



Department of City Development
City Plan Commission
Redevelopment Authority of the City of Milwaukee
Neighborhood Improvement Development Corporation

Rocky Marcoux
Commissioner
rmarco@milwaukee.gov

Martha L. Brown
Deputy Commissioner
mbrown@milwaukee.gov

March 18, 2016

Mr. James R. Owczarski
City Clerk
City Hall, Room 205
Milwaukee, WI 53202

Dear Mr. Owczarski:

Enclosed is a fully executed copy of the Sale and Development Agreement, Contract No 15-060 (CM), Housing Authority of the City of Milwaukee and the City of Milwaukee.

This agreement was executed pursuant to Common Council Resolution File No. 150238.

Sincerely,

Scott A. Stange
Procurement and Compliance Manager
Department of city Development

Enclosure



**Sale and Development Agreement
HOUSING AUTHORITY OF THE CITY OF MILWAUKEE**

CHALLENGE GRANT FUND PROGRAM

Milwaukee "HOME" Program

Milwaukee Housing Opportunities, Management and Employment Program

GH 3/10/2016. CAO Doc. No. 226501.



COPY

This Sale and Development Agreement ("**Agreement**") is dated as of **MARCH 4, 2016** (the "**Effective Date**"), and is by and between the City of Milwaukee (the "**City**") and the Housing Authority of the City of Milwaukee ("**HACM**").

RECITALS

A. By Common Council Resolution File No. 140765 (passed October 14, 2014), the Milwaukee Housing Opportunities, Management and Employment Program (the "**Milwaukee HOME Program**") was created to provide affordable housing, reduce unemployment and improve blighted parcels. Under the Milwaukee Home Program, and guided by the October 2014 Milwaukee Home Program Discussion Document that is in File 140765, the City's Department of City Development ("**DCD**") prepared a Request for Qualifications ("**RFQ**") to solicit interest of community development organizations and private developers to maintain, improve, manage, market, rent and sell selected City-owned, property-tax-foreclosed residential parcels, and to redevelop parcels into affordable rental and home ownership opportunities.

B. As contemplated by File 140765, DCD presented its proposed RFQ to the Council. By Common Council Resolution File No. 141256 (passed December 16, 2014), the Council approved the RFQ and directed DCD to release the RFQ. DCD issued the RFQ on March 3, 2015.

C. As contemplated by File 141256, DCD reported to the Council the RFQ response results. By Common Council Resolution File No. 150238 (passed June 23, 2015), the Council approved 2 development teams, the HACM (Harambee Neighborhood) and Northwest Side Community Development Corporation (Century City Neighborhood), and the Council authorized them to receive funding under Milwaukee's Challenge Grant Fund Program, and the Council directed the City to negotiate and enter Sale and Development Agreements with the 2 selected.

D. This is the Sale and Development Agreement between City and HACM authorized by Council File 150238.

AGREEMENT

1. **Recitals, Agreement.** For good and valuable consideration, receipt and sufficiency of which are acknowledged, City and HACM hereby agree to the terms and conditions contained herein – including the recitals and exhibits.

2. **City Home Definition.** A “City Home” as that term is used herein, shall mean: a residential dwelling with up to 4 residential units (not mixed use); owned by the City; acquired by the City by property-tax foreclosure; listed on the City’s inventory list of property-tax-foreclosed City-owned real estate (the “City’s Inventory”); located within or near the **Harambee Targeted Area** (described on **EXHIBIT A** attached) (the “Target Area”); and a parcel that is either classified, or could be classified, under Milwaukee Code of Ordinances (“MCO”) 304-49-2 as “Neighborhood Property” that is “Habitable” or “Neighborhood Property” that is “Special Consideration Property” that can be restored or rehabilitated.

3. **Project Description.** The project (“Project”) shall consist of the acquisition and redevelopment of City property-tax-foreclosed properties (City Homes) for owner occupancy, rental and lease to own option opportunities with the goal of HACM rehabbing 15 City Homes in a 12 month period in the Target Area. The City Homes will be clustered and developed in a targeted manner. HACM will collaborate with local neighborhood organizations to leverage development activities and achieve the maximum impact for the Target Area.

4. **Term & Extension.**

A. The term of this Agreement (“Term”) shall be from the Effective Date (specified above) until 4 P.M. on **December 30, 2016** (the “Termination Date”).

