

## Chapter 1

# **Neighborhoods in Transition: An Evaluation of Milwaukee's Code Compliance Program**

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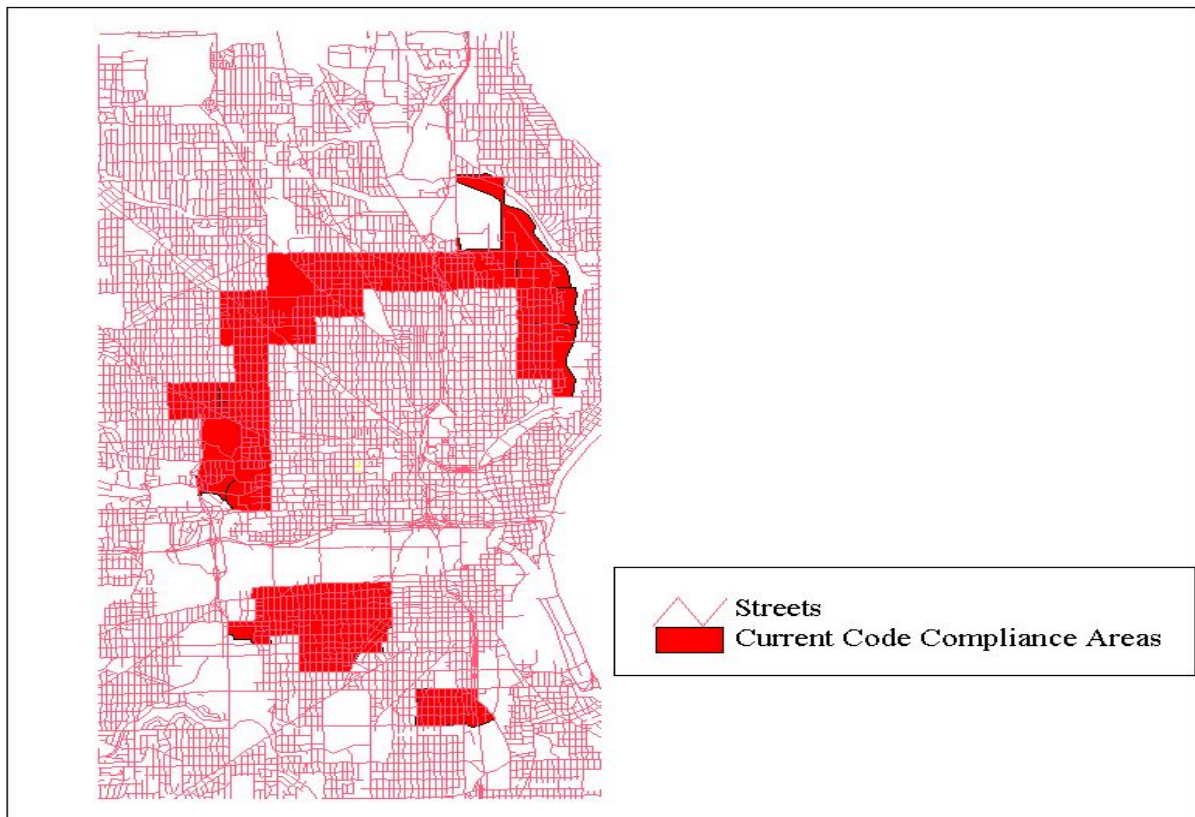


The City of Milwaukee started the Certificate of Code Compliance Program in 1980. It was designed to support the housing stock in those neighborhoods that were in danger of decline. The program can be divided into two parts. In the first part, the program mandates that the buyer of a single family or duplex house in one of the city's designated reinvestment zones obtain a certificate of code compliance before occupying a house. This certificate is given after the house passes an internal and external inspection (Milwaukee City Code). The second part targets single family or duplex properties outside the six designated reinvestment zones, but which are not owner-occupied. These houses must pass an exterior inspection before occupation is allowed.

Five original reinvestment areas were designated between 1981 and 1985. These zones were identified by their classification as part of Relative Residential Status Area III. This classification was part of a larger effort to identify parts of the city with similar characteristics. Some of the characteristics included: the average assessed value of property, owner occupancy rates, the amount of land in the tract owned by the city, and the number/rate of property crimes. The five zones that were part of the original Area III

neighborhoods had an older, stable stock of houses, but they bordered other neighborhoods that were beginning to decline, mainly in the central part of the city. Since this time, only one reinvestment zone has been added, and none have been deleted (Stott 2001). The city determined that these areas needed intervention to maintain their current level of quality. Figure 1 shows the current zones in the Code Compliance Program.

**Figure 1: Current Code Compliance Areas**



As indicated by the map, the six code compliance zones currently in the program roughly form a ring around the center of Milwaukee. The City of Milwaukee hoped that more intensive code enforcement in these zones would accomplish four main goals related to stopping deterioration of residential neighborhoods.

- Preserve the quality of the existing housing stock.
- Prevent the deterioration of property values in residential neighborhoods.
- Protect buyers from undisclosed problems with the houses they purchased.
- Provide an effective and efficient system of enforcing building and housing codes (Stott 1999, pp.1-2).

The requirements that a house must meet to pass inspection are listed in Milwaukee's City Code §275-32 to §275-82. These sections of the Milwaukee Code set up a system that is comprehensive, but also somewhat limited. The code is comprehensive because of the large number of things an inspector must examine. The

exterior aspect of the code covers the maintenance standards for most conceivable exterior portions of a house. These standards are largely designed to ensure weatherproofing and prevent deterioration. The interior aspect of the code is divided into a number of sections. These include structural elements, maintenance of surfaces, condition of equipment such as doors and windows, lighting, ventilation and space requirements, and plumbing, heating, and electrical standards. The code also requires that inspectors check a property for sanitation, pest control, and other types of nuisance violations. Thus the code requires examination of so many aspects of a home that it is rare for an inspection not to discover violations.

At the same time, inspections are limited because they are usually restricted to what an inspector can observe visually of the exterior or interior of a house (Balzer and Zyszkiewicz 2001). For example, §275-32-2 states: "All supporting structural members of all structures shall be kept structurally sound, free of deterioration and maintained capable of safely bearing the dead and live loads imposed upon them." However, the inspectors do not check inside walls or ceilings to view the condition of the most supporting elements of the structure. Therefore, the enforcement of this statute is limited to visible posts and beams. Similarly, §275-62-2 states: "All electrical equipment, wiring and appliances shall be installed and maintained in a safe manner in accordance with all applicable laws." However, the inspectors do not check the wiring inside walls, so the enforceability of this statute is again limited. If an inspector has reason to suspect a problem with the supporting structure or electrical system, he or she could refer the case to a professional engineer or electrician, but in most cases this does not happen.

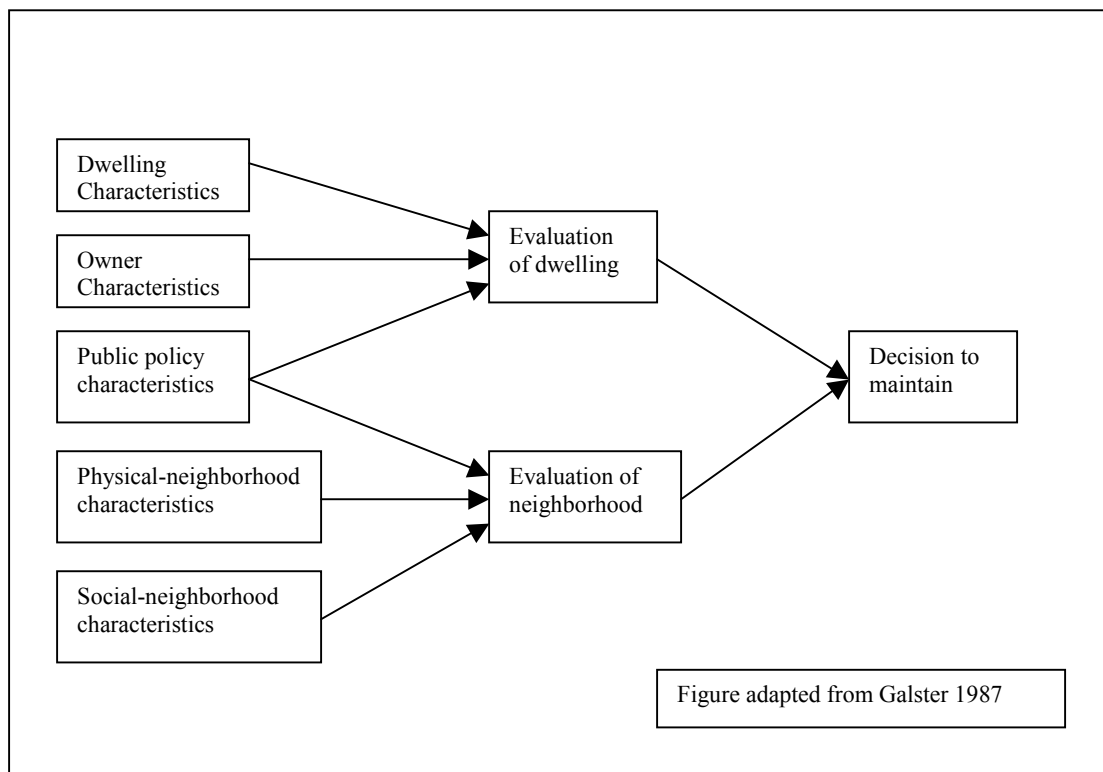
Prior to 1999, the Department of Building Inspection administered the Code Compliance Program (Collins 2001). Traditionally only a few inspectors have been allotted specifically to the program. Most other inspectors are part of the general pool that inspects houses when significant alterations are made or complaints are filed. Some of these inspectors specialize in certain types of inspections such as the electrical or plumbing systems. In 1999 the Department of Neighborhood Services (DNS) was created. In large part, this was "a response to resident concerns that city responses to neighborhood problems had been fragmented, ineffective and slow" (DNS Budget 2001, p.142). The new department brought together a number of property-related services that had been formerly administered under a variety of programs, including operations of the Department of Building Inspection, the Asbestos Program and the Vector Nuisance Program from the Health Department's Bureau of Consumer Protection and Environmental Health, and the Department of City Development's Housing and Neighborhood Development Division (DNS Budget 2001, p. 142).

The budget of the Department of Neighborhood Services for 2000 was approximately \$12.18 million (DNS Budget 2001, p.142). Of this amount, \$286,256 was allocated specifically to the Code Compliance Program to pay its five inspectors, an assistant supervisor, and a three-quarter-time administrative person. There are also some administrative costs for processing information and notices related to the program, \$7,500 in mileage expenses, and benefits for these employees (Morawetz 2001). The city must also bear some additional costs related to enforcement of the program. Situations requiring litigation place a burden on the Milwaukee court system, but the DNS does not track the extent of these expenses.

## Theory And Practice Of Code Enforcement

Studies of individualized code enforcement policies similar to the Code Compliance Program indicate that the positive impacts of these programs on individual properties are unlikely to be projected onto the surrounding neighborhood (Varady 1986, p.115). Policies that target individual properties (such as the Code Compliance Program) rarely have larger neighborhood impacts because these programs are only affecting neighborhoods on the margin. They deal with a small percentage of the total number of properties during a given time period, and so they have limited visibility and impact on other factors in a neighborhood that may be affecting a homeowner's willingness to maintain the house. And it is maintenance that will preserve the quality and value of the house. Figure 2 shows the many different factors that can influence a home investment decision (Galster 1987, p.14).

**Figure 2: A Decision Model for Housing Maintenance**



As the above diagram shows, dwelling, owner, physical and social neighborhood, and public policy characteristics influence a homeowner's assessment of his/her property and the neighborhood. In turn this affects the decision to invest money in a house. Public policies may affect owners' assessments of the value of improving their properties by requiring certain actions or permits. It may also affect their assessment of the surrounding neighborhood by indicating a commitment on the part of the city to retaining its vitality. However, these influences must compete with: dwelling characteristics such as age and condition of the house, owner characteristics such as age and income level, physical-neighborhood characteristics such as the physical condition of houses and infrastructure in the neighborhood, and social-neighborhood characteristics such as the rates of ownership transition and the influx of new groups. Thus the public policy decision of

how to go about code enforcement is just one of five interrelated factors, each with many constituent parts.

