.
Housing Type	Single-unit and duplex housing.
Pop. Served	Households under 60% of AMI.
Impact	1 project a year or ~ 30-50 units.

Affordable Housing Tools: Leverage QAP

Tax credits remain the largest single source of subsidy for affordable rental housing and the City should maximize its allocation.

What	To better address the housing needs of target area residents and help meet affordable housing goals, the City can: - Support changes to the Wisconsin Housing And Economic Development Authority (WHEDA) process for allocating federal Low-Income Housing Tax Credits (LIHTC) through the Qualified Allocation Plan (QAP) - Adjust City housing production strategies to help developers to attain higher QAP scores with affordable housing proposals
Why Goals Addressed: • Retain Residents • Affordable Housing	Per federal requirements, WHEDA develops an annual QAP to competitively allocate Low-Income Housing Tax Credits across the state. The WHEDA can only allocate credits in conformance with the QAP. Annual allocations made by Wisconsin from 2013-2017 (periods for which project award data is available) have ranged from $13M - $14.2M, with over 30 projects and 1,413 units funded since 2013. A particular focus on changes to the QAP criteria or alignment of City housing development agencies and QAP considerations would enable local developers to attain higher QAP scores in the target areas. **Limited ability to attain high QAP scores:** Since Milwaukee receives a limited total allocation for which there is generally strong competition among developers, and because of the local rental market, affordable housing developers need to carefully maximize their scores through selection of sites, financing, and program. It is often difficult to attain high enough scores to support development. A few points can be the difference between having funds allocated or not. Changes to WHEDA's approach in along the following themes may also help to: **Prioritize preservation:** Current QAP prioritizes preservation for projects with public operating subsidy, and excludes traditional LIHTC projects. This is significant for the King Drive Neighborhood, which has 821 LIHTC units that will need reinvestment in order to preserved over the next 30 years. In some cases 4% tax credits will be sufficient but in many cases 9% are likely to be needed. If preservation guidance were changed to prioritize preservation projects in communities where the risk of the units being lost was greatest, this would increase the ability to preserve affordable housing along King Drive. **Support for Burgeoning Areas of Opportunity:** With incomes lower than 100% of county medians, unemployment rates higher than 70% of national, schools outside of the top 25% of school districts, and limited access to community resources, neither the King Drive Neighborhood nor Walker's Point/Harbor District score well as neighborhoods of opportunity. Criteria should be added that gives points for burgeoning neighborhoods, potentially tied to Assessor's Office year-over-year changes in rents or home sales. Information sourced from Zillow regarding home sales, available annually at the zip code level, can support this evaluation.

Affordable Housing Tools: Leverage QAP

Tax credit applications for the two target areas do not score well in the Opportunity Zones category.

How	As currently structured, developers in Milwaukee typically do not score well in the following categories, and strategic adjustments may help local developers increase their scores: **Category 3 (12pts)** – Mixed Income (high scoring projects averaged 8, others scored 5.4). Though this is a critical category for WHEDA, market rate units do not receive tax credits, and financing gaps make attaining high scores difficult. Financing that combines City and private funding for the market rate components of mixed-income developments can provide support. **Category 13 (30pts)** – Credit Usage (high-scoring projects got 13.5% of total development costs financed). This category, in conjunction with Category 9 (Financial Participation) can score developers many points, but considering the elimination of the historic tax credit program and the limited financing ability of affordable housing developers, it is difficult to achieve 15%-25% total development cost coverage. Public support, through direct subsidy, donated land, or other options can support developers. The administrative process can also be adjusted to award TID and reallocated federal funds (CDBG, HOME, etc.) to align with WHEDA's tax credit application timeline. **Category 14 (25pts) –** Opportunity Zones (Projects in the study area can potentially only get 5 points out of 25). Developers cannot achieve points for criteria that specify projects be located in areas of current opportunity due to the lower median incomes, unemployment rates, and other factors of the target areas. A tax credit acquisition fund could help to align strategic site planning with QAP scoring criteria. Supporting legislative changes to the QAP to account for market growth (as observed through appreciation, planned public investments, change in rents, building permits, etc.) could support higher scoring within current frameworks.
Limits	Legislative changes are difficult to ensure and may take several years to accomplish. Review of planning procedures, documents, and coordination with development community may require ongoing public resource dedication and capacity.
Key Actors	City of Milwaukee, future developer and relevant BID.
Housing Type	Multifamily, single-family.
Population Served	Households earning less than 60% AMI.

Affordable Housing Tools: Owner-Occupied Property Tax Relief

Property value increases due in part to investments in transit infrastructure can lead to the displacement of elderly homeowners.

