

**City Partnership with ACTS
for the Sale of City Owned Properties for Sustainable Homeownership**

Term Sheet

Background

ACTS Community Development Corporation is a nonprofit organization that was founded in 1992 in the neighborhood around St. Michael's Church. ACTS works with local neighborhood residents to provide homeownership opportunities and revitalize the housing market in City neighborhoods. Since its inception, ACTS has helped over 1,600 families become homeowners. While ACTS has assisted homebuyers throughout the City, it focuses its efforts in three neighborhoods:

- ACTS Central – I-94 West to North Avenue and Highway 41 to I-43 North
- ACTS North Side – North Avenue to Capitol Drive and 30th Street to Holton
- ACTS South Side – Oklahoma to I-94 West and Miller Parkway to I-94 South

ACTS has traditionally worked with low-income families and individuals who have not been able to access traditional financing and homeownership resources. ACTS' model involves individualized credit and financial counseling, technical assistance and significant amounts of sweat equity contributed by participating families. As a result, ACTS families have little or no mortgage debt and are able to own a home with affordable monthly payments and a great deal of pride in ownership.

ACTS is unique in that it administers all components of the program. ACTS has licensed real estate brokers and is a HUD approved counseling agency. ACTS provides technical assistance to its homebuyers in the rehabilitation and construction process and it underwrites, originates and services small home improvement loans to assist homebuyers with their rehabilitation projects.

ACTS has been an active partner in the City's efforts to sell tax foreclosed properties for homeownership. In the past 2 years, ACTS has sold 46 City tax foreclosed properties through ACTS' homeownership program.

Proposed Partnership

The City proposes to build on its relationship with ACTS and establish a pilot program to expand the capacity of ACTS to sell additional City owned tax foreclosed properties through its homeownership model. In 2014, the goal will be to increase sales to 36 homes. In 2015 and 2016, the goal will be to increase sales to 60 homes per year.

ACTS Responsibilities

To expand ACTS' capacity to increase the number of sales of City owned properties that result in successful and sustainable homeownership program, ACTS will:

- Realign its sales and marketing staff to prioritize the sale of City owned properties under its homeownership program.

- Hire two new rehabilitation specialists and convert one part time rehabilitation staff to full time to accommodate the increased production. In order to enhance its technical skills, existing and newly hired rehabilitation staff will attend a Lead Supervisor training course, so they can assess lead risks, ensure lead-safe work on properties being sold under the program and train homeowners on lead safe work methods.
- ACTS will work diligently with each homeowner to prepare them for sustainable homeownership:
 - ACTS' homebuyer counselors will work with participating families to prepare them for homeownership and provide financial and budgeting counseling. After purchase, ACTS will continue to provide post purchase counseling and support to each client to help insure their success as a homeowner.
 - ACTS' rehab specialists will utilize the City's Department of Neighborhood Services prepared scope of work for each City property as the basis and minimum for developing a buyer scope of work that will ensure the property is code compliant upon completion.
 - As part of its monitoring of the rehabilitation plan for each project, ACTS staff will at minimum, conduct onsite inspections every 30 days to review progress of both contracted and sweat equity work, identify any challenges to meeting completion deadlines and work with clients to address them. The goal for completion of each project will be 90-180 days.
 - ACTS will establish a real estate tax escrow for each homebuyer to help ensure homeowners are able to meet their property tax obligations.
 - For each buyer identified for the program, ACTS will submit a purchase and sale agreement and a buyer information sheet. The agreement will detail the homebuyer's responsibilities under the program, including the requirement to own and occupy the property for 5 years, and to bring the property to code.
- ACTS has up to \$250,000 in home rehabilitation loan funds available to it to assist homebuyers in the program. These represent funds ACTS has received from partners other than the City to advance the goals of homeownership and address the City's foreclosure issue. ACTS will use these funds to underwrite ACTS loans to buyers of City homes.

