

COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION

DATE: February 16, 2018

TO: Supervisor Theodore Lipscomb, Sr., Chairman, County Board of Supervisors

FROM: Scott B. Manske, Comptroller

SUBJECT: **2018 Budget Amendment 1A004 – Financing Parameters for Pilot Grant Program/Revolving Loan Program for Lead Abatement (Informational Only)**

REQUEST

There is no request at this time. This report is informational only.

BACKGROUND

The 2018 Budget directed the Office of the Comptroller to develop financing parameters for a pilot grant program and a revolving loan program for lead abatement of owner-occupied homes, residential non-owner occupied homes, and commercial buildings. The program shall include the replacement of privately owned lead laterals and the removal of lead paint.

The focus of the pilot program is: North of Highland Avenue, south of North Avenue, west of Martin Luther King Drive, and east of 27th Street.

In 2017, an informational report (CB File 17-199) was submitted by the Department of Economic Development provided a comprehensive summary of the health risks/impacts of lead poisoning, a description of the City of Milwaukee's efforts to address the issue, the role for the County, grant funding opportunities and description of PACE financing. This informational report does not repeat the information in CB File 17-199; however, the report has been included as part of this file for reference.

In an effort to develop financing parameters for a pilot grant program and revolving loan program, the Office of the Comptroller looked for other grant programs and revolving loan programs that are similar that the County currently utilizes as a guide to developing similar programs for lead pipe and lead paint abatement. In that endeavor, the closest comparison identified for Lead Paint Assessment/Remediation was the Milwaukee County Home Repair Loan Program.

The Comptroller's Office also reviewed the City of Milwaukee Water Works ("MWW") existing program for replacing Lead Service Laterals.

Milwaukee County Home Repair Loan Program

The Department of Health and Human Services Housing Division (“Housing Division”) offers no interest loans to income qualified homeowners in the suburban communities of Milwaukee County, excluding the City of Milwaukee and the City of West Allis. Milwaukee and West Allis administer their own Home Rehabilitation Loan Programs. The geographic limitations are a result of the financing source (U.S. Department of Housing and Urban Development (HUD) Grants) that are utilized for the program.

Eligible Costs for Home Repair Program

These loans can cover a wide range of repairs required to maintain a home. Loans can also be used for emergency repairs relating health and safety and municipal citations. These repairs can include the replacement of privately owned lead laterals and the removal of lead paint. For loans greater than \$5,000, a lead risk assessment is performed on the property. The lead risk assessment is on on-site investigation of a residential dwelling to determine the existence, nature, severity, and location of lead-based paint hazards. For loans greater than \$25,000, in addition to the lead risk assessment lead abatement is done and notification is provided to the State of lead reduction activity/clearance.

Eligible Applicants

There are several restrictions that limit the available pool of applicants. These restrictions include the following:

- Must be residential owner-occupied home
- Home must be in Milwaukee County, but not in City of Milwaukee/West Allis
- Must have the equity to cover the cost of repairs
- Market value of home must be below HUD threshold
- Income and assets must be below HUD threshold
- Homeowner must be current on taxes and utilities

Loan Parameters

- Minimum loan amount is \$1,000
- Maximum loan amount is \$40,000
- The maximum term of a loan is 20 years (240 payments).
- Minimum payment of \$25. A lower payment may be approved at the sole discretion of the Housing Program Manager.

Program Administration

A Home Repair Review Board (HRRB) reviews the housing rehabilitation loan and grant applications and gives input regarding any program changes needed.

Home Repair Inspection Staff contacts clients to review the program and process in more detail and complete a preliminary inspection of the work to be completed. The Inspection Staff prepares an environmental review report and prepares a lead risk assessment if the loan is expected to be greater than \$5,000. The Home Repair Inspection Staff prepare scopes of work that identify the required/requested work. The scope of work may also include components identified through the lead risk assessment. The Home Repair Inspection Staff review the scope of work with the client and send it to the contractors for bid. The Home Repair Inspection Staff summarize bids, and discuss project costs, project contingency and proposed loan and term with the client. The Home Repair Inspection Staff visit the property while project is in progress to monitor the work that is being completed. Following project completion, the Home Repair Inspection Staff performs a final inspection of the work and perform lead clearance testing in compliance with HUD guidelines/State of Wisconsin codes.