What	In an owner-occupied property tax rebate program, a rebate is provided to elderly or other qualified residents. Such a program can effectively cap property tax increases in areas experiencing rapid appreciation, and reduce portions or all of the property taxes for types of existing homeowners in target area neighborhoods. This helps to prevent displacement of existing homeowners.
Why **Goals Addressed:** • Retain Residents • Retain Character • Home-ownership	The City should consider the large populations on limited incomes. Elderly residents and families make up the majority of homeowners paying more than 50% of their household income on housing costs. As land values increase, property tax increases will increase pressure on already rent-burdened residents living in the target areas, particularly elderly residents and others living under fixed-incomes. **Elderly homeowners with fixed incomes:** In the target areas, many existing residents are living under fixed incomes, including a large number of seniors. This allows for risk to these residents as, considering the high effective property tax rates in Milwaukee compared to the national average, a household would pay on average approximately $250 more in taxes annually an under a property value increase of just $10,000. By lowering tax payments, the City would reduce cost burden for existing homeowners and reduce barriers for potential homeowners.
How	**Automatic refunds or other mechanisms:** Because Wisconsin legislation does not allow direct tax credit relief to these households, tax rebate programs can automatically refund all or portions of property tax bills in areas of increasing market pressure, offsetting any impacts due to investment in transit and development. Similar programs, such as in Denver, require repayment for previous years after refunds are issued. **Targeted Eligibility:** Owner-occupied rebate programs are targeted to owner-occupants and can be further targeted based on income, age or other characteristics. The City should consider a selection of criteria that prioritize residents at high risk of tax increases in both of the target neighborhoods.
Limits	Wisconsin law does not allow direct abatements. The setup and administration of an automatic rebates program would be difficult. Determining which population deserves a rebate is difficult and morally fraught.
Key Actors	City of Milwaukee, philanthropic organizations.
Housing Type	Primarily single-family.
Population Served	Homeowners earning at or below 80% AMI, typically targeted to specific populations (e.g. elderly).

Affordable Housing Tools: Owner-Occupied Property Tax Relief Case Study

Westside Future Fund
Atlanta, GA

What	The Westside Future Fund (WFF)'s Anti-Displacement Tax Fund program is an initiative created by Atlanta Mayor Reed and the Atlanta Committee for Progress which will raise as much as $5 million in private dollars to help residents pay what is expected to be increases in taxes as the area becomes more attractive to developers. In addition to Vine City and English Avenue, the impacted area also includes Ashview Heights and Atlanta University Center. The new program is designed to help ensure that current homeowners are not displaced due to rising property taxes. The program could span as long 15 to 20 years to make sure that disadvantaged neighborhoods share in the city's prosperity.
Program Components	**Parameters:** Participants must: - Have an annual household income below 100% AMI. - Be homeowners within established boundaries for at least 1 year. - Must not have liens or other encumbrances on the property. **Funds:** the funds act as a grant and do not require repayment.
Key Actors	**Fund administrator:** Westside Future Fund, a non-profit organization funded by philanthropic and private donors as state law prohibits property tax rebates.
Housing Type	Multifamily and single-family housing.
Population Served	Low income residents under 100% AMI.

Source: Leon Stafford via AJC.com

Affordable Housing Tools: Affordability Incentives

Affordability incentives are tools intended to balance the goals of building wealth for low- and moderate-income households through homeownership and preserving affordable homeownership opportunities. Approaches to shared equity homeownership can be roughly organized into community land trusts that actively manage shared equity and affordability restrictions that take a passive approached to shared equity.

Community Land Trust: A nonprofit community-based organization, such as a local housing nonprofit or community development corporation, that makes an upfront investment of funds to "buy" the affordability of a home in perpetuity for low- to moderate- income households.

Affordability Restrictions: Shared equity resale restrictions are placed covenants and liens on property to create affordability. Or, they can restrict the income of who the property can be sold to or use various formulas to split the value of appreciation.

Goals	Community Land Trust	Affordability Restrictions
Retain Residents	Limited	Limited
Retain Character	Limited	Limited
Mixed-income	Limited	Limited
Affordable Housing	Limited	Limited
Homeownership	**Strong**	Limited
Housing Quality	Limited	Limited

The City can support a shared equity approach to homeownership in at least two ways.

What	Support shared equity homeownership by either establishing a community land trust (CLT) or setting shared equity resale restrictions for housing that receives public subsidy. A Community Land Trust (CLT) would "buy" the affordability of a home in perpetuity. CLTs generally retain ownership of the underlying land under a 99-year ground lease, while selling the associated housing to homeowners, who then are able to receive a specific amount of appreciation (enforced through resale restrictions) on top of their principal equity when the property is sold. Shared equity ownership programs, to either place covenants and liens on a property to create affordability, restrict buyer incomes, or split the value of appreciation. The primary difference between a CLT and affordability restrictions is that a CLT can, in addition to supporting the home's affordability, also provide support to the owners living in homes to access financing to make repairs on their homes, general counseling support and actively market properties that are for sale. These support services are often important to the successful of a shared-equity approach but require significant additional funding. Both CLT and affordability restrictions are most effective when they are undertaken in a neighborhoods where home values are relatively low and there is a strong indication of significant appreciation in the near- or intermediate-term. The homes included in shared equity ownership programs should be new construction or have undergone a rehabilitation that includes all major systems. This helps to limit the major repair costs the owner must undertake before they have built up equity in the home.
Why Goals Addressed: • Retain Residents • Retain Character • Affordable Housing • Homeownership	**Preserve access to affordable housing:** In burgeoning neighborhoods of opportunity, which experience drastic value appreciation and rising housing costs, shared equity programs preserve affordability to help maintain economic and racial diversity. **Balance permanent affordability with wealth creation:** While affordable rental housing preserves neighborhood affordability, it restricts the resident ability to accrue wealth through home value appreciation, one of the most important routes to wealth creation in the US. Homeowner assistance programs increase homeownership and build wealth, but the long-term affordability of the home is not preserved. Shared equity programs attempt to balance the two goals of building wealth and preserving affordability by limiting the amount of appreciation the household receives. This strategy provides a way to increase the low homeownership rate in the two target areas and counter the loss of homeowners from the foreclosure crisis. By design, this is a neighborhood-scale intervention that is appropriate for the two target areas.