Underlying this conglomeration of effects is an economic “prisoner’s dilemma.” Homeowners know that if their neighbor makes an improvement to their home, any spillover effects will come to the homeowner regardless of whether they themselves make improvements. However, if they make improvements and their neighbor does not, then they will be distributing spillover effects without the benefit of reciprocity. Therefore the cautious stance for all involved is to avoid costly home improvements, and this can lead to a cycle of poor maintenance (Little 1978, p.5).

One study that showed the difficulty facing a haphazard code enforcement policy in trying to influence this decision-making structure concerned the Urban Homesteading Demonstration (UHD) of the 1970s. The UHD was a federal program designed to give money to cities to acquire federally owned one- to four-family homes. Twenty-three cities of various sizes were included in this program, including Milwaukee. The goals of the program were similar to some of those of the Code Compliance Program (Varady 1986, p.40-41). The founders of the UHD believed that by making improvements to a few properties in an area, other property owners would be persuaded to manage their holdings better (Varady 1986, p.109).

The study, performed by economist David Varady, examined this hypothesis. It began with the supposition that homeowners closer to a property in the program would be more optimistic about the future of their neighborhoods and would be more willing to make repairs to their homes. Therefore, proximity to a house in the program was the key study variable in predicting whether a house received improvements (Varady 1986, p.109). Using a multivariate statistical technique that controlled for a number of the variables shown in Figure 2, the study found that proximity to a UHD property did not increase the likelihood of housing repairs among nonparticipating homeowners (Varady 1986, pp.112-13).

The study did find, however, that properties near zones of concentrated rehabilitation activity (resulting from a program other than the UHD) were likely to experience repair spillover effects. Therefore Varady concluded:

Comparing this significant result with the insignificant finding for the proximity to homesteading variable highlights the importance of concentrated rehabilitation activity. It appears that rehabilitation has to be of a sufficient density (i.e., more than one or two houses on a block) to have an impact on neighbors (Varady 1986, p.115).

These findings are consistent with studies of other initiatives such as the Community Development Block Grant initiative. Finally, they also mirrored the ideas advanced by the Institute of Community and Area Development at the University of Georgia:

The most efficient and potentially effective approach to housing code enforcement is to concentrate inspection and compliance activities in areas where they can do the most good. Through a program of house-by-house inspection in neighborhoods selected on the basis of priority, blight can be checked and areas upgraded one after another—in a cycling process (Schretter 1970, p.4).

## **Analysis Of Code Compliance Program**

This analysis of the Code Compliance Program was performed at the request of the City of Milwaukee Budget Office. The Budget Office made this request to address concerns about the effectiveness of code compliance in achieving its mission. Therefore, our analysis focuses specifically on the Code Compliance Program's achievement of its four main goals. First we examined the goals of preserving housing quality and property values in the various neighborhoods involved. Our analysis indicates that the Code Compliance Program may lead to improving the condition and quality of individual properties that are inspected. These effects, however, do not appear to carry over to other properties in the neighborhood. Next we analyzed the program's ability to protect buyers from purchasing deteriorated houses. Finally, we analyzed the program as an effective means of enforcing city building codes. In both these instances we conclude that the program has the potential to accomplish its goals, but a number of modifications are needed.

### ***Goals One And Two: Preserving Housing Quality And Property Values***

Our analysis consisted of studying both a sample of individual properties as well whole neighborhoods.

#### **Property Sample**

Our first method of analysis regarding the code compliance goals of preserving housing quality and property values was to determine if the Code Compliance Program was succeeding on the basis of individual properties. In this analysis we assumed that property value would represent a fair measure of the quality of the house.<sup>1</sup> We performed a study in which we collected property value data on a sample of sixty-four houses. This sample was randomly derived from a list of single, duplex, or multi-family homes that were sold in 1999 (Property Data 2001). Thirty-two of these houses were either in the code compliance zones, or were required to have external inspections because they were rental properties.<sup>2</sup> The other thirty-two properties were not part of the program.<sup>3</sup> These property value data were taken from the results of biennial assessments conducted by the City of Milwaukee Assessor's Office from 1984 to the present (Assessment Data 2001). The data collected for the various assessments was converted into real 2000 dollars.<sup>4</sup>

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<sup>1</sup> As another part of our analysis, we attempted to obtain an average measure of the value added to a home as a result of a code compliance inspection. We believed that given the relatively small amount of resources allocated to the program, this could provide an interesting observation as to its effectiveness. Unfortunately, we were unable to complete this part of the analysis because the inspection records of the properties we were looking at were either not available or did not include sufficient detail to allow us to measure the value added by Code Compliance orders.

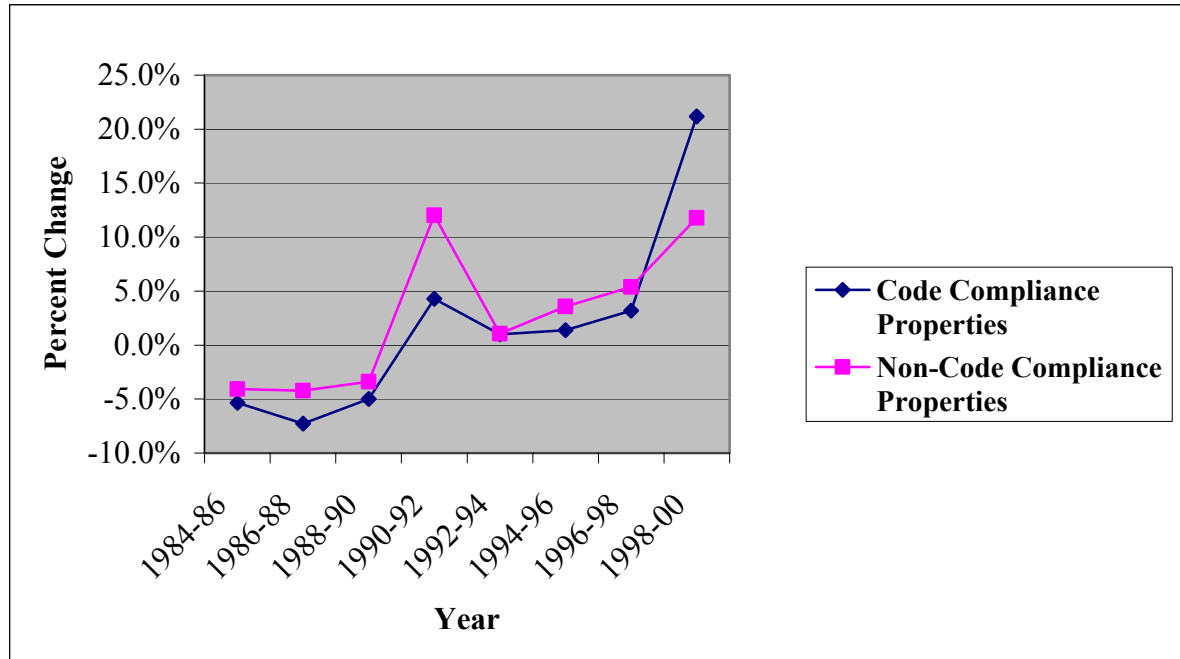
<sup>2</sup> It should be noted that these thirty-two Code Compliance properties included homes within the six zones as well as nonowner-occupied houses outside these areas. Therefore, this set of samples may be affected by differences in rates of value change between owner occupied and nonowner-occupied properties. A separate study comparing the difference in rate of change for these properties could be performed to determine this effect.

<sup>3</sup> However, it should be noted that these non-Code Compliance properties are still subject to city building codes which are enforced as a result of other types of permit requirements or because of a complaint.

<sup>4</sup> This study focused exclusively on the assessed value of improvements to the land as opposed to the assessed value of the land itself. This was done to try to isolate the effects of repairs made to the house. We believed that the assessed value of the land would be more likely to capture extraneous factors such as the

Then the change in value between these assessment periods for properties in the program was compared to those outside the program. The results are presented in Figure 3.

**Figure 3: Comparison of Assessed Property Values Over Time (Percent Change)**



As the figure shows, the value of improvements for both code compliance and non-code compliance properties has been increasing over time. At first glance the figure seems to provide substantial support for the hypothesis that the Code Compliance Program can increase the value of the properties that it covers. This is because the code compliance properties line shows an increase of over 20 percent between the 1998 and 2000 assessments. Alternatively, the non-code compliance properties line shows an increase of almost 10 percent less.

We performed a second test using a sample of values generated from a list of properties sold in 1997 (see Appendixes B and C). The graph, while showing very different rates of change, did exhibit a similar change in the difference between assessed value of code compliance properties and non-code compliance properties the year after they were sold. These results show that in both assessments following the 1997 and 1999 sale years, the properties inside the code compliance area experienced more of an increase in assessed value than those outside the area. Therefore, we are left to conclude that the Code Compliance Program is probably having a positive effect on the quality of the individual houses to which it is applied, as expressed through the change in their

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quality of the neighborhood and thereby make it difficult to determine the effect of the Code Compliance Program.

assessed value over time. However, given the small size of the samples in both of the years that we examined, the magnitude of this effect is highly uncertain.<sup>5</sup>

### **Neighborhood Comparison**

The next step in our analysis was to look at the Code Compliance Program from a broader perspective to see if its effects on individual properties were having any spillover effects in the surrounding neighborhood. We chose two adjacent neighborhoods that are similar in size and socioeconomic characteristics. One neighborhood, Washington Park, is located in a Code Compliance area, while the other, Walnut Hill, is not.

We conducted extensive interviews with community leaders and residents of the neighborhoods, in order to form a more complete picture of each neighborhood. We met with David Boucher, a member of the Walnut Hill Neighborhood Association and an employee of ACTS (Allied Churches Towards Self-Empowerment); Mike Howden, a member of the Washington Park Neighborhood Association; and Darryl Johnson, the Executive Director and CEO of Lisbon Avenue Neighborhood Development (LAND). Finally, we completed an analysis of average assessed values of properties in each neighborhood over a period of 20 years. Figure 4 shows the neighborhoods and their location within the City of Milwaukee.

The Walnut Hill and Washington Park neighborhoods are located in the west-central part of the city, and are divided by N. 35<sup>th</sup> Street. The southern border of both neighborhoods is Vliet St., the northern border is North Avenue, and Lisbon Avenue runs east to west almost through the center of both. Harley-Davidson Inc. and Miller Brewing Co. each has its international headquarters located in the area, remnants of a more prosperous economic time for both neighborhoods. For the most part the neighborhoods look identical in terms of housing styles, lack of economic development, number of vacant lots and boarded up homes, and level of deterioration. The majority of the residents of both communities are African American, but there is a sizable and increasing Southeast Asian population in Walnut Hill.