B. Notwithstanding the stated Termination Date, City may in its discretion elect to extend the Term by written amendment agreed to and signed by each of City and HACM based on HACM performance during the stated Term.

5. **Identification of City Homes for the Project.** During the Term:

A. **Review/ID.** HACM shall periodically review the City’s Inventory. HACM shall look for City Homes within or near the Target Area for HACM to take title to for redevelopment and Project purposes hereunder.

B. **HACM Hold Requests to City.** HACM, after reviewing the City’s Inventory, may, subject to availability, request by written notice to City, that City Homes be put on hold for up to 90 days.

During the “hold” period, City will not convey the held City Home to others – providing, however, that City may request HACM to release the “hold” if City is able to sell the held parcel to another buyer. If City makes such a “release request,” and if HACM does not present to City a Purchase and Sale Agreement (“PASA”), signed by HACM for the held parcel within 10 days of the City’s “release request,” then, the “release request” shall be

automatically granted and City may release the “hold” and sell or otherwise convey that parcel free from any restriction or hold or right hereunder.

If HACM fails to present a HACM-signed PASA within the “hold” period, the City may release the “hold” and the City will be free to convey or otherwise transact with the parcel free from any restriction or hold or right hereunder.

If a City Home is, or becomes, subject to a City Raze Order, City can demolish the structure and remove the “hold” status and availability of same hereunder.

6. Pre-Closing Interior Access by HACM City Key.

A. City Key. City has provided to HACM a key for City Homes to allow HACM interior access. HACM shall safeguard any City key, and only permit use of same for entry as allowed hereunder. Upon the sooner of expiration or termination of this Agreement, HACM shall return City keys to City.

B. Risk, Access, Showing. HACM, and those entering by, through or under HACM, may enter City Homes prior to HACM purchase to visually inspect interior and exterior, and to help HACM prepare its scope of work (“**Scope**”) and a sources and uses of funds/budget (“**Pro Forma**”). HACM understands that City acquired the City Homes by property-tax foreclosure and that they may have flaws and suffer from deferred maintenance and code violations. HACM and all those entering with or under HACM, including HACM contractors and potential buyers from HACM or tenants from HACM, enter at their own risk and HACM shall orally inform entrants (i) about entry being at their risk, and (ii) to use caution when entering. HACM and entrants shall bring flashlights and use caution when entering. *Utilities are expected to be off, and bathroom facilities are not expected to be useable.*

HACM (or an employee or agent of HACM) must be present at all entries. Entry points must be closed, secured, and locked after any entrance. City may require a City representative to be present at any entry.

C. Insurance; Indemnification. HACM, at its expense, shall maintain in place upon transfer of ownership and during the Term of this Agreement insurance as required by **EXHIBIT B**, and HACM shall provide City with a certificate of insurance naming City as an additional insured and providing that City will be provided 30 days prior notice of any change, cancellation, or termination of coverage.

HACM shall indemnify and hold City harmless from and against any and all losses, claims, damages, expenses, and all suits in equity or actions at law arising from, in connection with or as a result of negligent, or intentionally wrongful, HACM acts or omissions regarding pre-Closing entry undertaken pursuant to this Agreement.

7. **City Purchase and Sale Agreement, and City Home Closings.** When HACM identifies a City Home in or near the Target Area to be renovated for Project purposes hereunder, HACM shall notify the City (DCD's Karen Taylor and Maria Prioletta by email), and negotiate and enter into a Purchase and Sale Agreement ("PASA") for the City Home, with HACM as the buyer. HACM shall use the PASA form that is attached hereto as **EXHIBIT C**. City and HACM shall then proceed with the sale of that City Home to HACM per the PASA, and with the requirements that:

A. **Rehab & Rent or Sell.** HACM will rehabilitate the City Home for the Project, and HACM will seek out a buyer or tenant for the City Home.

B. **Scope & Pro Forma.** Prior to and *as a condition to Closing*, HACM must provide to DCD the HACM-prepared Scope incorporating the following minimum rehab standards, and a Pro Forma for the City Home, which Scope and Pro Forma must meet DCD's reasonable approval. The Pro Forma must be submitted generally in the form attached hereto as **EXHIBIT D**.