Affordable Housing Tools: Affordability Incentives

The City can support a shared equity approach to homeownership in at least two ways.

Why *(Continued)*	The City or community stakeholder might choose a CLT over affordability restrictions to help support broader community organizing and support beyond just the shared equity ownership. CLT often act as provide additional services to the community they work in and facilitate community organizing on other topics.
How	The City would need to commit a significant amount of funding, enough to support the acquisition and rehabilitation, or new construction of dozens of homes and to support operation at least for the initial years while other funding sources are established. The City may be able to raise matching funding from local or national philanthropies to help support the operations of the CLT. Grounded Solutions Network is a national nonprofit housing organization that provides support to communities interested in establishing CLT. If the City moved forward with establishing a CLT, it should consider engaging Grounded Solutions Network to provide technical guidance. To establish affordability restrictions that support shared equity the City will need to modify the affordability requirements in its existing down payment assistance and owner-occupied rehab programs, dedicate additional funding to expand these programs and add geographic targeting that limit most funding to one or two neighborhoods.
Limits	CLTs require significant administrative support and public subsidy to launch. The total eligible pool of applicants is typically small, and is difficult to grow due to the limited access of low and moderate-income families to mortgage financing. Affordability programs are easier for City agencies to set up and maintain over time, though still require public resources and legal capacity to administer.
Key Actors	City of Milwaukee.
Housing Type	Single-family, can be used for condos or co-ops.
Population Served	Homeowners at or below 80% AMI.

Affordable Housing Tools: Affordability Incentives Case Study

Austin Community Land Trust
Austin, TX

Why	In response to displacement of residents, Austin and local organizations launched a Community Land Trust (CLT) program in 2013. As of August 2015, the CLT had sold eight homes in their first target neighborhood in East Austin.
Program Components	Through the program, homebuyers purchase housing developed by the local organizations and enter into a 99-year land lease. **Distribution of Equity:** Average subsidy is $40K per household to cover land costs. The CLT homeowner contributes a minimum $1K for the down payment and closing costs, and pays all the taxes associated with the property. **Re-sale restrictions**: CLT homeowners can either sell their home directly to an income-qualified buyer, sell their home back to the CLT, or give the home to children or other qualified heirs. **Shared equity**: CLT homeowners who sell their homes get back the money they contributed toward down-payment, mortgage they've paid, and a portion of the appreciated value.
Key Actors	• City of Austin (program operator and housing counseling provider); • Austin Housing Financing Authority (land owner and developer); • Frameworks Community Development Corporation (real estate listing agent and housing counseling provider); and • Private CLT-approved lender (mortgage lender).
Housing Type	Primarily single-family.
Population Served	Households earning 80% AMI or less who have not owned a home in the past three years, or have been displaced or divorced, and are able to get a mortgage through an approved CLT lender.

Source: Alana Semuels / The Atlantic

Affordable Housing Tools: Development Incentive

By setting standards for the public benefits it is seeking in exchange for incentives the City can better address local housing goals.

What	The City should set standards for the affordable housing goals it will expect projects to achieve in order to receive public support in the form of the sale of public lands, concessions through the Detailed Planned Development process or funding through TID or other mechanisms. The City should consider the following outcomes in determining sets of incentives: • **Improvement of quality of building stock (Single-family):** The City should prioritize projects that target vacant, blighted, or foreclosed properties. The City should consider whether the development cost will be greater than new construction, and think about the appropriate amount of support to close this gap. Priority consideration should be given particularly to efforts to address single-family properties, as these projects are more difficult to fund using existing resources. • **Deconcentrating poverty through market-rate development support:** Concentration of poverty shapes neighborhoods and quality of life through its effect on crime rates, limits on social mobility for area residents and children, and disparate impacts on minority communities. Prioritize projects that deconcentrate poverty by bringing in market rate housing, without displacement existing residents, should be supported when they occur in areas of high poverty or no market rate development. In order to deconcentrate poverty by increasing the amount of market rate housing in the King Drive area, the City should prioritize projects that add market rate housing through conditional assistance based on the financing gap needed to support the project, with repayment clauses stipulating that the City shall be repaid upon achievement of market rents as rents increase. • **Preserving the African American (King Drive) and Hispanic and artistic neighborhood character (Walker's Point/Harbor District)**: Prioritize preservation of the character of the neighborhood by establishing marketing and tenant selection practices that support the character of the neighborhood, potentially with a local CDC to place residents from the neighborhood in the property, or by creating a detailed marketing plan that proactively reaches out to households that preserve the neighborhood's diverse character. The City may consider requiring property owners to accept housing vouchers for properties that receive local public support. • **Affordable housing development for families at 50% AMI:** Prioritize projects providing housing that is sized for families under 50% of AMI, which are the target demographic in need of housing assistance based on the needs identified in the market study.
Why	The City offers incentives to support development in Milwaukee. If the affordable housing goals are clearly established at the outset developers will be more likely to respond to them and create development that address the City's housing goals.

Affordable Housing Tools: Development Incentive

The value of development incentives alone will not be enough to support large numbers of deeply affordable units.

