

Draft Term Sheet
TID No. 66 – Metcalfe Park Homes
Lease to Own Program

Project: The Metcalfe Park Lease to Own Program (the “Project”) involves the construction of 30 new single family homes on scattered site lots in the Metcalfe Park neighborhood, bounded by North 27th Street, North 39th Street, West Meinecke Street, and West Center Street. The project is modeled after a similar program developed by the Cleveland Housing Network. The program utilizes the low-income housing tax credit program as its primary source of funding. In the program, residents rent homes and are given the opportunity to purchase them at the end of a fifteen year-tax credit compliance period (under the low income tax credit program, units have to remain as affordable rental units for a fifteen year period.) At the end of the compliance period, all of units will be sold to qualified tenants at a discounted price. During the course of the lease period, tenants will receive counseling to prepare them for eventual home ownership.

The TID will fund a loan/grant to the developer in the amount of \$900,000 to undertake the Project

(In addition, the TID will provide funding for a forgivable loan pool in the amount of \$500,000 to provide resources for Metcalfe Park property owners to make repairs to their homes. These funds will be administered by the Department of City Development and are not part of the City’s agreement with the developer for the Project.)

Project Budget: Total estimated project costs for the Project are \$5.5 million.

Developer: Metcalfe Park Homes Owner Initiative LLC. The Managing Members of the Company shall be the Milwaukee Urban League (51%) and Gorman & Company (49%) as its members.

City Contribution: The City shall provide a contribution to Project from Tax Incremental District #68 in the amount of \$900,000. (It should be noted that the developer intends to apply for an additional \$400,000 in Federal HOME funding in 2007 to support the project from the City of Milwaukee’s Community Development Grant Agency. Should these funds not be available or approved, the developer’s fee would be deferred.)

Disbursements: 50 % of the City’s contribution will be made available after the project is 50% completed. The remaining 50% will be made available upon 100% completion.

Maximum Term of TIF District: The maximum term of the TID is November, 2033. The expected date of full amortization of debt is in 2018.

Developer Responsibilities:

- Design and develop 30 single family homes for the program.
- Purchase the land as-is. Developer will assume all costs of storm water

management, land division, site preparation and extension of sewer and water laterals to the properties.

- Submit final site plans, building elevations landscape plans for approval to the Redevelopment Authority.
- Submit final development budget for the project, financing commitments and proof that all funding sources have been committed.
- Commit to 25 % Emerging Business Enterprise participation for all contracted construction work.
- Participate in outreach activities in the neighborhood, including a neighborhood steering committee to be formed for the purposes of supporting the ongoing redevelopment efforts in the neighborhood.
- Gorman & Company shall guaranty completion of construction of 100% of the units in the Project.

Cooperation Agreement:

A Cooperation Agreement between the City and the Redevelopment Authority is required to implement the TID Plan.

Sales Proceeds at end of 15 year compliance period

If there is an outstanding balance remaining on TID #66 at the end of the 15 year tax credit compliance period, 69% of “excess sales proceeds” from the sales of homes in the Project will be utilized to retire outstanding debt until TID #66 debt is paid in full. “Excess sales proceeds” shall be equal to the sales price of a home less any out of pocket expenses relating to sale, (including brokerage fees to the extent they are paid to a third party). Excess sales proceeds shall only be available after retirement of the first mortgage loan to WHEDA in the original amount of \$1,200,000. 69% is the fraction of TID assistance to total subordinate financing in the project. (\$900,000/\$1,300,000).

In the event that there is not an outstanding balance on TID #66 at the end of the compliance period, then any “remaining proceeds” up to an amount of \$ 425,000 shall be provided to the City of Milwaukee for the purposes of undertaking housing and job creating redevelopment initiatives in City neighborhoods. “Remaining proceeds” shall be defined as the total sales price of homes under the Project, less any out of pocket expenses relating to sale, (including brokerage fees to the extent they are paid to a third party) less the amount outstanding on the first mortgage loan from WHEDA in the original amount of \$1,200,000 less the amount outstanding on the second mortgage loan from WHEDA in the original amount of \$400,000, less the amount outstanding on any loan utilizing City HOME funding the project receives.

General

This term sheet does not constitute an agreement between the City or RACM and the Developer. The terms set forth herein, and other provisions customary for a transaction of this sort, shall be incorporated in a Development Agreement for Tax Incremental District No. 66 to be entered into between the Developer, the City and the Redevelopment Authority.

Proposed Guidelines for Forgivable Rehab Loans Through The Metcalfe Park Tax Incremental District (TID)

Eligibility

Who Is Eligible?

Owners who occupy their property and rental property owners are eligible to apply.

Income

There are no income restrictions, but owner-occupants and tenants will have to verify their income, for reporting purposes.

Taxes, Insurance, Mortgages, and Other Restrictions

All owners must be current with their property taxes, mortgages, and have homeowners' insurance when they apply. "Current" includes being on an approved payment plan with their mortgage company and the City Treasurer's Office.

Rental Properties: There are additional restrictions for investor-owners.

Landlords must be current with their property taxes and have a good building inspector record on all City-owned properties.

What Types of Buildings Are Eligible?

Residential property (owner-occupied and rental) is eligible.

The building must be over 25 years old, and 1 to 4 units.

Mixed-use properties are eligible if there are 1 to 4 residential units. All residential units in mixed-use buildings must be occupied when the rehab is done.

Loan Terms

General:

TID loans are for up to \$10,000.

The term is 5 years.

Loans are 0% forgivable loans; forgiveness is pro-rated at 20% a year.

Investor Owners:

Landlord Training is a required condition of obtaining the loan.

There are rent controls. Landlords are restricted to no more than 5% increases per year, starting when the rehab work is completed. Landlords must match the loan dollar-for-dollar with their own funds.

If the owner lives within 3 blocks of a rental property, there is no required matching expense, but all other conditions for rental properties apply.

Forgiveness

Owner Occupants: As long as the owner lives in the home for five years after the rehab is done, there will be no interest or payment. After the five years, the loan is forgiven if the property taxes are current.

Investor-Owners: As long as NIDC has not received unresolved complaints about rents and the taxes on the building are current the loan will be forgiven five years after the rehab is done.

Other Restrictions

An owner may have only one open TID loan at a time.

Rehab Policy

What Rehab Work Is Eligible?

The purpose of the TID funds is to make permanent exterior repairs that will benefit the homeowner *and the neighborhood*. TID funds pay for major exterior repairs to existing homes.

TID forgivable loans may be combined with other funds to help new buyers who are financing major rehab on a home over 25 years old. Buyers can be investor-owners or owner-occupants.

Examples of exterior work TID funds shall be used for:

Roof replacement	Porch Replacement
Chimney Repairs	Siding and cladding
Gutters and downspouts	Exterior painting
Door replacement (prime and storm)	Front yard service walks & steps
Window replacement (prime and storm)	Permanent front yard
landscaping	

Under exception, up to one-third of the loan may be used to correct hazardous conditions such as heating, plumbing, electrical, lead, or structural conditions.

What Is Not Eligible?

TID loans are not intended for general remodeling or home improvements.

Applicants needing more comprehensive work should be referred to other Programs such as Home Rehab, NIP, or WHEDA. Another option is to combine TID funds with other loan funds to "round out" the loan package.