Minimum HACM Rehab Standards: All existing code violations and visible lead hazards must be addressed. HACM will employ safe work practices to be developed by HACM for its contractors and staff regarding the rehab of City Homes, including lead-safe practices. Replacement of roofs, porches, siding/exterior painting, and major mechanicals, where the mechanicals appear to have less than 5 years of remaining life, must be addressed and be included in the Scope and Pro Forma. Furnaces and hot water heaters installed under the Project should be high-efficiency, Energy Star rated models. To the extent the Pro Forma allows, additional exterior and energy efficiency upgrades are encouraged. All work must be done in accordance with applicable laws (including building codes and laws relating to lead based paint) and be done by contractors with all licensing, bonding and insurance required by law.

C. **Closings on City Sales; AS IS.** Closings on sales of City Homes shall be per the PASA and by Deed from City to HACM. City will convey each City Home, AS IS, WHERE IS.

D. **DNS Scope.** Without changing the "AS IS" nature of the transaction, City will provide to HACM, for informational purposes only, and only if City possesses same, a general scope of work from the City's Department of Neighborhood Services ("DNS") (the "DNS Scope") showing major items in need of repair or replacement and a rough estimate of cost to correct. If no DNS Scope exists, City has no duty to prepare or provide it. If a DNS Scope exists, HACM shall consider the DNS Scope when preparing HACM's own Scope and Pro Forma.

E. **PASA Purchase Price.** Because each City Home is unique, and the Scopes and Pro Formas are expected to vary depending on the specific City Home, the purchase price in each PASA will require parcel-specific negotiation and agreement. However, HACM and City understand that under MCO 304-49-4-c and 304-49-8, the purchase price can

recognize monetary and non-monetary consideration including, but not limited to, returning parcels to the tax rolls, promoting home ownership, and parcel improvement.

F. **Restrictive Covenants on City Sales.** Deeds from City to HACM of City Homes shall be subject to the restrictive covenants set forth in the Deed that is attached to the PASA. *See the PASA (EXHIBIT C) and the Deed.*

8. **HACM and HACM Buyers/Tenants.**

A. **City Buyer Policies.** HACM must meet City's general buyer policies in MCO 304-49-9 regarding City sales to HACM of City Homes. After HACM owns, HACM shall attempt to sell and/or lease the City Homes to those who understand the responsibilities of leasing and owning (as the case may be) and who have demonstrated to HACM's reasonable satisfaction capacity to successfully lease or own (as the case may be) in a way that will benefit the City Home and its surroundings.

B. **Explanation of Restrictive Covenants.** HACM must, at or prior to signing a lease with a HACM tenant with a lease-to-own component, or at or prior to selling to a HACM buyer, a City Home, explain to the tenant or buyer, as the case may be, the restrictive covenants that the City imposed when the City conveyed the City Home to HACM.

C. **Homebuyer Counseling.** For City Homes that HACM will sell for homeownership, each buyer must, as a condition to HACM closing with the buyer, receive at least 8 hours homebuying counseling from a HUD-approved housing counseling agency.

D. **No 3rd Party Occupancy Until Scope Work Done.** HACM may not allow an HACM tenant or an HACM buyer to occupy the City Home, and HACM may not close on a sale to an HACM buyer, prior to (i) HACM completing the Scope work for the City Home, and (ii) HACM obtaining a Certificate of Code Compliance for the City Home.

9. **Not a Brokerage Relationship; HACM Signage.** City is not engaging HACM to act hereunder as a real estate broker for City Homes. This Agreement sets forth a procedure for HACM to buy from the City, City Homes, so that HACM may own them and then either rent them to others or sell them to others as contemplated hereunder. While HACM may attempt to find buyers and tenants even prior to HACM ownership of City Homes, HACM may not place "for sale or lease" signs at City Homes until HACM acquires title to same. HACM may, however, upon DCD prior approval, put signage (meeting DCD prior approval) at certain City Homes to solicit interest and to have potential buyers/tenants call HACM.

10. **HACM Collaboration with Neighborhood Organizations.** As part of the Project, HACM will collaborate with local neighborhood organizations in an effort to maximize impact and to leverage development activities within the Target Area and the clustered area. Consistent with HACM's proposal for the Challenge Fund, these activities may include working with local neighborhood organizations to: identify potential tenants and homeowners for the City Homes being developed, redeveloping vacant lots in the neighborhood, providing referrals for employment opportunities for contractors and collaborating on identifying additional resources

for homeownership or business development. This list is not intended to be all-inclusive. HACM will endeavor to enlist input and support from groups and organizations within the Target Area, to address concerns, needs, and priorities of the Target Area and/or clustered improvement area.