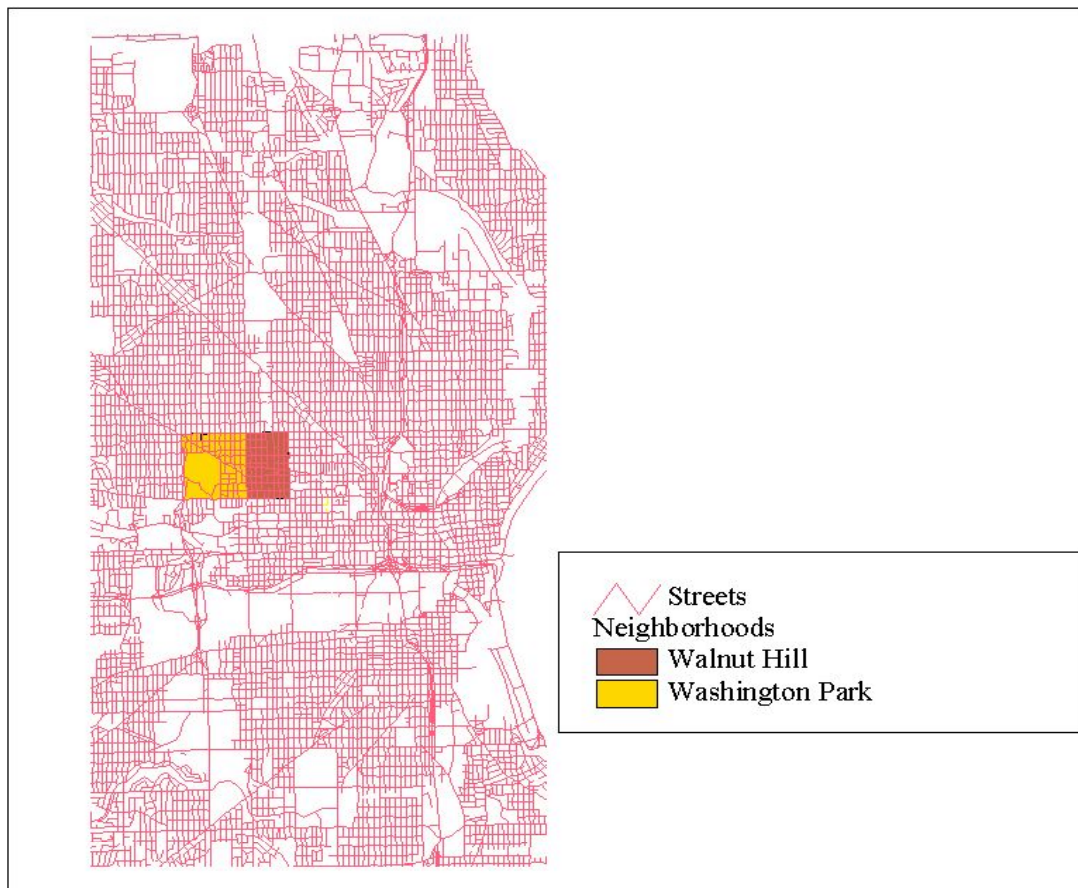
In the early 1980s, Washington Park was selected to be in a code compliance area because it fit the criteria used to define a neighborhood in need of some help in order to maintain its existing housing stock and property values. Walnut Hill, to the east of Washington Park and closer to the central part of the city, was not included, presumably because it had already begun its decline and was too deteriorated for the Code Compliance Program to make much of a difference (Boucher 2001).

Today it is difficult to see much difference between either neighborhood, except for various pockets of either extreme deterioration or rehabilitation in each area. Washington Park, the neighborhood in the code compliance area, has deteriorated so much that large portions of it have been recommended by the building inspectors to be removed from the program. On the other hand, the Walnut Hill neighborhood has

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<sup>5</sup> Establishing a definite measure of magnitude from these results is difficult due to the extremely small size of this sample. These average biennial rates of change for these data sets are highly skewed due to the very large assessed value increases in just a few properties. It is also unclear whether the increase in assessed value of the properties is the result of repairs made to the home as a result of an inspection or whether it simply represents a lag between market value and assessed value. If the properties had not been sold for a number of years, their assessed value might have risen more slowly than their market value. This could create a statistical spike after the property was sold and its market value realized.

**Figure 4: Map of Washington Park and Walnut Hill Neighborhoods**



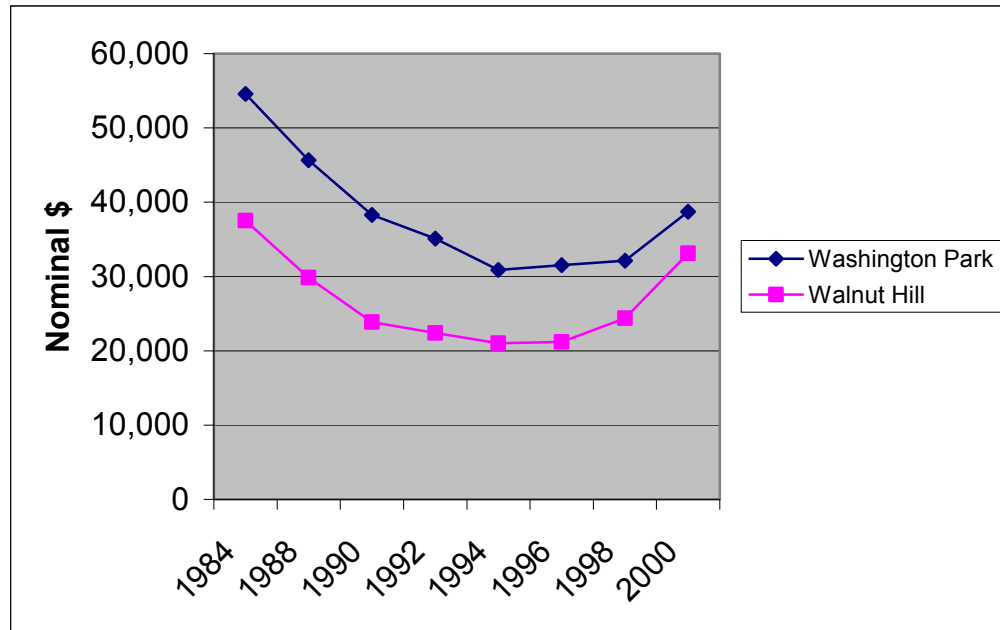
experienced some rehabilitation and increased homeownership. These are hopeful signs that point to a neighborhood on the upswing, and possibly a halt to the “western crawl of urban degradation (Boucher 2001).”

We conducted an analysis of the average assessed values of property for each neighborhood over time, starting in 1984 shortly after the program began, until 2000. We performed this analysis by using the average assessed value of single family and duplex homes for each census tract in each neighborhood, and then used a weighted average of those numbers to find an average for each neighborhood. The results are summarized in Figure 5 below.

This graph shows a large decrease in property values for both neighborhoods from 1984 to 1994. Property values then remained steady for most of the 1990s, and finally increased between the 1998 and 2000 assessments. The properties in Washington Park remained higher than those in Walnut Hill throughout this time period; but the gap seems to be decreasing. In 1984 the average assessed value for a single-family home in Washington Park was \$54,555 (all values have been adjusted to 2000 dollars), and in Walnut Hill it was \$37,498, a difference of \$17,057. By 2000 the property values in

Washington Park were only \$38,704, while the property values in Walnut Hill averaged \$33,143, a difference of only \$5,561.<sup>6</sup>

**Figure 5: Single Family Average Assessed Value**



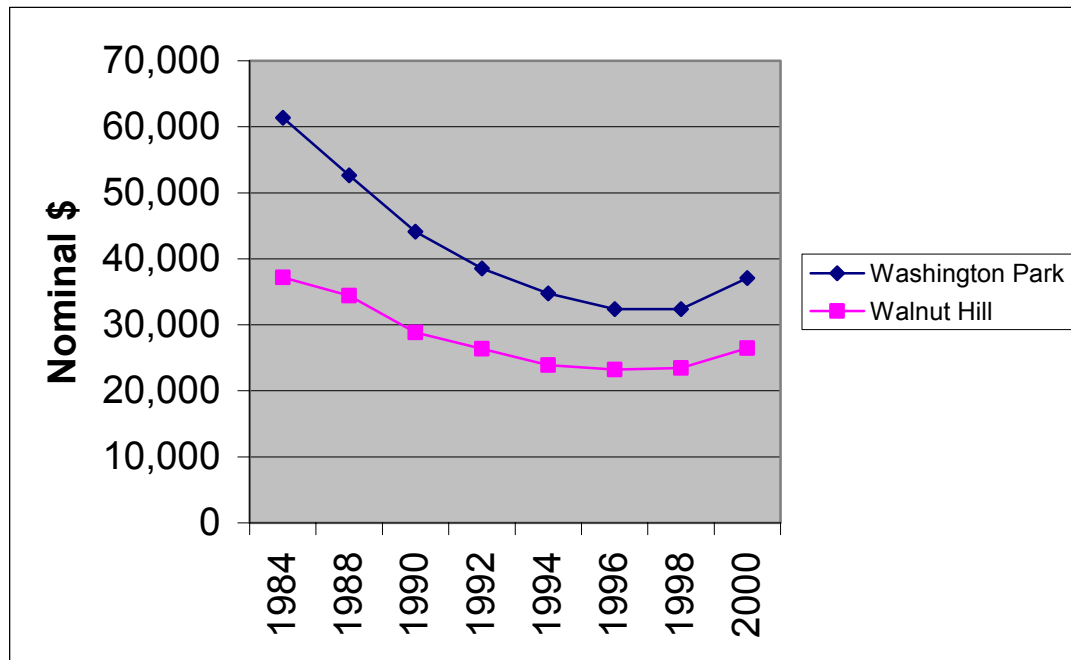
We performed the same analysis for the average assessed value for duplex homes in each neighborhood and discovered similar conclusions. The results are summarized in Figure 6 below. The main difference is the steep decline in property values for duplexes in the Washington Park neighborhood between 1984 and 1996 compared to the smaller decline and relative stability for the Walnut Hill neighborhood over the same time period. The average assessed value for a property in the Washington Park neighborhood in 1984 was \$61,359, while in Walnut Hill it was \$37,160, a difference of \$24,199. By 2000 the average property value for Washington Park was \$37,083, and in Walnut Hill it was \$26,465, a difference of \$10,618.

The results of these evaluations indicate that including a neighborhood in a code compliance area is not enough to stop the effects of deterioration. Although both neighborhoods' average assessed property value decreased for both single family and duplex homes during the 16-year period, the decline was much steeper in Washington Park. The property values in both neighborhoods are much closer in value now than they were before the Code Compliance Program began, and it is not because the values in Walnut Hill have shown a great increase, but that the values in Washington Park have shown a great decrease.

According to the members of the community whom we interviewed, there are a few obvious reasons that have contributed to the decline of both neighborhoods. First is the lack of economic development. The major commercial corridors that run through both

<sup>6</sup> See Appendix D for detailed information.

**Figure 6: Duplex Average Assessed Value**



neighborhoods—Lisbon Avenue, Vliet St., and N. 35<sup>th</sup> St.—are all ghosts of their pasts. N. 35<sup>th</sup> St. has had some recent new projects, including a Jewel-Osco store, but the remaining commercial corridors are filled with vacant storefronts and boarded up buildings. This not only makes the area undesirable in terms of appearance and convenience for residents, but it creates an unsafe environment and reduces the number of jobs available within the neighborhood.

A second reason for the decline of neighborhoods is the decreasing rates of homeownership and the high turnover of properties. LAND recognizes this problem, and cites investment speculators and absentee landlords as a significant issue in both neighborhoods. Washington Park has an average rate of only 23 percent homeownership (Johnson 2001). This contributes to a rapid deterioration of properties and few attempts at rehabilitation.

Finally, there is a lack of new construction. According to a very recent survey and resulting maps of vacant lots in both neighborhoods, commissioned by Mike Howden and LAND and performed by the UWM Center for Urban Initiatives and Research, approximately 500 lots are vacant throughout Washington Park and Walnut Hill. In addition, 125 homes are boarded up, some of which are presumably slated for demolition by the city (Howden 2001). Although it is commendable that what were most likely badly deteriorated houses have been torn down, the large number of vacant lots is troubling.

Positive signs can be seen in both neighborhoods recently, especially Walnut Hill. That neighborhood has experienced a rise in homeownership, particularly in the Southeast Asian community. This is due in part to the influence of some active nonprofit organizations in the area, specifically ACTS and Habitat for Humanity. LAND has also been active in both neighborhoods, offering a home-buying counseling program and

creating opportunities for economic development. The city has also had a positive impact in the Washington Park area, with the creation of a TIN (Targeted Investment Neighborhood). This initiative will be discussed more fully in the next section of this paper.

### **Recommendation: Expand the TIN Program**

After analyzing the results of our study, which support our research into other types of similar neighborhood stabilization initiatives; we have found that while the Code Compliance Program is effective in maintaining the quality of individual properties, it does not appear to generate the desired neighborhood spillover effects. The Code Compliance Program is extremely limited in its ability to effect change at a neighborhood level because the program only inspects properties during the sale process. There are so many other factors to consider in the development or destruction of a neighborhood, and at best, code compliance can only help to improve individual properties one at a time. To effect change at a neighborhood level requires dealing intensively with the entire neighborhood at one time. Therefore one option that the City of Milwaukee might consider to achieve its neighborhood preservation goals is to augment the Code Compliance Program with a separate program that combines comprehensive area enforcement of code with a variety of other neighborhood stabilization tools.

