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Milwaukee officials approved plans to spend more than \$8 million to help developers create about 90 single-family homes and a 24-unit townhouse project on the city's north side.

But the housing market collapse hit the central city hard. Between those two projects, just six homes have been built — with values lower than their sale prices, according to assessment records.

The Common Council is now considering a proposal by Mayor Tom Barrett's administration to bail out two tax incremental financing districts, which paid the city's costs tied to the developments. If the plan is approved, those funds would come from another tax financing district used to pay for part of the Historic Third Ward's RiverWalk.

The planned bailout, similar to those used in Grafton, West Bend and other southeastern Wisconsin communities, doesn't indicate that the Milwaukee housing developments have failed, said city Development Commissioner Rocky Marcoux.

"The (housing) market changed with the recent downturn," Marcoux said. "That market will pick back up."

But it does show the risks cities take when they help fund real estate developments.

The bailout plan is to be reviewed by the council's Zoning, Neighborhoods and Development Committee.

The city would use \$10.5 million in surplus property taxes from the RiverWalk tax financing district to pay off the debts from three financing districts. That would occur over three years.

Tax financing districts use property taxes from new developments to pay off a

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owned by the city in an area bordered by W. Brown St., W. North Ave., N. 20th St. and N. 24th St.

The city has spent that money mainly on improved streets, sewer lines and water mains in that neighborhood, and for environmental cleanup work.

An additional \$3.7 million would pay off a tax financing district debt from the Walnut Circle development, bordered by W. Walnut, W. Galena, N. 20th and N. 22nd streets. Along with building streets and other public improvements, the city bought and demolished a former Sentry Foods supermarket to make way for 32 single-family homes.

Finally, \$1.9 million would pay for expenses tied to financing to develop 30 rental houses for lower-income families on scattered vacant lots in an area bordered by W. Meinecke Ave. and W. Center, N. 27th and N. 39th streets.

Those fabricated rental homes, developed by Oregon, Wis.-based Gorman & Co., are all leased out. But the general decline in home values throughout Milwaukee has lowered the amount of property tax revenue generated within that project's tax financing district.

Double whammy

The nationwide decline in home values and a lack of new home construction have hurt The Legacy and Walnut Circle developments, and their tax financing districts.

At Walnut Circle, developers Carla Cross and Cindy Kuhs bought lots from the city and built three houses. Those three- and four-bedroom homes were sold in 2008, as housing prices were beginning to drop, for \$245,000 to \$295,000. Their latest assessed values are \$160,200 to \$192,200.

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“My feeling is you try to do something,” Peltz said.

The idea of building market-priced homes at The Legacy died when the housing market collapsed, Peltz said. The two houses built in 2011, and two more that are to begin construction this spring, received federal funds to subsidize most of their costs and can be sold only to lower-income families, she said.

Middle-class magnet

Both Walnut Circle and The Legacy are located near two other housing developments, City Homes and Lindsay Heights, which together developed 220 homes from 1995 through 2007.

Marcoux said the city's strategy is to link Walnut Circle and The Legacy to City Homes and Lindsay Heights, which are generating enough property taxes to pay off their tax financing districts' debts. The idea is to provide opportunities for middle-class families, including those already living in their neighborhood, to buy new houses near downtown, he said.

“If you don't have a strong base of available housing attractive to middle-income folks, you're missing a huge opportunity,” Marcoux said.

Those developments have played a big role in improving central city neighborhoods, said Common Council President Willie Hines, whose aldermanic district includes those sites. Despite the slow pace of new home construction, Hines said that city funds for Walnut Circle and The Legacy amount to a wise investment.

With the national housing market now rebounding, demand will eventually increase for new houses on the north side, Marcoux said. The city, unlike a private investor, can take that long view, he said.

The fact that both tax financing districts need a bailout illustrates their risks,

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