11. **SBE – Small Business Enterprises.** HACM will use best efforts to have **40%** of the contracted work it does for Scope work on City Homes be conducted by City of Milwaukee Small Business Enterprises as defined in MCO Ch. 370, and MCO 370-1-17.

12. **MCO 304-49-3 and City Gap Fund Financing.**

A. As indicated in Recital C above, the Common Council, in Resolution File No. 150238, authorized funding for this HACM Project under Milwaukee's Challenge Grant Fund Program.

B. The City will set aside up to **\$500,000** (the "**Maximum**") of those Grant Funds to provide gap financing for City Homes that HACM will redevelop under this Agreement.

C. After DCD approves HACM's Scope and Pro forma for a City Home, and as a condition to Closing on the sale of that parcel to HACM, DCD and HACM shall determine and agree upon an "**Initial Gap Estimate**" for the City Home.

- i. For homes that are going to be developed for homeownership, the Initial Gap Estimate shall determine the amount of City gap financing for the home and shall be based on the approved HACM Pro Forma and consider total project costs for that City Home, estimated sales price for that City Home, and financing and any other grant funds available to HACM from other sources for the development of that City Home.
- ii. For homes that are going to be developed for use as rental and lease/option properties, the Initial Gap Estimate shall determine the amount of City gap financing for the home and shall be based on 2/3 of the total development cost of the City Home after deduction for any other grant sources to be used in the development of the City Home and the estimated private mortgage amount that the City Home's net cash flow can support. HACM's equity contribution for the City Home shall be based on 1/3 of the total development cost of the City Home after deduction for any other grant sources to be used in the development of the City Home and the estimated private mortgage amount that the City Home's net cash flow can support.

D. After the Initial Gap Estimate is determined and agreed upon by City and HACM, Closing shall take place, and the City will provide HACM with the gap funds determined by the Initial Gap Estimate (subject to the Maximum), but on a reimbursement basis, after HACM provides documentation to DCD regarding the actual expenditures that HACM made under C above for development of the City Home for which reimbursement is sought.

E. For homes developed for homeownership, the final amount of the gap for each City Home (“Actual Gap”) will be determined prior to closing on HACM’s sale of the City Home to an eligible buyer. HACM shall provide the City with a detailed statement of the total development cost of the City Home, in a form and substance reasonably acceptable to City, and a listing of all sources of grants used in the development of that City Home. The Actual Gap shall be equal to the difference between the total development cost of the City Home and the final sales price of the Property, less other grant funds available from other sources for development subsidy purposes. If the actual development and/or holding costs required to complete the City Home are lower than those originally projected, or if the sales price of the home is higher than originally projected, the amount of the gap financing will be decreased to reflect such lower costs or higher sales proceeds and the difference shall be repaid to the City by HACM within 30 days of closing, or at the City’s discretion, may be used to fund the gap for future City Homes under the Project.

F. For homes that were developed for use as rental and lease/option properties, or for homes initially developed for home ownership that were subsequently converted to rental and lease/option properties due to an inability to sell the home to an owner occupant purchaser, the Actual Gap shall be determined prior to leasing of the City Home to a lease/option tenant consistent with the provisions of C. above. HACM shall provide the City with a detailed statement of the total development cost of the City Home, in a form and substance reasonably acceptable to City and a listing of other sources of grants used in the development of that City Home. If the actual development costs required to complete the City Home are lower than those originally projected, the amount of the gap financing will be decreased to reflect such lower costs and the difference shall be repaid to the City by HACM within 30 days of determination of the Actual Gap amount, or at the City’s discretion, may be used to fund the gap for future City Homes under the Project.

Should the City Home initially rehabilitated for lease/option be subsequently sold to a homeowner within 5 years of completion, the net proceeds from the sale shall be shared 1/3 by HACM and 2/3 by the City.

G. If the actual total development costs exceed the amount projected in the approved Pro Forma for the City Home, HACM shall be responsible for funding any excess development costs over and above those originally projected, unless additional gap financing for the City Home is approved by the City or the overage is the result of changes/additions to the scope of work that were mutually agreed to by HACM and the City.

H. **MCO 304-49-3 and 304-49-4.5, City Conveyances that Include City Financing.** See the PASA attached as **EXHIBIT C** regarding MCO 304-49-3 and 304-49.4.5.