Why (continued) **Goals Fulfilled:** • Retain Residents • Retain Character • Affordable Housing • Housing Quality • Homeownership	Zoning variances can be granted to developers in order to either increase the amount of housing typically allowed or to reduce the required amount of parking required in order to make affordable housing more feasible in target areas. Two, three, and four-story developments approved on city-owned vacant parcels in the King Drive Neighborhood, along 5th Street at the intersections of Vine Street and Walnut Street, and at 6th and Vine, illustrate allowances palatable to both the neighborhood and area developers. Design plans were in line with current zoning of the sites, aside from density, the sites had lay vacant for several years, and uses aligned with those outlined in the local Comprehensive Area Plan. Similar development plans may be pursued, and neighborhood planning should encourage typologies that align densities with development feasibility. The City will need to review each individual project to determine what it can reasonably contribute based on what is being requested.
Limits	Development incentives alone will only be able to achieve moderate levels of affordability. The discounted sale of public land by the City in its de facto landbank role has the potential to support the greatest level of affordability. However, the City owns a limited number of developable parcels in either of the target areas. The sizing of incentives must be considered on a project by project basis.
Key Actors	City of Milwaukee.
Housing Type	Single-family, Multifamily.
Population Served	Varies per project.

Affordable Housing: Other Affordable Housing Tools Evaluated

As part of this affordability strategy, HR&A evaluated other affordable housing tools that it did not ultimately prioritize for implementation. The City should continue to leverage these tools as appropriate in other areas and under other conditions.

Tool	Description
Owner Occupied Rehab and Homebuyer Assistance Programs	Programs to assist current owners maintain their homes and to aid renters to transition into homeowners are both effective tools to address the primary goals of the Affordability Strategy (retaining existing neighborhood residents and character). These tools were not identified for more detailed analysis in this Affordability Strategy because the City and its partners already have extensive experience operating owner occupied rehabilitation and homeownership assistance programs. These programs are appropriate in a wide variety of neighborhoods, not just those facing rising housing prices. While they are not singled out for detailed analysis within this document, they remain a critical part of the overall affordability strategy in the study neighborhoods and existing programs should continue to be targeted, or expanded, to these areas.
Tax Increment Districts (TID) & Neighborhood Improvement Districts (NID)	The creation of area-wide TID were not recommended for the two target areas because it is likely that significant portions of the future tax increment will be necessary to fund the creation of the streetcar, leaving limited funding for affordable housing. HR&A did not recommend NID because of the limited amount of funding they generate, generally under $500,000 annually.
Affordable Housing REIT	The use of an affordable housing real estate investment trust (REIT) was not recommended because they operate at a much larger geography than the two target areas. It may be possible for the City to engage with an Affordable Housing REIT to make an investment in one or two projects in the two target areas but it is not a tool that can impact a large amount of housing in the target areas.

Affordable Housing: Other Affordable Housing Tools Evaluated

As part of this affordability strategy, HR&A evaluated other affordable housing tools that it did not ultimately prioritize for implementation. The City should continue to leverage these tools as appropriate in other areas and under other conditions.

Tool	Description
Preservation Strategy	A preservation strategy was not recommended for either target area at this time. The preservation strategy would have called for an evaluation of the capital needs, affordability restrictions, and current financing to determine what the future financing needs would be to preserve existing subsidized affordable housing and identify financing sources to meet those needs. Of Walker's Point/Harbor District there are simply not enough subsidized properties to warrant the creation for a preservation strategy. For the King Drive Neighborhood, many of the subsidized properties are owned by the Housing Authority of Milwaukee which has its own preservation strategy. The vast majority of the remaining properties are owned by nonprofit entities that are committed to preserving the properties affordability and have the ability to access existing local and WHEDA funding.
Cooperative Ownership	Creating cooperative ownership structures to preserve existing affordable housing (natural or subsidized) was not recommended. Cooperative ownership can be an excellent route to create a shared-equity structure for multifamily properties. However, it requires both significant non-LIHTC subsidy and strong technical assistance to build the capacity of the residents. Milwaukee does not appear to have the necessary subsidy available or existing technical assistance organizations.
Lease-to-own	A lease-to-own model was only prioritized within for LIHTC properties which brings with it a 15-year lease period. Lease-to-own models generally require significant subsidy and have a mixed track record of success, though there are current models operating locally which may be able to be tailored to the study area. Homeownership programs that provide flexible underwriting standards and intensive ongoing counseling are often more successful and less resource intensive.

AFFORDABILITY STRATEGIES: COMMERCIAL

Commercial Affordability Goals

While there are numerous existing programs available in Milwaukee to attract and grow businesses, HR&A focused on new programs that respond to the **goals for entrepreneurship and preservation** identified through interviews and discussions with stakeholders. These goals were:

- **Enable existing business to remain** in the neighborhood and benefit from transit investment.
- **Empower local entrepreneurs, including minority- and women-owned businesses** to benefit from new retail and commercial opportunities within TOD.
- **Create a diversity jobs** that are accessible to the existing community.

Multiple organizations will need to be engaged to ensure these goals are met, including:

- **The City's Commercial Corridors Team,** who must coordinate outreach to local businesses, neighborhood associations, and non-profits.
- **The City Planning Division,** which must carefully balance the needs and desires of neighborhood constituents and development feasibility when drafting new zoning text.
- **LISC,** which must demonstrate the viability of their pilot programming in order to grow the program.