A program that does this already exists within the City of Milwaukee—the Target Investment Neighborhood (TIN) Program run by the Neighborhood Improvement Development Corporation (NIDC), a nonprofit arm of the city. The concept of this program is to revitalize small neighborhoods, roughly 6 to 12 square blocks, by targeting resources in the neighborhood for a period of about three years. The goals of the program are to “increase owner-occupancy, strengthen property values and improve the physical appearance of a neighborhood (NIDC program information 2001).”

The community liaison of the program works intensively with a neighborhood partner, usually a nonprofit organization, to promote homeownership and rehabilitation through the use of grants and loans. The program also works toward blight removal, public improvements, and intensive code enforcement (mainly exterior). There are eight TINs currently, the most the program has ever run at once. The TIN program was started in 1994 and because of its popularity has steadily expanded.

Although this program seems to be effective, it is very small. It could be an extremely effective tool with which to stabilize and rehabilitate neighborhoods if the program itself were expanded to include more neighborhoods and if the actual resources offered by the program were also expanded. Suggestions for the expansion or improvement of the TIN program are listed below.

- Better coordination among other city departments. A specific person in each contributing department should be designated to work on the TIN team, as a contact person. Departments that could be included are Police, Health, and City Development.
- Neighborhood Cleanups. Currently the city holds one neighborhood cleanup per aldermanic district per year. Incorporating a program like this at the start of each TIN project would be a good way to establish a partnership between the neighborhood and the city.

- Permanent office (for duration of TIN) located within the neighborhood. This office would house the community liaison, a police officer, and perhaps someone from DCD. The purpose of this office, preferably located near the designated neighborhood partner, would be to provide a visible city presence in the community and to function as a clearinghouse for complaints, requests, and ideas in the neighborhood. This would help to streamline the bureaucratic process for neighborhood residents, which would help the TIN program become more efficient.
- Landlord training and workshops for new and potential homeowners.
- Discover a way to secure funding for the entire period of the TIN as opposed to the current way of reapplying for CDBG funds every year.
- Actively work to encourage new construction on vacant lots.
- Evaluations of each TIN should happen yearly to judge progress while TIN is active. After that, analysis should still occur, perhaps every three years. Analysis should include interviews with neighborhood residents and community leaders to assess impact of program and further needs, analysis of property values from year to year, rates of home ownership, foreclosure information, and crime statistics.

### ***Goal Three: Protecting Potential Buyers***

While working toward the goals of preserving housing stock and neighborhood property values, the intensive code enforcement and neighborhood stabilization option does not specifically address the code compliance goal of protecting buyers. Therefore, we analyzed the program to determine whether it is actually protecting potential buyers from purchasing substandard properties. We found that while Milwaukee's Code Compliance Program could be an effective way to achieve this goal, its current form is in need of some changes.

As it stands now, the Code Compliance Program is supposed to function as a point-of-sale requirement. Ideally, sellers would inform buyers of the requirement before the sale agreement. The buyers could then arrange for an inspection, and any remedial action necessary to correct violations could be incorporated into the price of the sale. This would accomplish two things. First, it would prevent decline in the quality of the housing stock by making sure that repairs are made. These repairs would either be made by the current owner or by the new owner after agreement on the price of the home. Second, it would make sure that buyers are aware of problems with the house. In this way it should also function as a truth-in-housing initiative. In many instances, however, this system fails to work properly.

From 1996 to 1999, 2,261 code compliance orders were issued by the Department of Neighborhood Services for properties in one of the six reinvestment zones. Of these, approximately 26 percent required a letter from the DNS to notify the owner that an inspection was necessary (Stott 1999, p.25). This means that in more than one out of every four instances a buyer failed to even get a property inspected by the city before attempting to take up residence. This is not considering the uncounted numbers of buyers who failed to get an inspection before the sale but did so before they moved in. The DNS estimates that approximately half of all properties (including non-owner-occupied houses outside the zones) that were inspected under the Code Compliance Program during this

time required prompting (Stott 1999, p.21). Throughout this period, cases that required prompting by the DNS required almost twenty-one extra days of effort and expense to close (Stott 1999, p.25).<sup>7</sup>

These numbers indicate that the Code Compliance Program is not functioning effectively as a point-of-sale program and is therefore not providing adequate protection for buyers. The chief reason for this is the liability scheme set up in the Milwaukee Code. In other cities around the country with similar programs (some of which will be mentioned later) it is the seller's responsibility to disclose and fix violations of the city code. Milwaukee's liability scheme is almost reversed. According to §200-52-3-a of the Milwaukee City Code:

No person acquiring an ownership interest as a result of a sale, transfer or conveyance of a one or two family dwelling within the designated reinvestment areas of the city of Milwaukee shall occupy or rent the property after the time of sale, transfer or conveyance without having first secured a certificate of code compliance.

As is further indicated by §200-52-3-b, the only responsibility expressly given to sellers regarding code compliance is to inform the buyer of the property that a code compliance certificate is required.

However, the key problem with this notification requirement is that it often fails to result in buyers being made adequately aware of code requirements against which their newly purchased houses will be measured. In these instances the requirement has failed for a number of different reasons. First, some properties in some locations of the city tend to turn over quickly. This rapid turnover may be the result of poor quality of the house or neighborhood. The more often a property is sold, the more likely it is that owners (new and old) will be unaware of the specific requirements associated with the sale of that particular property (Collins 2001). This lack of knowledge is amplified in situations when homeowners want to leave a property due to the poor quality of the house or its location. These situations do not give the homeowner any incentive to make sure that all of the requirements of a transfer are fulfilled.

In other instances, this lack of knowledge of the notification requirements is the result of the fact that the property is being sold by the owner and is not listed through a real estate agency. Inspectors for the Department of Neighborhood Services have found that in situations where properties are listed with a real estate agency, sellers are more likely to inform buyers of the Code Compliance requirements because the agency reminds them of this obligation. Milwaukee citizens who are selling their own homes will experience little incentive to perform their notification obligation, because the violations likely to be found will result in a lower sale price for the house. A related problem concerns houses financed by out-of-state lenders. Code Compliance inspectors have also found that in state, and especially in Milwaukee, lenders tend to make sure that buyers get their code compliance certificate before the sale is finalized. Out-of-state lenders are often unaware of these requirements and fail to make sure they are fulfilled (Balzer and Zyszkiewicz 2001).

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<sup>7</sup> Closure means that a code compliance certificate was issued after complete abatement of any violations.

Finally, another reason that property owners fail to obtain the necessary compliance certificate is due to the difference between those who reside on the property and those who rent it to others. The DNS has found that landlords fail to have their properties inspected more often than homeowners who live in residence. This happens for one of three reasons. First, landlords may be unaware of the requirement, especially if they are new to the area. Second, some landlords continue to rent properties with large numbers of violations because tenants are often unaware of the code and hold rental properties to a lesser standard than if they owned the house themselves. Third, some landlords fail to keep up their properties properly because of tenants who are destructive or irresponsible. Many landlords do not want to invest large sums of money to fix up their rental properties if they feel this investment will be lost very quickly (Balzer and Zyszkiewicz 2001).

The result of this failure is that in some instances, buyers end up with properties with large numbers of code violations. These buyers may not have the financial ability or willingness to bring their properties into compliance. Consequently, the DNS often has to spend a significant amount of time and effort in getting these new owners to correct their violations. The amount of effort required is evident in the lengthy procedure the department has developed to deal with these situations. Periodically the department receives a list of properties that have been sold from the County Register of Deeds. In those instances where a certificate of code compliance has not been filed, a Code Compliance staff member sends a letter to the owner notifying him or her of the code requirements and giving instructions about how to apply for an inspection. If the application with the appropriate fee is not received, the fee is doubled and placed on the property's tax roll. Next, whether the proper application was received or not, the inspectors have to go out and inspect the home. The inspector performs the full or exterior inspection, depending on what is required for that particular property. If there are problems, he or she must then issue a violations order and note the resident's illegal occupancy (Maynard 2001).

At this point the property moves into a remedial stage. An inspector must come and make followup inspections to make sure that the violations have been corrected. If they are not corrected, the case must be referred to the court system along with a citation for failure to obtain the proper certificate of code compliance. For those properties that required a full inspection but where the inspector was not allowed inside the house, the owner is given a citation for illegal occupancy and for failure to obtain certificate of code compliance. The fines for these citations are \$521 and \$301 respectively. Properties that reach this point are sometimes litigated, and orders are then given to inspectors to check the property continually for compliance. For every month that the property fails to achieve compliance, the department places the fines and graduated re-inspection fees on the tax roll. In some instances, the property may have enough violations to warrant a condemnation order and then the residents are forced out.<sup>8</sup> Otherwise, the fines continue to accrue on the tax roll until the owner pays them and fixes the house or does not pay them and loses the property due to tax delinquency (Maynard 2001).

As stated previously, it is uncommon that a certificate of code compliance is issued without any violations having been found. From 1996 to 1999 the average number

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<sup>8</sup> This is done when the assessed value of the repairs is more than half the assessed value of the house.

of violations cited was almost eight per house (Stott 1999, p.28). By far the most common violations involved the exterior of the house, and these were often problems relating to the condition of paint, porches, steps, and drainage systems (Balzer and Zyszkiewicz 2001). The next most common violations were custom violations, largely relating to nuisance issues on an owner's property. These were followed by general interior violations, largely relating to the general state of repair of the interior of the house (Stott 1999, p.28).<sup>9</sup>

The city's enforcement costs are directly related to how long this process continues for a particular property. While DNS statistics show that the number of properties requiring protracted enforcement measures were small, it's clear that many Milwaukee home buyers are not adequately informed in accordance with the Code Compliance Program (Stott 1999, p.21). However fixing it will require more than efforts to make buyers more aware of the code compliance requirements. Instead, a shift in the liability associated with the inspections is required in order to make sure that buyers are protected and that housing values are maintained.

### **Recommendation: Change the Liability Scheme**

Even though the program is supposed to function as a point-of-sale inspection, the liability is clearly on the buyer. This is not only because the only legal requirement on sellers is that they must inform buyers of the inspection requirement. It also results from the fact that buyers can purchase the property without it being inspected. They must, however, get the inspection done before they can occupy the home. There are many examples of programs in other cities where this liability scheme has been reversed and where the programs are very successful in achieving the goal of maintaining property values.

Two of these programs are in place—in Bloomington and St. Louis Park, Minnesota. Bloomington's program is one of the more stringent examples of this change in liability because it requires that inspections be performed before a house can be listed for sale, and that the current owner correct hazardous conditions. The St. Louis Park program also shifts liability because it requires that a seller receive a house inspection before entering into a purchase agreement with a buyer. While these cities are smaller in size than Milwaukee, the City of Minneapolis also relies on a similar liability scheme in its inspection program. It uses a truth-in-housing philosophy. Like the City of St. Louis Park, it requires sellers to make sure that buyers are given a truth-in-housing disclosure report, or certificate of code compliance before signing a purchase agreement. These documents must be prepared by an inspector licensed by the city. Any remedial orders resulting from the inspection must also be shown to all potential buyers (Realtor 2001).

These programs are successful and avoid some of the problems that face Milwaukee's DNS because they clearly place more responsibility on sellers for getting inspections and in some cases fixing violations. This arrangement may be justified because it is presumably the current owner who has allowed the property to deteriorate, and thus he or she should be responsible for fixing it.

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<sup>9</sup> Unfortunately we were unable to get the data necessary to quantify the economic burden placed on homeowners as a result of Code Compliance inspections.

Milwaukee could institute such a program by changing its regulations to reflect a point-of-sale or truth-in-housing philosophy. These potential changes are flexible allowing the city to choose between simply requiring sellers to have their properties inspected by the point-of-sale or requiring such inspections before the house is put on the market. Furthermore the city has the option of requiring sellers to fix the cited violations or simply make buyers aware.