City of Milwaukee Water Works Lead Service Line Replacement Program

The City of Milwaukee has identified over 70,000 active publicly-owned lead service lines. Over 90 percent of which provide water to residential properties.

The City of Milwaukee Water Works ("MWW") is replacing lead service lines with copper when

- A lead service line is found to be leaking or disturbed
- A lead service line is disturbed during planned water main construction
- A lead service line serves water to a licensed child care facility or a private school
- A property owner calls to initiate (no subsidy)

The average lead service line replacement cost in Milwaukee for just the private side of the line was \$7,100. Replacement of service lines can range from \$2,000 to \$30,000. One factor that can significantly impact the cost of replacement is the length of the LSL (i.e. how far away is the home from the water main connection). When replacement of the private side of the LSL is being mandated by the City, the MWW subsidizes the cost of the replacement and the property owner is only responsible for \$1,600. No subsidy from the City is available when a property owner initiates the replacement.

The City of Milwaukee Water Works (MWW) program completed 610 LSL replacements in 2017 and has funded 800 replacements in 2018. The replacement of the public side of the LSLs is funded by MWW through water rate revenue. Replacement of the private side of the LSLs is funded through grants (DNR/EPA) and contributions from property owners.

All residential and commercial property owners can initiate replacement of a LSL regardless of the condition of the line. The MWW will coordinate the replacement of the public side of the LSL at the same time. All residential and commercial property owners can repay the city using special assessment financing over 10 years.

PILOT PROGRAM

The 2018 Budget referral defines a Pilot Program. The Pilot Program includes the replacement of lead service lines and lead paint. Other potential sources of lead hazard could include interior plumbing/fixtures and lead in soil.

Lead Paint Assessment/Remediation

The County, through its Home Repair program, has experience in working directly with home owners and contractors to identify lead paint hazards and remediate lead paint hazards in accordance with State of Wisconsin Department of Health and Human Services/ Federal HUD guidelines. The remediation of lead paint within a property can vary dramatically depending on the location and the extent of lead paint that requires remediation. These costs can range from a few hundred to tens of thousands of dollars. In the past the County has chosen to supplement the Home Repair program with tax levy. Although, there are no funds budgeted for the Pilot Program, further exploration can be done to analyze the potential for carving out a lead paint remediation program. As stated in the Background section of the report, non-HUD funding would need to be identified in order to allow specific areas within the City of Milwaukee to be targeted as described in the 2018 Budget referral.

Although there is expertise in this area within the Home Repair Program, there are many issues that would need to be studied and resolved prior to the implementation of a Pilot Program. These issues include:

- What source of financing is available to pay Pilot program expenses or serve as “seed money” for a Pilot Loan Program?
- Depending on size of the Pilot Program, how much additional resources would be required to administer the program?
- What should the eligibility be for the Pilot Program? The closer the eligibility is to the existing HOME Repair program the less difficult it would be for the two programs to be managed together.
- Should factors such as elevated blood lead levels in children/elevated lead levels in water be used to target more specific areas?

Lead Service Line Replacements

The replacement of a privately owned LSL requires coordination with the City of Milwaukee since both the privately owned and publicly owned sections of LSLs must be replaced at the same time to comply with City of Milwaukee ordinances.

The County does not have direct experience in administering a LSL replacement program that would require coordination between the City of Milwaukee and the individual property owners. The City of Milwaukee currently provides a loan program to all property owners through access to special assessment financing over 10 years. In addition, during discussions with MWW, it was suggested that the County should identify and address its own LSLs within County-owned facilities.

RECOMMENDATION

This report is informational. In response to the 2018 Budget referral, the recommendations are being made; however the Office of the Comptroller is uncertain whether or not the administration would be willing to consider these recommendations.

- Milwaukee County study feasibility of operating a Lead Paint Assessment/Remediation program within its Home Repair Program.
- Milwaukee County seek non-HUD revenue to finance Lead Paint Assessment/Remediation/Program Administration
- If additional funding is identified by Milwaukee County, continue to discussions with Milwaukee Water Works to see how it can be used to expand and/or further subsidize the cost of LSL replacements.



Scott B. Manske
Comptroller

Attachment

pc: Chris Abele, County Executive
Supervisor Willie Johnson Jr., Supervisor, 13th District
Supervisor John Weishan Jr., Supervisor, 16th District
Raisa Koltun, Chief of Staff
Kelly Bablitch, Chief of Staff, County Board
James Mathy, Housing Program Manager
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