Commercial Affordability Tools: Overview

Potential Tools

Goal	Tools
Entrepreneurship	Funding and Financing
	Partnerships
	Zoning
	Capacity Building
	Cooperative Ownership
Business Preservation	Business Funding and Financing
	Landlord Incentives
	Zoning

Commercial Affordability Tools: Entrepreneurship and Business Preservation

Potential Tool | Enact Formula Business Restrictions

What	In the King Drive and Walker's Point Study Areas along the proposed streetcar, enact commercial zoning regulations that require certain ground floor uses and restrict the percentage of new development that can be utilized by "formula" business. The City could alternatively enact these requirements for projects receiving public funding, rather than enacting a district-wide policy. "Formula" businesses, as defined in Jersey City, as establishments that are contractually obligated to maintain certain standardized characteristics (e.g. array of merchandise, menu items, façade design, décor, etc.) and where 10 or more other establishments that are similarly contractually obligated to the same corporate entity are in operation within 300 miles of the City.
Why	A significant risk in an environment of increasing land values is that neighborhoods will lose their character as formula businesses dominate the retail landscape. A formula business restriction ensures that as land values increase and rents rise, local entrepreneurs have dedicated space in new developments. Without these restrictions in an environment of increased appeal in these neighborhoods, national chains may spur increases in rents in the area, which may be challenging for the entrepreneurs and local businesses to afford. These businesses, which help to define the neighborhood's character, may be forced to relocate to other areas, and thus would be unable to capitalize on the benefits that the streetcar may provide. Even absent the streetcar, there is risk of a loss of character in Walker's Point. The pace of development is already increasing, and the new residential development may attract formula businesses to the area. Some formula businesses are useful in signifying the attractiveness of the area and demonstrating market interest. However, an area that is predominantly made up of national chains lacks an essential character that makes urban living attractive and inclusive.
Limits	May reduce viability of financing for development and filling spaces by non-formula businesses requires an entrepreneurial pipeline that may not already exist.
Key Actors	The Milwaukee City Planning Division would lead drafting of zoning text. The City should seek the input from BIDs, businesses, and the development community on setting the right restrictions that will still allow some formula businesses to set up in the neighborhoods, but not in a way that is detrimental to the character of the districts.
Population Served	Existing aspiring entrepreneurs and existing community members.
Precedents	Jersey City, NJ; San Francisco, CA; Seattle, WA; Minneapolis, MN (on a case-by-case basis)

Commercial Affordability Tools: Entrepreneurship

Potential Tool | Support Expansion of Brew City Match

What	When fully implemented, Brew City Match will be a real estate and business development program designed to connect new and expanding businesses with real estate opportunities. The program includes grants to landlords to make substantial improvements to their property and to businesses seeking to start or expand their businesses. As in Detroit with Motor City match, the program administrator matches businesses and landlord participants on a one-to-one basis, essentially serving as a broker for both. The City can support the long-term development of Brew City Match by committing City funds to the program and providing preferential access to City-owned foreclosed commercial properties, either by disposing of the properties to developers participating in the program or by serving as the landlord itself and leasing space to businesses in the program.
Why	LISC received funding for a pilot program that is focused on developing a pipeline of entrepreneurs who can test their ideas in a non-permanent retail operation. LISC partnered with entrepreneurship training programs and is working with local organizations and the City's Commercial Corridors team to identify and activate locations for pop-up shops in three targeted corridors - King Drive, Lindsay Heights, and Cesar Chavez - with rotating tenants who are graduates of the entrepreneur programs. The pilot is scheduled to launch in 2018. Should this pilot program prove successful, LISC is interested in reapplying for grants for the full Brew City Match. LISC's application for additional funds can be strengthened by the City's commitment to providing preferential access to City-owned commercial space to program participants. A fully funded Brew City Match entrepreneurs' ability to leverage new opportunities created by the streetcar. Overall, the program provides a holistic approach to building capacity for entrepreneurs and landlords. Should LISC not move forward with the full program, the City should consider launching the program itself or identify another entity to take ownership of the initiative.
Limits	A fully operational Brew City Match requires substantial funding and coordination between the private and public sectors, foundations, technical support providers, real estate, and entrepreneurship communities.
Key Actors	LISC (or another public or non-profit entity) would be responsible for administering the program, connecting entrepreneurs and landlords to technical resources and matching entrepreneurs with individual spaces. The City of Milwaukee should support LISC (or another entity) by providing preferential access to City-owned commercial real estate.
Population Served	Entrepreneurs and landlords across all fields.
Precedent	Detroit, MI