While these changes would help lessen the costly enforcement process, other measures are clearly necessary to deal with those homeowners who refuse to comply with the requirements, as well as with those who conduct their sales outside the regular channels of real estate transfer.<sup>10</sup> These liability transfers should be accompanied by financial penalties for those who fail to follow the requirements. The city should also work on using alternative methods of finding properties that were sold without having inspections performed. This could be done by examining utility records to see when billing names have changed (Johnson 2001). Such action would help catch those homeowners who sell their homes without transferring the deed or title. These two program modifications could help to deal with a large proportion of those property owners whose noncompliance is creating enforcement problems for DNS.

#### **Recommendation: Program to Increase Property Maintenance Education**

An improvement related to changing the liability scheme is to provide public education for homeowners about their property maintenance responsibilities under the city code. DNS has tried to educate the public as to the code compliance requirements through the publication of educational materials in a variety of media. It has dedicated a staffperson to be the public education coordinator and maintains a helpful, informative, and interactive website. It publishes forms, brochures, documents, videos, and a departmental newsletter (DNS Website 2001).

While these achievements clearly represent a good faith effort, they are focused largely on the passive interaction of the average citizen. That is, people may not have significant incentive to take heed of these materials, especially such cases as educational materials that must be requested or researched. One potential response to this problem could be to try to develop a public education program. This program would be focused on first-time Milwaukee homeowners. These are the people who are most likely to be unaware of the inspection requirements, as well as the degree of effort, maintenance, and expense that it takes to keep a home in compliance with the city codes. These property owners often spend a significant portion of their income and or savings trying to purchase a home only to find that they are unable or unwilling to maintain it. In addition to requiring an inspection before entering into a purchase agreement, the city code could be changed to suggest that new Milwaukee homeowners attend an education session provided by the department. Attendance would not be required, but the city could provide an incentive to persuade citizens to go. The DNS could reduce or eliminate certain inspection or permit fees for new homeowners who attend the education session (Hagopian 2001).

If the department were able to put a presentation together that did not take a long time to deliver (a time limit of an hour is suggested), and is available at convenient times

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<sup>10</sup> This was cited as a problem during an interview with Candice Maynard, however it is unclear exactly how often it occurs.

and locations around the city, fee reductions could provide a strong incentive for new homeowners to attend. Furthermore, if potential homeowners could be induced to attend one of these sessions prior to signing a purchase agreement, these new buyers would have an opportunity to get an understanding of the responsibilities of an urban homeowner to help maintain the quality of the housing stock within the city. Such knowledge gained at this point in the process would help new buyers make better choices about whether or not they could afford to purchase their own home. This could be less hassle for the homeowner and reduce the code enforcement expense for the city.

### **Recommendation: Change the Inspection Requirements**

In other respects, the DNS Code Compliance Program may not be providing adequate protection specifically for low-income (predominantly minority) buyers. By requiring that buyers get a code compliance certificate before inhabiting a dwelling, the City of Milwaukee is imposing a higher standard for prospective residents than for current residents, especially for those living in one of the six reinvestment zones. This may restrict the ability of some low-income people to buy a house because the cost of bringing it up to code may be beyond their means (Little 1978, p.4). While we were unable to demonstrate the magnitude of this effect in Milwaukee, other studies have shown it to be true.

One such study was performed by Michael Walden. He looked at data for municipalities in North Carolina and found that municipalities with housing codes had lower rates of homeownership among low-income people. He wrote, “Adopting housing codes imposes a restricted set of choices on consumers (generally low-income consumers) (Walden 1987, p.14).” This is because housing codes have the effect of establishing a price floor in the housing market by mandating minimum levels of quality. This creates distortion in the housing market by forcing a different equilibrium point than would otherwise occur.

Walden found that a code’s influence on rental price and individual home ownership costs was dependent upon the elasticity of the housing market. For rental units the prices were generally elastic meaning that over the long run, codes may not have severe rent impacts because declining demand will force rents down. However, homeownership was different because it tended to be less elastic with respect to prices. Therefore, an increase in ownership costs resulting from housing codes will likely result in an increased demand for rental properties because the market for owner-occupied properties does not respond as well actively to changes in demand. The key difference is in the higher transaction costs associated with owning a home. This difference hits low-income people harder because they are already on the margin of being able to participate in the homeownership market (Walden 1987, pp.15-19).

There are three different options the City of Milwaukee might exercise to relieve this added burden on potential low-income homeowners. First, the city could expand the small amounts of assistance it provides to those buyers who can afford to purchase a property but who face significant expense in bringing it up to code. Currently this assistance is provided in the form of grants or low-cost loans that are subsidized by federal funds. While this option seems equitable, it could also be prohibitively expensive. Furthermore, it would require a larger administrative structure to deal with the decisions of how to distribute these funds.

A second option would be to limit the internal inspection of homes. A compliance order concerning violations on the interior of a house can have an effect on the value of that property. It is also important to correct many safety hazards such as the failure to have an adequate number of smoke detectors. However, it is difficult to see how the results of an internal inspection provide spillover effects to the rest of the neighborhood. A house down the street is not affected by the condition of the paint on a bedroom wall. In addition, failure to keep up with some internal codes may be less damaging to the long-term economic health of the property because internal maintenance is less necessary to prevent weather-related decay. Therefore one option might be to limit the inspection requirements to the exterior code requirements and those interior codes fundamentally necessary to the safety of residents. The following list represents a few of the more cosmetic requirements currently in the Milwaukee Code:

- Every room must have at least 1 window, measuring a min. of 8 percent of floor area of room
- An adequate lighting system shall mean an intensity of 2-1/2 foot candles at a plane of 30 inches above the floor line. The required intensity shall apply to both natural and superficial lighting
- The total open able window area in every habitable room shall be equal to at least 50 percent of the minimum window size
- At least half the floor area of every habitable room must have ceiling height of 7 feet plus
- Bathrooms may not be used as a passageway to a hall or other space
- Handrails shall not be less than 30 inches nor more than 34 inches vertically above the nose of the stair tread
- Every interior partition, wall, floor, and ceiling shall be capable of affording privacy, kept in a reasonably good state of repair, and maintained so as to permit them to be kept in a clean and sanitary manner
- Sleeping rooms shall not be used as the only means of access to other sleeping rooms or habitable spaces

Limiting the enforcement of requirements such as these might help to alleviate some of the compliance costs facing a low-income person who has just bought a property.

Finally, Milwaukee might consider developing a “code for residential rehabilitation of existing structures” (U.S. Congress, Senate 1978, p.14). As low-income people move out of inner-city apartments, they tend to first get into parts of the city with a much older housing stock. These dwellings are often less expensive because they are habitable, but their quality has declined. Because of their age, however, these buildings also tend to be the most drastically out of compliance with current standards. Bringing these buildings up to code is often prohibitively expensive and promotes abandonment (U.S. Congress, Senate 1978, p.11). To help low-income buyers and other owners of these properties the city could develop a separate code for existing structures that incorporates basic safety and maintenance elements but not certain costly construction standards (such as those mentioned previously). Or the city could try to develop a policy of establishing some basic safety requirements but otherwise allow a building to pass a

code inspection as long as it is in compliance with the buildings codes that were in effect at the time it was built. This system, although much more complicated, has been attempted in other cities. The City of St. Louis Park, Minnesota, provides one such example. According to its code, “A house must comply with the code that was in effect at the time the home was constructed. Corrections must be made if the deficiency was a violation of the code when the home was built or if the deficiency poses a [life-threatening] safety hazard (Realtor 2001).” These three options could help the city to decrease the exclusionary effects that building code enforcement has on low-income market participants.

#### ***Goal Four:***

#### ***Code Compliance As A System Of Code Enforcement***

The most efficient and potentially effective approach to housing code enforcement is to concentrate inspection and compliance activities in areas where they can do the most good. . . . Although city-wide in scope, housing code enforcement can have [its] greatest impact in areas of basically sound dwellings that are just beginning to decline in quality or where deterioration has reached only moderately serious proportions (Schretter 1970, p.4).

No system is in place to review periodically the areas that should be included in the reinvestment zones. Thus, it might be helpful to reevaluate what areas of the city should be part of the program. Assessed property values, owner occupancy rates, and crime levels were among the original criteria used and might be used again (Stott 1999). We have created a method of analyzing the code compliance boundaries using both these original criteria and recommendations from building inspectors familiar with the areas.

#### **Recommendation: Change Code Compliance Boundaries**

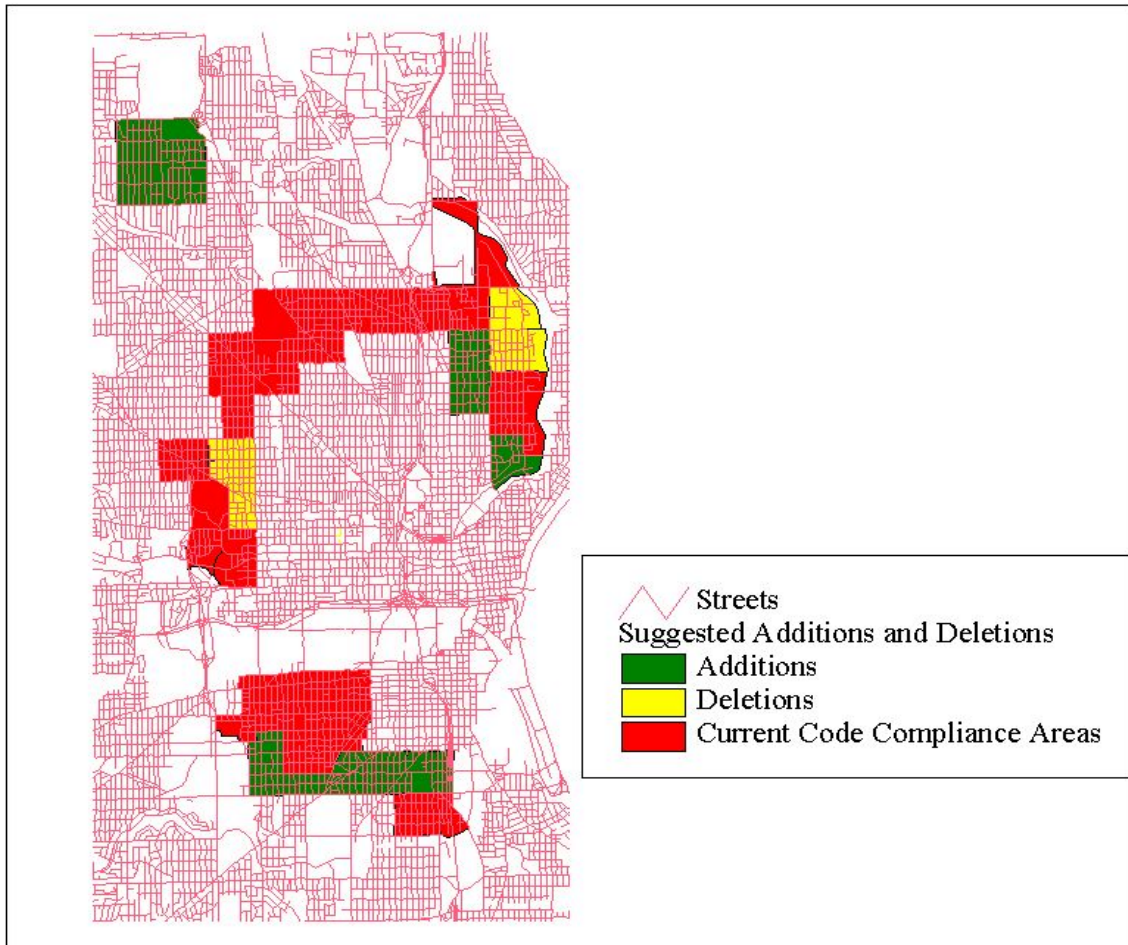
We asked the five code compliance zone inspectors to determine what areas they believe should be added to or taken out of the code compliance zones. We asked for their suggestions because they have a strong understanding of how the program works and a familiarity with the neighborhoods in question. Furthermore, they have dealt with various areas of the city for a long enough time to have some understanding of which areas of the city have been improving and which areas have been deteriorating.