City Responsibilities

- Once identified by ACTS, the City will reserve properties valued at under \$15,000 located in ACTS neighborhoods for a period of 90 days to allow ACTS sufficient time to identify a buyer for participation in the program. (If during this 90 day period, the City is able to sell the property to another qualified homeowner, the City may request ACTS to release the property and if ACTS does not present a purchase and sale agreement to the City from ACTS and a qualified buyer, the release shall automatically be granted.) The City will sell reserved properties to homebuyers enrolled in and approved for ACTS homeownership program for \$1,000. At closing, buyers will pay ACTS \$2,500

which shall be used to help support the costs of administering ACTS' responsibilities under the program.

- For the purposes of neighborhood impact and strategic targeting, ACTS may also assist in brokering and facilitating the sale of City owned properties valued over \$15,000 or on the City's current and extended lists in ACTS neighborhoods. These transactions may count for up to 25% of the 2014 production goal and ACTS will in general provide the same services in facilitating these sales as described above – "ACTS responsibilities." For these transactions, homebuyers will pay the accepted offer price for the property and ACTS will be entitled to the normal and customary City real estate brokerage fee of the greater of \$1,500 or 6% of the sales price.
- City staff will screen each buyer under the program to insure they meet the City's buyer policies.
- In 2014, the City will provide ACTS with funding to expand ACTS' homeownership program. This includes:
 - Up to \$150,750 in organization capacity building support.
 - \$50,000 for a "challenging properties" forgivable loan fund to supplement the other private and philanthropic lending resources ACTS will be utilizing in the program. This loan fund will be used for those properties which because of their deteriorated condition need additional resources above and beyond those currently available to ACTS.

Disbursements

Disbursements under the contract between ACTS and City will be made as follows:

- \$50,000 for the "challenging properties" forgivable loan fund will be disbursed upon execution of the contract with ACTS. The funds will be kept in a separate account, and will not be comingled with any other ACTS funds. Any income derived from the fund, or possible repayments to the fund (if for example an ACTS borrower violates a City deed restriction of homeownership or code compliance) shall be deposited in the account and used to undertake additional ACTS lending for other homes sold to buyers under this program. Any funds remaining in the account after termination or expiration of the agreement with ACTS will be returned to the City.
- Up to \$150,750 in organization capacity building support shall be payable as follows. Up to \$36,600 of this shall only be payable to ACTS as an incentive payment for meeting its production goals. \$18,300 will be paid after ACTS sells 18 homes (50% of its home sale goal under the program). The balance of the incentive payment will be made after ACTS sells at least 32 homes and will be prorated based on the number of homes sold compared to ACTS production goal of 36 homes. (For example, if ACTS sells 34 homes, then the amount of the second payment will be 34/36 multiplied by \$36,600 minus \$18,300).

The remainder (150,750 less 36,600) will be payable to ACTS, prorated on a monthly basis, to the extent that ACTS has employed 2.5 new FTE rehab specialists. These payments are to cover the costs of new ACTS staff associated with the expansion of the program. Payments will be made upon receipt of supporting documentation evidencing payroll for new staff members and such other documentation as requested by the City

Contract Term

The contract will have a term expiring on December 31st, 2014. The City may renew and modify the contract for 2015 and 2016 based on performance and the availability of funding.

Financial Statements

ACTS shall keep accurate, full and complete books and accounts for activity under the program and provide the City with annual audited financial statements. ACTS shall grant to the City or its designees, access to its records pertaining to the project to conduct reviews of activity under the program.

Reporting

ACTS will provide the City with monthly progress reports on the status of the expanded homeownership program. This includes a list of properties sold under the program, the status of rehabilitation and estimated construction completion date for each property, the status of loan fund including loans originated and loan repayments and other information relating to the program as required by the City.

General

This term sheet does not constitute an agreement between the City and ACTS. The terms set forth and any other requirements necessary for this transaction shall be incorporated into a Real Estate and Cooperation Agreement between ACTS and the City.