Commercial Affordability Tools: Business Preservation

Potential Tool | Deploy a "Buy Local" Marketing Program

What	Deploy a buy local campaign for businesses operating in the two Study Areas near streetcar construction. The buy local campaign would include a coordinated marketing campaign and the recruitment of a credit card company to incentivize their card holders to shop at participating stores. **Marketing:** Develop a cohesive brand for a buy local marketing campaign in both Study Areas. Create a website that lists the locations and services offered by participating businesses. Utilize social media, television, and print advertising to raise awareness of businesses. Design a comprehensive set of marketing actions targeted at social media, print, and television media outlets. Work with local news media to highlight businesses in the impacted corridors, potentially through a "business of the week" profile. **Corporate Sponsorship:** Partner with a corporate partner to promote the buy local campaign and incentivize customers to shop at the participating businesses. For example, American Express offers marketing collateral to small businesses that partner with them. Additionally, they incentivize their cardholders to shop local by offering double credit card reward points to businesses that participate in their buy local campaigns.
Why	Construction of the streetcar will likely see a reduction of foot and street traffic along the construction site. Businesses that rely on this traffic are likely to suffer reduced revenues during the construction period. The drop in revenue may be so great that some handful of otherwise healthy businesses may not survive to reap the opportunities and benefits that the streetcar would provide. A buy local marketing campaign can reduce the loss of customers by directing consumers to these corridors during the construction period. While a buy local campaign would be unlikely to boost customer levels to pre-construction levels, it can help to offset some of the business loss.
Limits	Will not necessarily attract sufficient customers; some businesses may still close.
Key Actors	Commercial Corridor teams should reach out to potential corporate partners, WWBIC, neighborhood associations, BIDs, and local businesses. Corridor teams, in partnership with participating businesses and BIDs, would design and run the marketing campaign.
Population Served	Small business owners of historic businesses operating along the construction corridor, their customers, employees, and landlords.
Precedents	San Francisco, CA; Austin, TX; New York, NY; Des Moines, IA; Salt Lake City, UT

Commercial Affordability Tools: Business Preservation

Potential Tool | Provide Construction Mitigation Payments

What	Provide payments that support businesses that were operating along the site of the streetcar prior to the start of construction during the construction period. Payments could be provided in two ways: **Lease Stabilization Grants:** Provide direct payments on a per square footage bases to landlords who extend leases for the construction period and at least two years after the construction concludes to businesses operating along the construction corridor on the same terms as their prior lease. **Business Support Grants:** Provide businesses that operate along the construction corridor that are not benefiting from Lease Stabilization Grants direct payments on a per full-time equivalent employee basis. Payments would be provided throughout the construction period and up to two years following construction completion.
Why	While marketing will lessen the impact that streetcar construction has on the area businesses by driving customers to the area, it may not be sufficient offset the expected reduction in foot and street traffic. In order to fill this expected gap, additional action should be taken to maximize the probability that historic businesses are able to survive the construction period. Construction mitigation payments, in the form of lease stabilization or business support grants, would allow firms to keep their rent expenses flat and lock them into favorable terms for when the streetcar opens, or directly fill a portion of revenue lost because of construction.
Limits	While other communities run this program on a permanent basis for historically significant businesses, this is politically difficult, especially when it is only implemented in select portions of the City, because all businesses that are not in the target zone will lobby for the program to be expanded to their areas. By narrowly defining the purpose of its program, Milwaukee can reduce the outcry from businesses not eligible for funding. Additionally, as San Francisco's experience demonstrates, setting up the program in perpetuity without a direct funding source leaves the program vulnerable to changing budget priorities.
Key Actors	The commercial corridors team would create the application process for Construction Mitigation Payments, with input from the BIDs, WWBIC, landlords, and local businesses. The City would, in partnership with an outside philanthropic organization, set aside and disburse funds to eligible businesses.
Population Served	Small business owners of historic businesses operating along the construction corridor, their customers, employees, and landlords.
Precedents	San Francisco, CA; Minneapolis and St. Paul, MN*; Seattle, WA

**Minneapolis/St. Paul funded their program through a combination of public and non-profit sources. 16% of the funds ($2.6M) came from non-public sources, with the balance coming from local and regional governments.*

Commercial Affordability Tools: Business Preservation

Potential Tool | Construction Mitigation Payments

San Francisco, CA Legacy Business Program

San Francisco, which has experienced extraordinary growth over the past 20 years, created a legacy business registry and fund to ensure that the businesses that helped to define the city's culture were able to continue operating in the face of rising rents and employment costs. Businesses operating for at least 30 years are eligible for inclusion on the registry, which in turn gives businesses access to the fund. Landlords who extend leases for at least 10 years on comparable terms to historic businesses receive up to $4.50 per square feet, capped at $50,000 annually. Businesses whose leases are not extended are eligible to receive $500 per full time equivalent employee, capped at $22,500 annually.

Source: Legacy Business SF

The Legacy Business Registry and Fund in San Francisco was created through a ballot initiative, but the initiative did not set up a direct source of funding for the Fund. As a result, the program is funded by the annual general budget, which is subject to shifting political priorities. According to a City official in San Francisco who helps to run the legacy program, this lack of certainty makes planning for the program extremely difficult and less effective. Creating a narrowly defined program with a specific purpose around construction mitigation may lessen the political lift required to implement the program. A narrowly defined, time-limited, construction mitigation program comprising of a marketing campaign and monetary payments is also being implemented in San Francisco for businesses impacted by the Central Subway Project.

APPENDIX: AFFORDABILITY STRATEGIES

Commercial Affordability Tools: Existing and Additional Strategies

Additional affordability strategies were considered for the area but deemed not a priority based on market analysis, viability, and the existing set of tools available.

Numerous strategies were considered to advance the goals of entrepreneurship and business preservation. Some of these strategies were then prioritized and recommended affordability strategies, while others due to market context, applicability to Milwaukee, viability, and ability to meet the goals determined in the Study Area, were deemphasized.

The following pages summarize the existing financing and development tools available in Milwaukee and the full set of strategies considered for this study.