The suggestions they gave for deletion are for two areas where the program is either not effective due to excessive deterioration or where intervention is no longer needed to maintain their current level of quality. The inspectors made the following suggestions for changes to the reinvestment zones:

- Expand the Riverwest area from Wright Street on the north to Commerce Street, to the Milwaukee River on the east, and Holton Street on the west.
- Remove the Riverwest area with Burleigh Street on the South to Capital Drive on the north, and the Milwaukee River on the east.
- Add the area with 3<sup>rd</sup> Street on the west, Holton Street on the east, Center Street on the south and Keefe Avenue on the North.
- Eliminate the area with 35<sup>th</sup> Street on the east, Wright Street on the north Sherman Boulevard on the west, and McKinley Avenue on the south.

- Add the area with Burnham Street on the north, Lincoln Avenue on the south, the freeway on the east, and 20<sup>th</sup> Street on the west.
  - Add the area with 20<sup>th</sup> Street on the east, 37<sup>th</sup> Street on the west, Lincoln Avenue on the south and Lapham Street on the north.
  - Add the area with Hampton Avenue on the south, Silver Spring on the north, Sherman on the east and 60<sup>th</sup> Street on the west (Balzer and Zyszkiewicz 2001).
- The recommended additions and deletions are summarized in Figure 7 below.

**Figure 7: Suggested Changes To Code Compliance Areas**



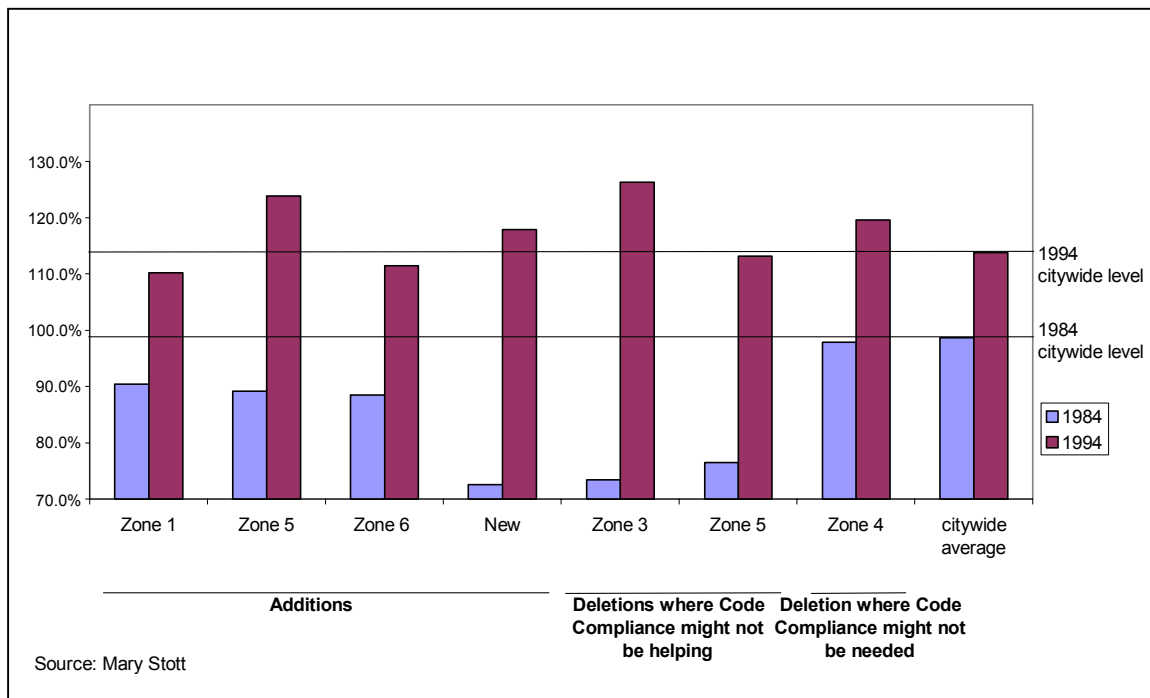
The reinvestment zones sometimes contain partial census tracts. For these tracts, we estimated the percentage of the tract that is in the zone or area recommended for change. This percentage was used for our calculations. We assume even distribution of property values within each tract.

The data below are not perfectly consistent with the suggestions made by the inspectors, but the indicators we use are not perfect. As the inspectors work in the neighborhoods on a daily basis and have a unique familiarity with the housing situation and the code compliance program, their suggestions should be taken seriously.

## Property Values

The property values of single-family and duplex parcels in the zones and the areas suggested for change are among the criteria that can be used to make suggestions for change. Figures 8 and 9, along with the corresponding tables in Appendixes E and F show the changes in property value for single-family and duplex parcels in the reinvestment zones and the suggested areas for addition and deletion. The years 1984, 1994, 1998, and 2000 are used in the table to measure the effectiveness of the program at various points in time. The values were adjusted to 2000 dollars.

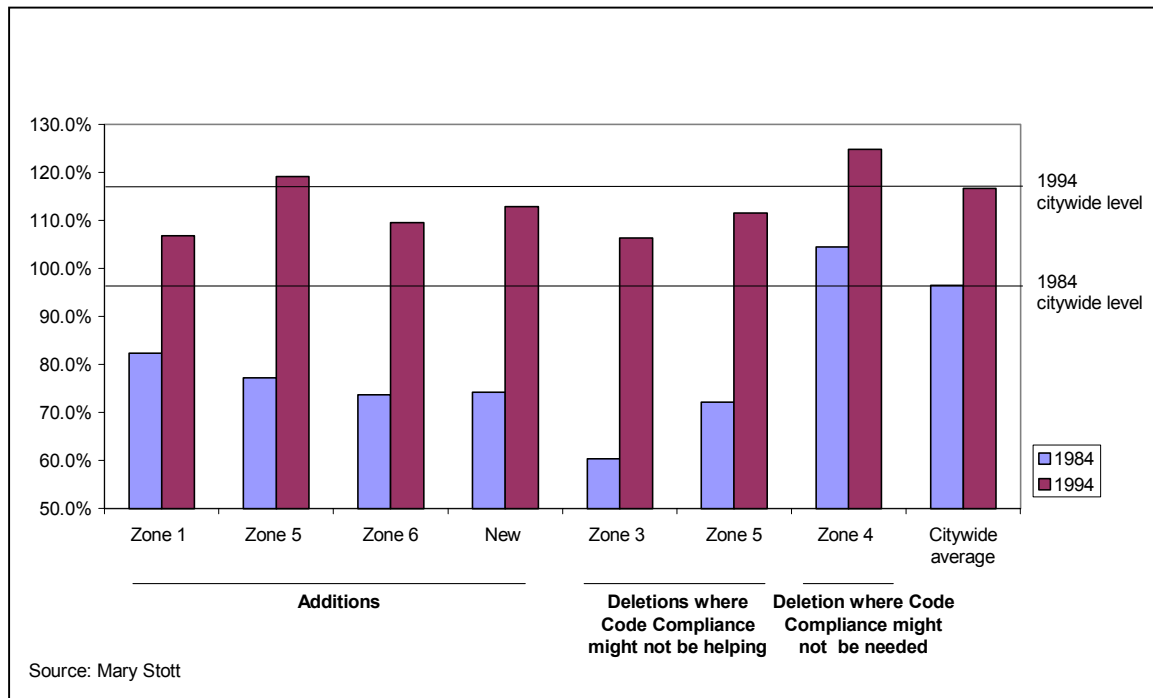
**Figure 8: Percentage of 2000 Values for Single-Family Parcels in 1984 and 1994 (Dollars adjusted)**



Citywide, the average value of single-family parcels in 2000 was 98.7 percent of what it was in 1984 in constant dollars. While the value of these parcels dropped in constant dollars across the city, the drop was larger in each of the reinvestment zones, although the difference was quite small for zone 5. All areas suggested for addition to or removal from the program dropped in value more than the citywide average. The citywide average for duplex parcels also dropped slightly. The drop was larger for all reinvestment zones except for zone 5, where values rose slightly. Again, all areas suggested for addition had values that dropped much more than the city as a whole. The area suggested for removal from zone 5 increased in value between 1984 and 2000, while the other areas suggested for removal decreased in value more than the citywide average.

The 2000 values of single-family parcels citywide are 113.9 percent of the 1994 values. The values in zones 1 and 6 rose slightly less than the city as a whole, while all other current zones rose at a faster rate than the city. There is no substantial lag among any of the areas recommended for addition to or elimination from the program, and some

**Figure 9: Percentage of 2000 Values for Duplex Parcels in 1984 and 1994  
(Dollars adjusted)**



of these areas (primarily the area recommended for elimination from zone 3 and the area recommended for addition to zone 5) have outpaced the city dramatically. For duplex parcels, values in zones 2 and 5 rose more than values in the city as a whole. In other zones, property values rose at a slower rate than the citywide average. Values in the areas recommended for addition to and elimination from zone 5 rose more than the citywide average, but values in the other areas recommended for change rose more slowly than the citywide average.

### ***Owner Occupancy***

Owner occupancy rates are another measure that was used in determining the original reinvestment zones.

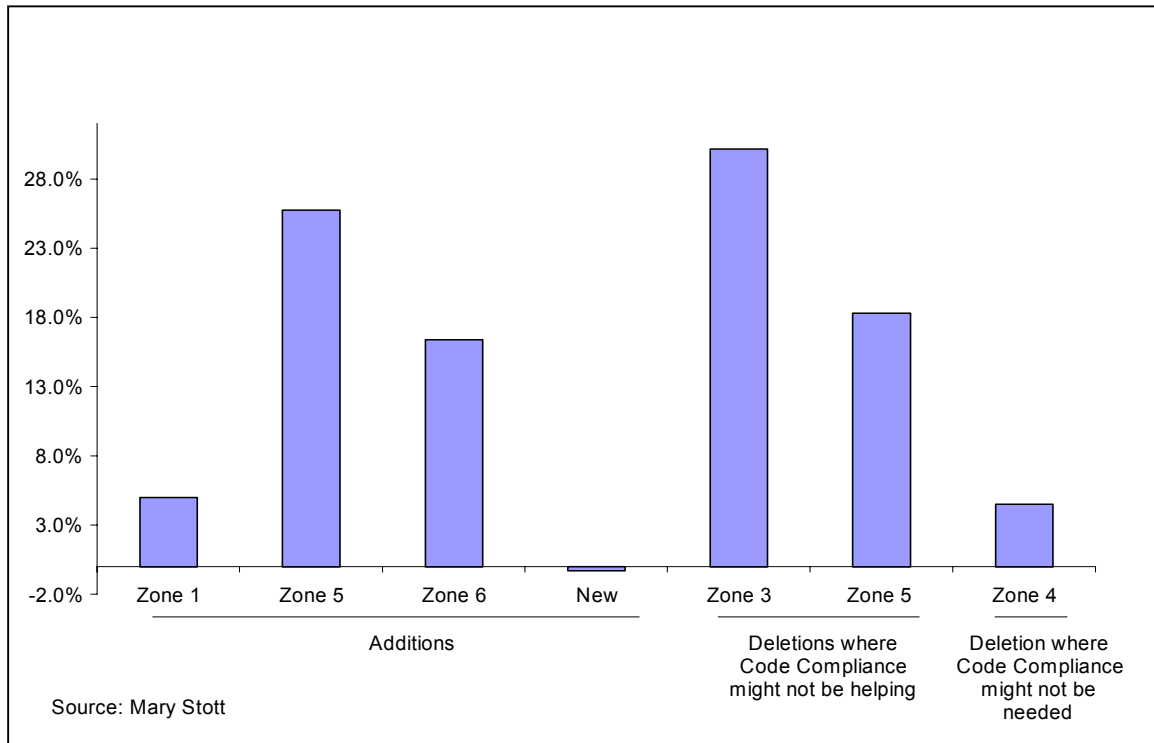
Figure 10 and the corresponding table in Appendix G show changes in owner occupancy rates. The years 1997 through 2000 are used in the table.