13. HACM Monthly E-Mail Reports to City; Quarterly and Year-End Review; HACM Records and Audited Financials.

A. **Monthly E-mail Reports.** Beginning on the last business day of the month in which the Effective Date of this Agreement falls, and on the last business day of each other month during the Term of this Agreement (or extended Term as the case may be), HACM shall provide DCD with a monthly report, by noon of that particular day, by written notice sent by e-mail per the “notice section” of this Agreement. The monthly report must include an update on:

- HACM acquisitions of City Homes from City
- HACM leasing and selling efforts to HACM buyers/tenants
- HACM rehabilitation efforts on City Homes HACM did acquire, including per parcel information on status of Scope work completion and Pro Forma status
- Cooperation with neighborhood organizations in the Target Area and regarding the Project
- Status of SBE hiring and use.

B. **Quarterly and Year-End Review.** At every 3-month anniversary of the Effective Date, City and HACM shall meet for **quarterly review**, and in December, 2016, and in the 3rd week of the last month of the Term (or extended Term as the case may be), City and HACM shall meet for **review**, and to evaluate status of Project, including prior HACM monthly reports to City.

C. **HACM Audited Financial Statements.** HACM shall promptly provide to City copies of HACM annual audited financial statements for any year in which this Agreement is in effect.

D. **HACM Records.** HACM shall keep accurate, full and complete books and accounts for activities under the Project and this Agreement (“**Records**”).

E. **City Audits, Inspections.** At any time during normal business hours, and upon reasonable notice, HACM shall make available to the City (and to its representatives, agents, and auditors) (such others are for purposes of this section also called "City") for examination the Records, and HACM shall permit the City to audit, examine, and make copies, excerpts or transcripts from such Records.

14. **Termination.** Notwithstanding anything to the contrary contained herein (including the stated Term), if HACM is in breach hereunder, or under a PASA between City and HACM for a City Home, or under a Deed restrictive covenant for a City Home, (i) City may terminate this Agreement upon 30 days advanced written notice from City to HACM, and (ii) City may (even if it does not terminate this Agreement) stop providing Gap Funding financing (see section 12).

At termination of this Agreement, City shall have no duty to provide to HACM any grant fund amounts earmarked for this Agreement, HACM and the Project, that have not been spent. At expiration of this Agreement, if for any City Home, DCD and HACM have agreed to an Initial Gap Estimate for that home, and City has not yet provided to HACM that gap financing, City will, notwithstanding expiration, provide the gap financing in the Initial Gap Estimate amount.

For any post-termination or post-expiration of Agreement calculation of "Actual Gap" that might occur, HACM shall continue to owe to City any gap differential payment that may be owed. See section 12.

15. **Public Records.** HACM acknowledges that the City is subject to the Wisconsin Public Records Law (Wis. Stat. § 19.21, *et seq.*), and it is possible that requests under that law may be made for this Agreement and records kept under it (including Records kept by HACM). HACM shall assist the City in retaining and producing records subject to the Wisconsin Public Records Law. HACM failure to do so shall constitute breach of this Agreement, concerning which HACM must indemnify and hold the City harmless. Except as otherwise authorized under Wisconsin's Open Records Law, HACM shall retain records regarding this Agreement and its activities hereunder for 7 years.

16. **Entire Agreement, Amendment.** This Agreement sets forth all of the covenants, provisions, agreements, conditions, and understandings between the parties and there are no covenants, promises, agreements, conditions, or understandings, either oral or written, other than are herein set forth. This Agreement may not be modified orally or in any other manner other than by agreement, in writing, signed by each of the parties to this Agreement.

17. **Assignment; 3rd Party Beneficiary.** This Agreement shall be binding upon the parties hereto, but neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned or transferred by HACM without the prior written consent of City. If such consent is given, the terms and conditions of this Agreement shall bind the party consented to by City. Tenants of HACM and buyers from HACM who lease or purchase City Homes that HACM acquired hereunder during the Term (or extended Term), are third-party beneficiaries concerning HACM obligations under this Agreement.

18. **Governing Law, Severable.** This Agreement is governed by Wisconsin law. If any term or provision of this Agreement shall to any extent be declared invalid or unenforceable, then the remainder of this Agreement shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by applicable law.

19. **Notice; Contact Persons.** Except as otherwise provided for herein, notices under this Agreement shall be in writing, and shall be provided to the respective party-contact person specified in the table below, by personal delivery, U.S. mail, commercial delivery service, or email. Contact persons may, as necessary, be changed from time to time by written notice provided from one party to the other.