Commercial Affordability Tools: Existing Conditions

Existing Tools | City Business and Development Grants

	Purpose	*Structure*	*Maximum Award*	*Other Notes**
City-Wide White Box Program	Increase vitality of commercial corridors by incentivizing landlords to make improvements to commercial spaces.	**Financial payment** (reimbursement basis) equal to $10/SF of improved space.	Up to 50% of total cost of eligible improvements capped at $25K	Work must be completed within one year, unless applicant submits a written request for extension.
Façade Grants	Enhance streetscape in commercial corridors.	**Financial payment** (reimbursement basis) for façade and signage improvements.	Up to 50% of project cost capped at $5K for façade and $2.5K for signage	Work must be completed within 9 months, unless the awardee submits a written request.
Retail Investment Fund	Support new or expanding retail businesses located in neighborhood business districts.	**Financial payment** (reimbursement basis) for A&E, FF&E, & start-up inventory for new/expanding retail/office projects.	~20% of total project budget, capped at $5K per new FTE.	Funds for businesses operating in existing space must be spent in 8 months (with one extension possible).

* For all programs reimbursement occurs 3-6 weeks following the submission of necessary paperwork

Commercial Affordability Tools: Existing Conditions

Existing Tools | Business Financing

	Purpose	*Structure*	*Maximum Award*	*Other Notes*
Second Mortgage	Low interest financing for entrepreneurs that create and retain jobs.	**Below market rate loan** matching term of participating private lender.	40% of total project cost, capped at $500K per borrower	Requires a private partner, and 10% equity from the borrower.
M7 Venture Capital	Provide emerging growth companies to access capital.	**Loan** provided in collaboration with equity investment from accredited investors.	$125K	Borrower must show promising revenue stream, represent an emerging growth market.
County Revolving Loan Fund	Assist companies in obtaining low-interest financing.	**Low interest loan**	Up to 40% total project cost, capped at $250,000	Create/retain jobs in Milwaukee & have 10% project equity.
Capital Access Program	Provide capital to small businesses unable to obtain conventional financing.	**Partnership** between the MEDC and private banks.	None	Participating banks must have a signed agreement on file with MEDC.
CDFIs	Provide capital to small businesses unable to obtain conventional financing.	**Loan** with technical support	Most up to $250,000	Providers include WWBIC, Legacy, and Forward Investments.

Potential Tool | Retail Competition

WHAT Create a competition in well defined, concentrated area targeted for retail revitalization, with clearly defined sliding scale awards for different types of businesses. Prizes should be designed so applicants can easily understand their eligibility for prize sizes, and administrators can swiftly distribute funds with proper due-diligence. Prizes can be used for inventory, build-out, and operations, and are awarded after a set period of successful operation.

WHY Small businesses often have difficulty getting private funding for the purchase or leasing of their real estate due to the risky nature of those loans. Public support can fill the financing gaps that interested small businesses face.

LIMITS While a competition provides an avenue for entrepreneurs to take advantage of new opportunities, the targeted area must be in an economic position where catalytic projects have positive ripple effects and truly transform the corridor.

Administrator	Public Sector or Non-Profit
Eligible Applicants	Retailers/tenants
Businesses Served	Retail entrepreneurs
Precedents	Staten Island, NY

Potential Tool | Tax Credits

WHAT Provide a sliding scale of business tax credits, ranging from $500-$5,000 per job per year, for businesses that create jobs, with greater credits for targeted growth industries and targeted locations in distressed or transit rich areas. At least 10-30 jobs must be created or 25-50 jobs retained depending on the industry. Job minimums are lower in targeted area.

WHY Incentive businesses to open or expand in Milwaukee, especially in areas targeted for development for the city.

LIMITS Tax credits may not induce new activity if underlying economic conditions are poor.

Administrator	Public Sector
Eligible Applicants	Any business meeting minimum job creation requirements
Businesses Served	All
Precedents	New Jersey Numerous


Source: NJ EDA

Potential Tool | Real Estate and Business Match-Making Grants

WHAT	Create a grant program designed to connect new and expanding businesses with real estate opportunities. Two sets of grants can be available, one for landlords who make substantial improvements to their property, and one for businesses seeking to start or expand their businesses. Grant sizes can range based on the needs and strengths of the applicants. In addition to grants, landlords and businesses can receive technical support in the form of business planning assistance, tenant/landlord match-making, design and buildout assistance.
WHY	Provides a holistic approach to building business capacity, matching businesses with real estate opportunities, and connecting both to financing and grant opportunities.
LIMITS	Requires substantial funding and coordination between the private and public sectors, foundations, technical support providers, real estate and entrepreneurship communities.

Administrator	Non-Profit
Eligible Applicants	Landlords, entrepreneurs
Businesses Served	Entrepreneurs and landlords across fields
Precedents	Detroit, MI

MOTORCITYMATCH
DETROIT'S BUSINESS CHALLENGE

Potential Tool | University Partnership

WHAT Partner with a local university to provide a subsidized business development program designed to provide aspiring local entrepreneurs with the skills necessary to build, run, and maintain their own businesses. The program can be full-time, or part-time to allow entrepreneurs with existing businesses to continue to run the business.

WHY Expands on existing single-session and limited run classes provided by organizations like WWBIC. Creates an accredited method to increase the capacity of local businesses and entrepreneurs to make business plans and develop professional networks.

LIMITS Requires a university willing to partner, and a strong outreach campaign to ensure awareness of the opportunity

Administrator Public Sector & Educational Partner

Eligible Applicants Local entrepreneurs, including women and minority entrepreneurs.

Businesses Served All

Precedents New York, NY (NYU)
Dartmouth

Potential Tool | Mentoring Programs

WHAT Develop a formal mentorship program for local entrepreneurs and incentivize mentor participation by giving participating companies bonus points during eligible public sector procurement opportunities.