Across the city, owner occupancy rates dropped 0.2 percent between 1997 and 2000. Rates rose 4.4 percent in zone 3, dropped slightly less than the city rates in zone 4, and dropped more than the city rates in all other zones. The areas recommended for elimination from zone 3 and 4 had growth in owner occupancy rates, but the area recommended for elimination from zone 5 had rates dropping more than the city. The area suggested for addition to zone 5 had an increasing owner occupancy rate, while the other areas suggested for addition had decreasing owner occupancy rates.

All current zones and areas recommended for change, with the exception of the new area suggested for addition, had occupancy rates in 2000 below the citywide rate. Most dramatically, the area that would be added to zone 5 had an owner occupancy rate

25.8 percent lower than that of the city and the area recommended for elimination from zone 3 had a rate 30.1 percent lower than the city (Stott 1999).

**Figure 10: Percentage Point Difference from Citywide Owner Occupancy Rates, 2000**

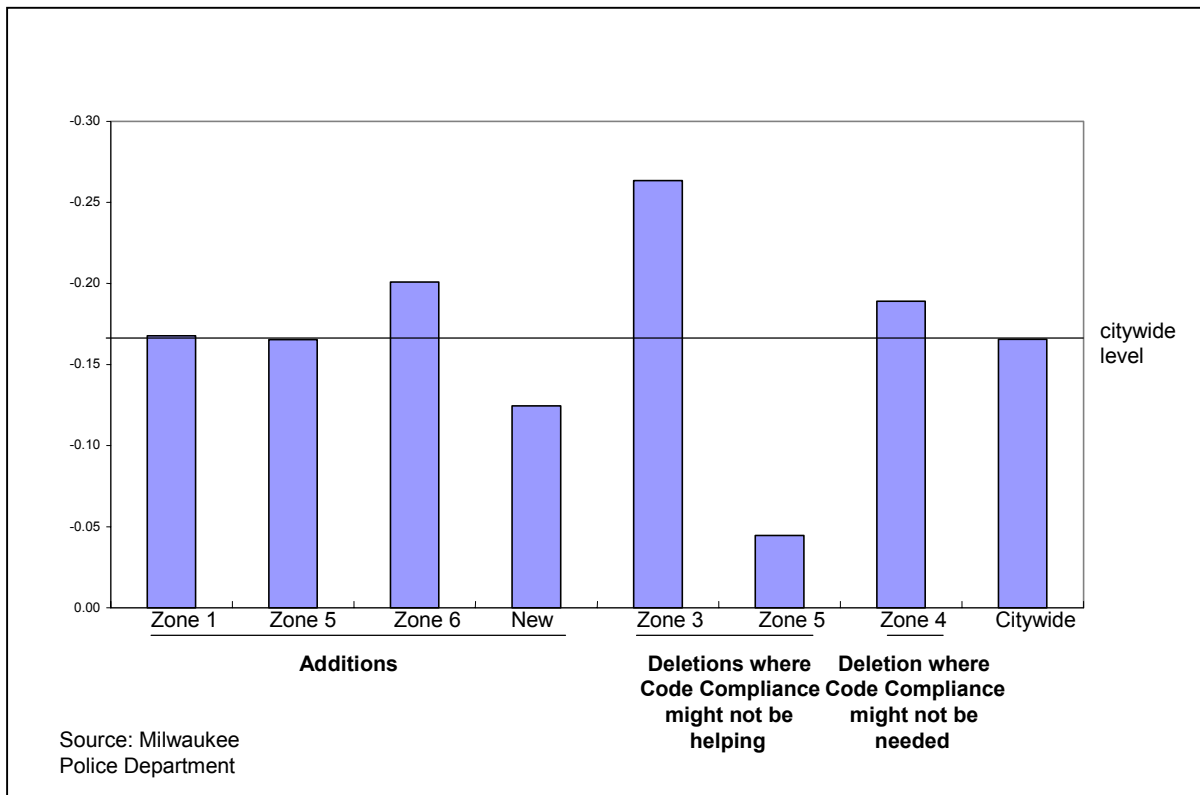


## Crime

Property crime was among the original criteria used in determining the original reinvestment zones. The city currently does not keep statistics specifically on the number of property crimes by census tract. However, the Milwaukee Police Department does keep statistics on the total number of crimes by census tract. A primary goal of the code compliance program is an improvement in neighborhood quality, and total number of crimes in a neighborhood can be seen as one indicator of neighborhood quality. Thus, total crime rates might be used as one factor in defining the boundaries of reinvestment zones for the future.

Figure 11 and the corresponding table in Appendix H show patterns in total crime. The table shows total crime for each of the reinvestment zones, additions, and eliminations for the years 1993, 1997, and 2000. Notably, there was a 22 percent drop in instances of crime citywide between 1993 and 2000. While there were drops in each of the reinvestment zones during this time, only in zone 3 (which had a 37% drop) did crime levels reduce by a larger amount than the city. The areas recommended for addition all had reductions in crime, but none at the rate of the city as a whole. All areas recommended for elimination from the code compliance program had reductions in crime at least as high as the citywide rate.

**Figure 11: Percentage Point Change in Crime, 1997-2000**



### **Recommendation: Change Record Keeping Procedures**

An important supplement to this review of the appropriateness of current code compliance areas is the record-keeping procedure employed by the Department of Neighborhood Services. The ability to keep track of information such as property values and inspection violations over time is to analyze how well the program is working. This is especially important concerning the effort to examine which areas or parts of areas should be kept, brought in, or excluded from the Code Compliance Program. It is difficult to determine reliably whether a neighborhood should remain in the program (either due to excessive deterioration or revitalization) solely by appearance. Instead, DNS should implement a periodic self-evaluation procedure that will analyze its effectiveness concerning each of its four main goals.

An important step to implementing this evaluation procedure is to establish record keeping methods that allow the DNS to track changes over time. Currently, the records available electronically on the DNS intranet are limited to the most recent compliance actions. These records do not contain important information such as property value, and crime statistics. They also contain very little information that is useful in determining the effectiveness of code compliance efforts. Such additional information might include statistics on the value added by repairs, enforcement time and costs, information about the codes in place at the time a house was built, as well as data concerning the history of code enforcement activity at the property.

Maintaining these types of records would be of great benefit to the DNS, but only if it were done in such a way as to facilitate data analysis and the generation of reports.

The computer system currently used does not facilitate this type of data analysis. Instead, the DNS might consider changing its database software to something more along the lines of the Microsoft Access<sup>®</sup> package. This is a relatively inexpensive database tool that is user friendly and has vast data management capabilities. It allows the user to maintain large amounts of stored records. It is compatible with Microsoft Excel<sup>®</sup> which allows the easy use of the data analysis capabilities of this program. At the same time, the program has extensive query and data analysis tools of its own. The program also has report-generating capabilities that make it very useful for the types of inspections performed by the Code Compliance Program, and as part of the broader set of DNS activities.

An additional or alternative data analysis option would be the expanded use of ArcInfo<sup>®</sup> mapping systems. Commonly referred to as GIS<sup>®</sup>, this program allows a user to store large amount of information in tables that are somewhat compatible with Excel. More important, it allows the information in these tables to be analyzed and displayed in graphical form. Expanded use of record-keeping procedures and systems such as these could greatly benefit the program by allowing it to track its performance and tailor its activities to meet rising neighborhood conditions.

### **Recommendation: Privatization for Some of the Program**

Another alternative to helping to increase the effectiveness of the program would be to allow for some privatization of the inspection process. Despite potential problems concerning the city's labor contract with its unionized employees, other cities provide evidence that this alternative can be valuable. One of these examples comes from the city of Bloomington, Minnesota.

Bloomington has an innovative inspection program that has a hybrid system of compliance requirements, incorporates a time-of-sale inspection timeline, and relies heavily on the use of private inspectors to enforce the city codes. While the city does not maintain statistics to support its program, Bloomington inspection officials feel that it has been very successful. This is significant considering the program was implemented in 1995 and included substantial public participation. The city held meetings and public hearings to gain approval of its program. Originally written to require full compliance, public participation led to revisions that make the program more of a hybrid initiative. The inspection process is considered a hybrid initiative because it requires that inspectors check for compliance with a number of different code requirements, but only mandates that owners perform corrective actions to deal with certain violations related to health and safety. These violations must be corrected by the current owner, while the other inspection results are compiled into a Housing Evaluation Report. Thus it is hybrid initiative because it mandates compliance with only certain codes instead of requiring full compliance (Johnson 2001).

The city has trained 12 of its other inspectors to certify the time-of-sale requirements, but limits the inspections that any of these people can perform to one per day. This is done to compel homeowners to make use of the list of certified private inspectors that the city maintains. These are licensed private individuals trained by the City of Bloomington itself. The private inspectors are authorized to perform the initial housing inspection, while city inspectors are required to perform followup inspections to check compliance with cited violations. Inspections performed by private individuals tend to be more expensive than those performed by city employees. The city charges

\$100 for the initial inspection, while private fees range between \$95 and \$125. Despite these slightly higher prices, citizens have significant incentive to use private contractors those who want a public inspection must often wait a number of weeks to get scheduled. Apart from being limited to one inspection per day, public officials do not perform inspections at night or on weekends. Private contractors' willingness to schedule inspections during non-business hours and with short time frames tend to make this a more attractive option (Johnson 2001).

The city's use of private contractors provides a number of benefits to the city. Most important, it allows the city to cut down on program implementation costs because it does not require a number of inspectors to be dedicated to the time-of-sale program. It also maintains a balance between privatization of a program, and the enforcement of law by representatives of the general public. By providing that city inspectors will perform follow-up inspections, this system gives the city an opportunity to inspect the work done by private inspectors to ensure standardized enforcement of the city's codes. At the same time, it allows privatization to an extent that can generate cost savings for the city and efficiency for the public. In fact, privatization cuts costs for the city to such an extent that the implementation of the program is entirely supported by its various inspection and filing fees. Finally, the city's privatization efforts, combined with its hybrid inspection system, appear to be successful in maintaining the quality of the city's housing stock. At the same time, the program appears to enjoy broad public support (Johnson 2001).

Another important example of the success of privatization efforts comes from a different city in the greater Minneapolis area. St. Louis Park, Minnesota has used private contractors for its housing inspections since 1991. The inspection program itself has a much longer history, having been in place since 1972. The details of the program are somewhat different to those in Bloomington. The city provides homeowners a list of licensed private contractors who perform all initial inspections. Sellers must apply for a certificate of housing maintenance compliance and must have an inspection done before they can enter into a purchase agreement with any buyer. Unlike Bloomington's program, St. Louis Park mandates full compliance. If the private inspector does not find any violations the owner gets a certificate and is entitled to a refund of part of the city's application fee. If any violations are found, the owner must make the repairs and a city inspector comes to do a follow-up inspection. The new owner may not take up occupancy in the house until its certificate has been filed with the city. The city charges a \$50 fee for issuing a certificate, while inspection costs range between \$100 and \$125 (Wakefield 2001).

Similar to Bloomington, St. Louis Park has not had any legal problems with allowing private individuals to identify compliance violations. Its reliance on private inspectors has allowed the city to institute an inspection program with few implementation costs. Officials in the city's housing inspection division believe that the program has been very successful. They claim that the fact that the city has no boarded, or blighted houses is evidence of this success. Additionally, the program enjoys widespread public support. Surveys performed by the city indicate that more than 90% of city residents approve of the housing maintenance initiative (Wakefield 2001).

## **Conclusion**

Based upon our analysis of the four goals of the Code Compliance Program, we are able to make some recommendations. We believe that the program is not meeting its first two goals, preserving the existing housing stock and maintaining property values. Furthermore, we believe it is not possible to meet these goals on a citywide basis with the Code Compliance Program, as it does not target neighborhoods comprehensively, but instead works as an individualized inspection system. Our recommendation for the city to meet these goals is expansion of the current Targeted Investment Neighborhood (TIN) program.

The Code Compliance Program comes closer to meeting its third goal, protection of potential buyers. However, the program can more efficiently and effectively meet this goal by changing some of its characteristics. First, we recommend that the liability scheme be changed to a true point-of-sale system. Second, we suggest that the city create a program to increase property maintenance education for homeowners. Third, we recommend that the inspection requirements be changed either to limit the internal inspection to only safety related requirements, or to change the inspection codes to reflect the age of the house.