If to CITY: Maria Prioletta Department of City Development 809 North Broadway, 2 nd Floor Milwaukee, WI 53202-3617 Phone: (414) 286-5903 Email: mpriol @milwaukee.gov	If to HACM: Antonio Perez Housing Authority of the City of Milwaukee 809 N. Broadway, 3 rd Floor Milwaukee, WI 53202 Phone: (414) 286-5670 Email: tperez@hacm.org
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20. **Non-Discrimination; Compliance with Law.** HACM shall not discriminate against any buyer, tenant, agent or contractor, because of sex, race, religion, color, national origin or ancestry, age, disability, lawful source of income, marital status, sexual orientation, gender identity or expression, past or present membership in the military service, or familial status. HACM shall comply with applicable federal, state and local law.

21. **No Partnership or Agency; Conflict.**

A. Nothing in this Agreement shall be deemed to make HACM an employee, joint venturer, legal-entity partner or agent of the City. HACM shall not have the authority to act for or bind the City with respect to any matter whatsoever.

B. Except as otherwise expressly agreed to in writing by City, by DCD, no HACM officer, director, or employee may be a buyer or tenant of HACM of a City Home acquired by HACM during the Term (or extended Term) of this Agreement.

22. **Counterparts.** This Agreement may be executed in one or more counterparts which, when taken together, shall constitute one and the same document. Facsimile and/or email-PDF copies of signatures shall be accepted as originals.

[Signatures appear on next page]

IN WITNESS WHEREOF, the parties hereto enter into this Agreement as of the Effective Date.

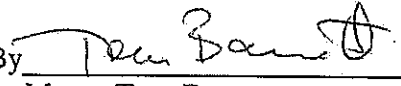
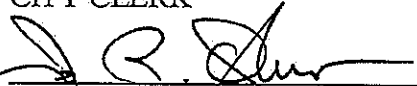
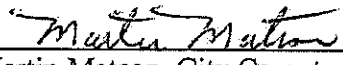
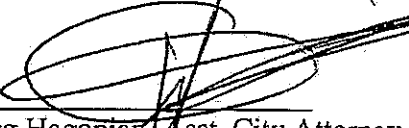
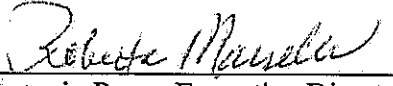
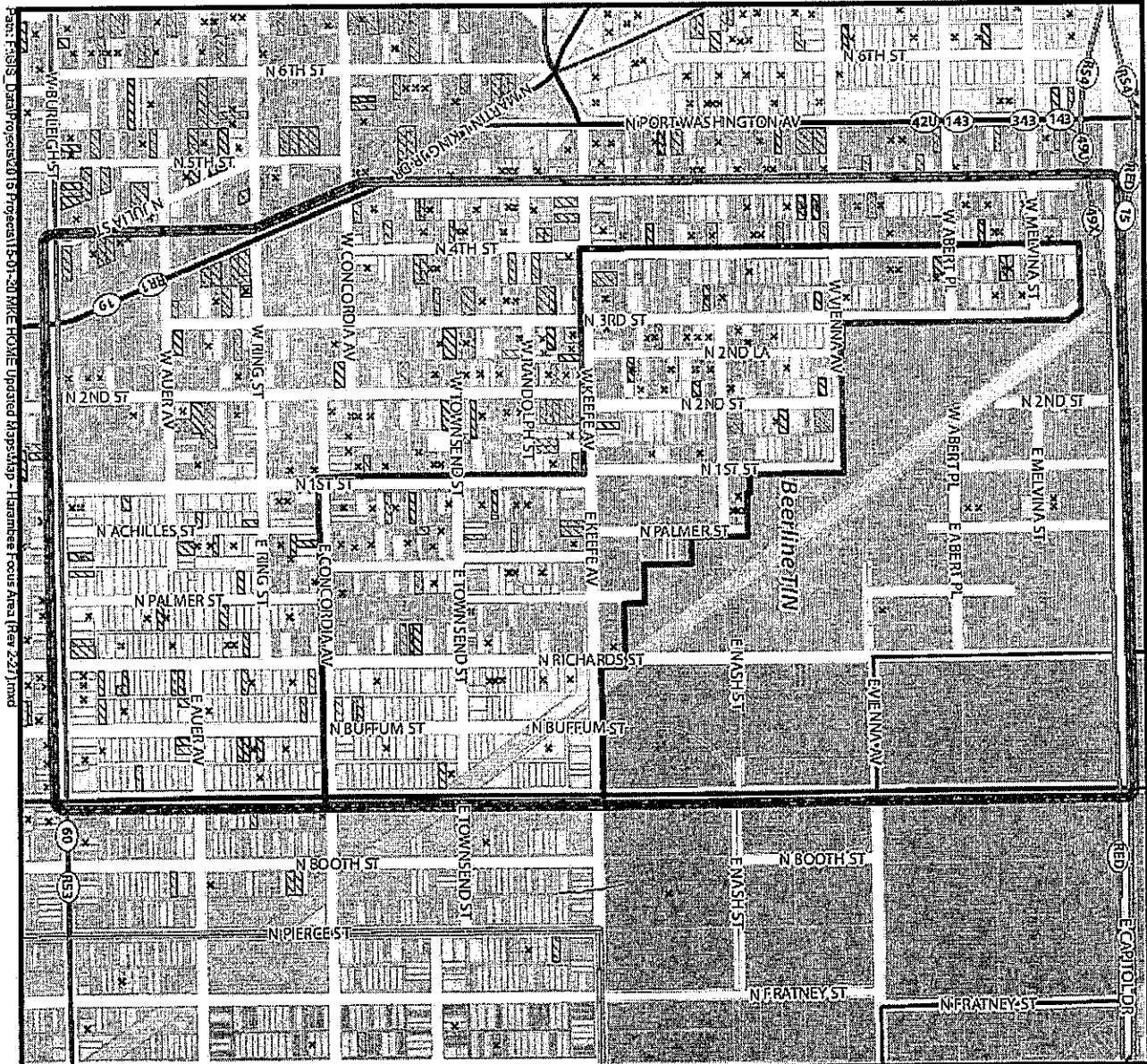
<p>CITY: City of Milwaukee</p> <p>By: <u></u> Mayor Tom Barrett</p> <p>CITY CLERK</p> <p><u></u> James R. Owczarski, City Clerk</p> <p>COUNTERSIGNED</p> <p><u></u> Martin Matson, City Comptroller TO</p> <p>City Common Council Resolution File No. 150238</p> <p>CITY ATTORNEY APPROVAL (MCO 304-21)</p> <p><u></u> Gregg Hagopian, Asst. City Attorney</p>	<p>HACM: Housing Authority of the City of Milwaukee</p> <p>By: <u></u> Antonio Perez, Executive Director</p>
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EXHIBIT A - MAP: HACM TARGET AREA