WHY Develop entrepreneur networks, improve local businesses' ability to win public contracting opportunities, and enhance entrepreneurs' ability to take on larger roles on projects.

LIMITS Focused around industries, like construction and services, where there are significant public procurement opportunities.

Administrator	Public Sector & Private Partners
Eligible Applicants	Local entrepreneurs, including women and minority entrepreneurs.
Businesses Served	Construction and services
Precedents	New York State


Source: Pinterest

Potential Tool | Zoning Requirements

WHAT Create special zones in historically industrial areas that allow developers to build non-industrial uses, but require them to provide industrial space in the new developments.

WHY While purely industrial development may not be financial viable, a mixed-use development containing light industrial, industrial flex, or maker space. could be. The non-industrial portions of the project may provide sufficient return to cross-subsidize the less lucrative industrial component of the project.

LIMITS New development will only occur in areas where there is an strong enough market for non-industrial uses that industrial uses can be sufficiently cross-subsidized.

Administrator	Public Sector or Non-Profit
Eligible Applicants	N/A
Businesses Served	Industrial
Precedents	Long Island City, NY San Francisco, CA Portland, OR


Source: ULI

Potential Tool | Arts and Entertainment District Tax Credits

WHAT Provide 10-year property tax credits for new or renovated buildings that provide live-work space for artists and/or space for arts and entertainment enterprises. The rate of the credit decreases over the 10-year period only applies to the increase in assessed value resulting from property improvements for arts and entertainment uses.

WHY Tax credits for artist or entertainment uses incentivize the development or renovation of artistic space, both for live-in artists and for businesses that host artistic output.

LIMITS Tax credits may not induce new activity if underlying economic conditions are poor.

Administrator Public Sector

Eligible Applicants Landlords

Businesses Served Arts & Entertainment

Precedents Baltimore, MD

Source: Wikimedia

Potential Tool | Formula Business Restrictions

WHAT Restrict the development of formula (chain) retailers either by permitting formula stores only on a discretionary basis, or limiting the total amount of ground floor area a formula businesses can occupy in a given development or district.

WHY While formula retailers can bring credibility by demonstrating viability of private investment, too many of them can cause a neighborhood to lose its fundamental character. Restricting their proliferation both maintains neighborhood authenticity, and provides independent retailers valuable space.

LIMITS Reduce viability of financing for development.

Administrator	Public Sector
Eligible Applicants	N/A
Businesses Served	Independent retailers
Precedents	San Francisco, CA Jersey City, NJ

Source: Apartments

Commercial Affordability Tools: Business Preservation

Potential Tool | Zoning Bonuses

WHAT	Create density bonuses for the development or preservation of industrial space in transforming neighborhoods. This bonus can also be applied to the development of affordable creative office, housing, or structured parking.
WHY	While purely industrial development may not be financially viable, a mixed-use development containing light industrial, industrial flex, and maker space could be. The bonus density could allow previously non-viable projects to become financially viable.
LIMITS	Requires a strong enough market for new development to be viable.

Administrator	Public Sector
Eligible Applicants	Developers
Businesses Served	Industrial, office
Precedents	Los Angeles, CA Portland, OR

Source: Wikimedia

Commercial Affordability Tools: Business Preservation

Potential Tool | Establishment of Legacy Business Registry and Fund

WHAT Create a registry of historic businesses that designates official recognition on historically significant businesses operating continuously for at least 30 years, and create an accompanying fund to support those businesses through a direct per-employee subsidy of $500 per FTE capped at $50,000 annually, and a rent stabilization grant of $4.50 PSF to landlords, capped at $22,500 annually who extend the leases of those businesses for at least 10 years.

WHY The registry can be used as a marketing mechanism for historic and long-operating businesses. The funds provide an incentive for landlords to continue leasing to historic businesses, and a lifeline for long-standing historic businesses facing displacement.

LIMITS The policy can only support businesses that are historic, and doesn't necessarily alleviate affordability concerns for newer businesses.

Administrator Public Sector

Eligible Applicants Landlords, tenant businesses

Businesses Served Legacy retail

Precedents San Francisco, CA

Source: Legacy Business SF

Potential Tool | Lease Extension Tax Credit

WHAT Provide landlords with tax abatements of up to $2.50 PSF on renewal and expansion leases for office and industrial tenants in buildings that are at least 20 years old. Abatements last up to five years for office uses, and up to ten years for industrial uses, with the exact length dependent on the length of the lease signed.

WHY The credit is an incentive for landlords to keep existing businesses in their space, or to assist existing businesses expand.

LIMITS The policy supports the continued use of historic buildings, but doesn't address affordability concerns for new development.

Administrator	Public Sector
Eligible Applicants	Landlords
Businesses Served	Office, industrial
Precedents	New York, NY


Source: Legacy NY

Potential Tools | Other Tools for Consideration

- **Encourage banks to not include ground floor retail rents** in financing decisions
- **Enhance job training and workforce development programs** and strengthen partnerships with existing providers of these services like the Job Center of Wisconsin and Employ Milwaukee.
- Partner with a non-profit or private sector entity to **develop a job matching program**
- **Leverage data and technology tools** to demonstrate the value of job training programs, provide trainers and trainees with an overview of in-demand skills, and ensuring businesses are aware of the skillsets of their applicant pools.