We believe the program can meet its fourth goal, to work as a system of code enforcement, with a more complete system of analysis. First, we suggest that an evaluation system be implemented using the expertise of code compliance inspectors and quantitative data to determine boundaries. Second, in conjunction with the previous recommendation, we suggest that the Department of Neighborhood Services expand their current record keeping procedures. Finally, privatization of some of the program is a cost-effective alternative to the current system.

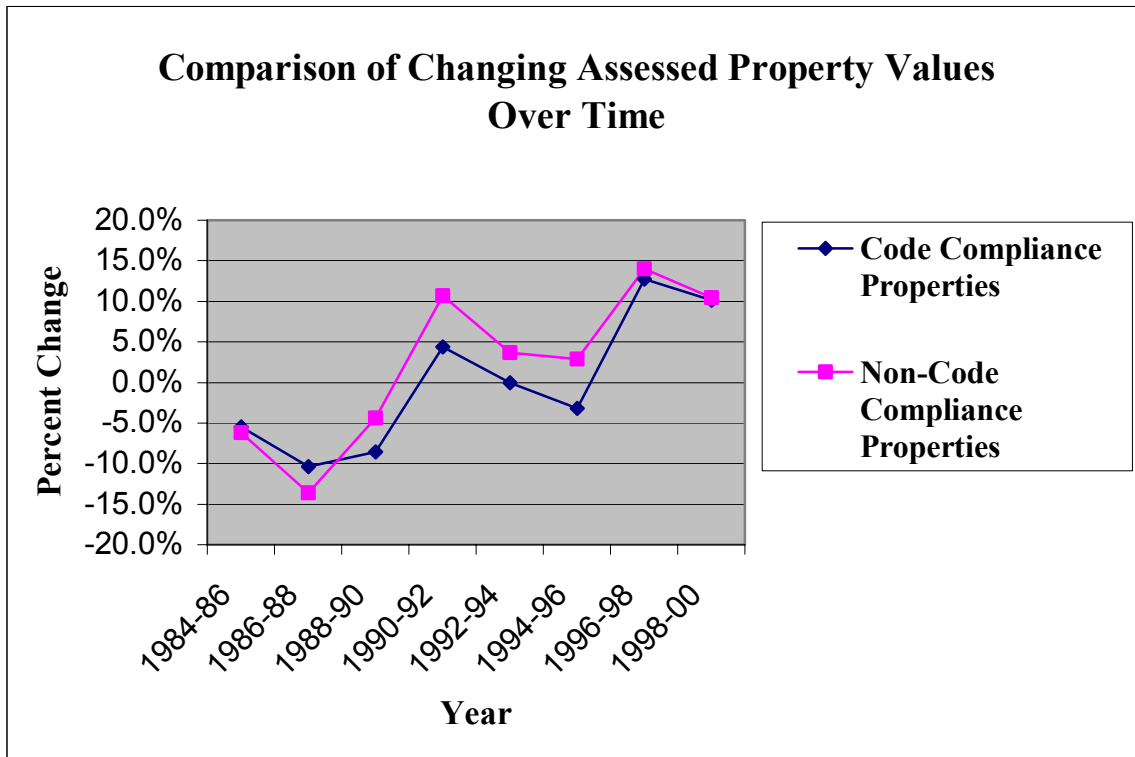
## Appendix A

Compared Average Values and Percent Changes for Improvements to Code Compliance and Non-Code Compliance Properties (supporting Figure 3)										
Average Values	1984	1986	1988	1990	1992	1994	1996	1998	2000	
Code Compliance Properties	\$49,778	\$47,116	\$43,687	\$41,501	\$43,276	\$43,707	\$44,312	\$45,721	\$55,397	
Non-Code Compliance Properties	\$71,224	\$68,320	\$65,438	\$63,222	\$70,815	\$71,558	\$74,110	\$78,094	\$87,297	
Percent Changes	1984-86	1986-88	1988-90	1990-92	1992-94	1994-96	1996-98	1998-00		
Code Compliance Properties	X	-5.3%	-7.3%	-5.0%	4.3%	1.0%	1.4%	3.2%	21.2%	
Non-Code Compliance Properties	X	-4.1%	-4.2%	-3.4%	12.0%	1.0%	3.6%	5.4%	11.8%	

## Appendix B

Compared Average Values and Percent Changes for Improvements to Code Compliance and Non-Code Compliance Properties (supporting Figure in Appendix C)										
Average Values	1984	1986	1988	1990	1992	1994	1996	1998	2000	
Code Compliance Properties	\$51,073	\$48,274	\$43,282	\$39,575	\$41,311	\$41,298	\$39,981	\$45,077	\$49,663	
Non-Code Compliance Properties	\$61,296	\$57,509	\$49,668	\$47,500	\$52,566	\$54,513	\$56,097	\$63,935	\$70,625	
Percent Changes	1984-86	1986-88	1988-90	1990-92	1992-94	1994-96	1996-98	1998-00		
Code Compliance Properties	X	-5.5%	-10.3%	-8.6%	4.4%	0.0%	-3.2%	12.7%	10.2%	
Non-Code Compliance Properties	X	-6.2%	-13.6%	-4.4%	10.7%	3.7%	2.9%	14.0%	10.5%	

## Appendix C



## Appendix D

Neighborhood Comparison of Property Values															
	1984	Nominal #	1988	Nominal #	1990	Nominal #	1992	Nominal #	1994	Nominal #	1996	Nominal #	1998	Nominal #	2000
Washington Park															
Single Family															
Average Assessed Value	32,917	54,555	31,371	45,664	29,074	38,306	28,596	35,098	26,597	30,904	28,719	31,520	30,396	32,112	38,704
Duplex Average Assessed Value	37,022	61,359	36,170	52,650	33,473	44,101	31,394	38,532	29,899	34,741	29,521	32,400	30,650	32,380	37,083
Walnut Hill															
Single Family															
Average Assessed Value	22,625	37,498	20,506	29,849	18,102	23,850	18,245	22,393	18,072	20,999	19,301	21,183	23,059	24,360	33,143
Duplex Average Assessed Value	22,421	37,160	23,652	34,428	21,887	28,837	21,478	26,361	20,580	23,913	21,159	23,222	22,205	23,458	26,465
Source: Mary Stott, 1999															

Source: Mary Stott, 1999

## Appendix E

Single-family parcel assessed value (values adjusted to 2000 dollars)						
	1984 value	% of 2000 value	1994 value	% of 2000 value	1998 value	% of 2000 value
<b>Current Zones</b>						
Zone 1	\$57,219	84.3%	\$44,243	109.0%	\$45,317	106.4%
Zone 2	\$48,572	78.8%	\$31,527	121.4%	\$32,012	119.5%
Zone 3	\$64,097	80.3%	\$40,705	126.5%	\$43,670	117.9%
Zone 4	\$45,480	78.6%	\$31,305	114.1%	\$32,288	110.7%
Zone 5	\$56,826	97.7%	\$45,267	122.7%	\$48,140	115.4%
Zone 6	\$59,581	81.3%	\$44,607	108.6%	\$44,891	107.9%
<b>Additions</b>						
Zone 1	\$62,282	90.4%	\$51,064	110.2%	\$52,632	106.9%
Zone 5	\$41,945	89.1%	\$30,184	123.8%	\$31,656	118.1%
Zone 6	\$45,972	88.5%	\$36,480	111.5%	\$37,154	109.4%
New	\$67,006	72.5%	\$41,205	117.9%	\$42,912	113.2%
<b>Deletions</b>						
Zone 3	\$57,739	73.4%	\$33,562	126.3%	\$35,366	119.9%
Zone 4	\$43,953	76.4%	\$29,675	113.2%	\$28,319	118.6%
Zone 5	\$63,626	97.9%	\$52,092	119.6%	\$54,587	114.1%
citywide average	\$80,303	98.7%	\$69,593	113.9%	\$73,955	107.1%
Source: Mary Stott						
						\$79,236

## Appendix F

Duplex parcel assessed value (values adjusted to 2000 dollars)						
	1984 value	% of 2000 value	1994 value	% of 2000 value	1998 value	% of 2000 value
<b>Current Zones</b>						
Zone 1	\$67,838	82.0%	\$53,878	103.2%	\$55,312	100.6%
Zone 2	\$56,011	71.2%	\$33,658	118.5%	\$34,062	117.1%
Zone 3	\$66,565	68.3%	\$40,523	112.1%	\$39,478	115.1%
Zone 4	\$53,750	64.3%	\$32,992	104.8%	\$32,115	107.6%
Zone 5	\$68,065	102.6%	\$53,972	129.4%	\$58,713	118.9%
Zone 6	\$67,125	76.8%	\$47,441	108.6%	\$48,770	105.6%
<b>Additions</b>						
Zone 1	\$71,848	82.3%	\$55,429	106.7%	\$57,350	103.1%
Zone 5	\$58,490	77.2%	\$37,917	119.1%	\$39,087	115.5%
Zone 6	\$63,046	73.6%	\$42,375	109.5%	\$44,006	105.5%
New	\$84,610	74.2%	\$55,652	112.8%	\$56,757	110.6%
<b>Deletions</b>						
Zone 3	\$60,439	60.3%	\$34,297	106.3%	\$32,058	113.7%
Zone 4	\$52,442	72.1%	\$33,879	111.5%	\$34,377	109.9%
Zone 5	\$76,181	104.4%	\$63,781	124.7%	\$68,640	115.9%
Citywide average	\$74,996	96.4%	\$61,979	116.6%	\$66,212	109.2%
Source: Mary Stott						
						\$72,283

## Appendix G

Owner Occupancy					
	1997	1998	1999	2000	Percentage point difference from citywide rate in 2000
Current Zones	(citywide rate - rate in area)				
Zone 1	67.9%	67.8%	67.1%	67.5%	7.4%
Zone 2	62.1%	61.9%	62.1%	61.9%	13.0%
Zone 3	45.0%	46.9%	49.2%	49.4%	25.4%
Zone 4	63.0%	62.9%	63.0%	63.0%	11.9%
Zone 5	64.8%	63.7%	63.3%	62.9%	12.0%
Zone 6	68.3%	67.8%	67.3%	67.5%	7.3%
<b>Additions</b>					
Zone 1	71.8%	70.5%	70.1%	69.9%	5.0%
Zone 5	48.5%	49.2%	47.8%	49.1%	25.8%
Zone 6	59.7%	59.5%	58.5%	58.5%	16.4%
New	75.3%	74.9%	75.3%	75.2%	-0.3%
<b>Deletions</b>					
Zone 3	40.1%	42.0%	44.4%	44.7%	30.1%
Zone 4	55.5%	55.1%	55.8%	56.6%	18.3%
Zone 5	71.1%	70.2%	70.5%	70.3%	4.5%
Citywide	75.1%	74.9%	74.7%	74.8%	
Source: Mary Stott					

## Appendix H

Total number of Crimes Committed					
	1993	1997	2000	Percentage point change, 1997-2000	Percentage point change, 1993-2000
<b>Current Zones</b>					
Zone 1	4,226	4,593	3,867	-0.16	-0.08
Zone 2	4,045	4,311	3,729	-0.14	-0.08
Zone 3	4,307	3,547	2,727	-0.23	-0.37
Zone 4	2,301	2,090	1,928	-0.08	-0.16
Zone 5	1,561	1,551	1,218	-0.21	-0.22
Zone 6	1,135	1,109	991	-0.11	-0.13
<b>Additions</b>					
Zone 1	1,458	1,542	1,283	-0.17	-0.12
Zone 5	1,874	1,809	1,510	-0.17	-0.19
Zone 6	1,693	1,727	1,380	-0.20	-0.19
New	1,322	1,364	1,194	-0.12	-0.10
<b>Deletions</b>					
Zone 3	1,952	1,729	1,274	-0.26	-0.35
Zone 4	346	281	268	-0.04	-0.22
Zone 5	547	512	415	-0.19	-0.24
Citywide	98,707	92,849	77,479	-0.17	-0.22
Source: Mary Stott					

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