Part: Focus Area, Detail: Project: 15-01-20 Mike Home Updated Map: 15-01-20 Harambee Focus Area (Rev 2/27/15)

HARAMBEE

Ownership Conditions

Prepared by the Department of City Development, 27 February 2015
 Source: City of Milwaukee Information & Technology
 Management Division, Real Estate Division

Legend

- Bank Foreclosed Property
- City Foreclosed Structure
- City Vacant Lot
- Owner Occupied Residential
- Focus Area
- Aldermanic Districts
- Targeted Investment Neighborhood

Tax Delinquency

- 2 Years
- 3+ Years

2013 Market Value Analysis

EXA

EXHIBIT B - HACM REQUIRED INSURANCE

HACM shall at all times after acquisition of any City Homes hereunder, at its own expense, maintain insurance coverage to the extent of the full insurable value of the City Homes (i.e. replacement cost minus land) and shall furnish CITY with Certificates of Insurance, naming the CITY as loss payee with respect to such insurance. Such certificates shall provide that the insurance company's agent furnish CITY with a 30-day written notice of cancellation, non-renewal or material change.

EXHIBIT C – CHALLENGE GRANT PROGRAM PASA (HACM)

CITY OF MILWAUKEE - OFFER TO PURCHASE. CHALLENGE GRANT PROGRAM.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

IMPROVED PROPERTY- 1-4 Residential Units (CAO 226501)

The Buyer, HOUSING AUTHORITY OF THE CITY OF MILWAUKEE (“HACM”), and the CITY OF MILWAUKEE (“City”) are parties to a “Sale and Development Agreement” dated as of _____, 2016 (the “Development Agreement”). In furtherance of that Development Agreement, HACM offers to purchase from the City all of the City’s right, title, and interest in the property at _____ (“Property”) on the terms and conditions contained herein. For the purposes of this offer (the “Offer”), HACM shall communicate with the City Real Estate Office of the Department of City Development (“DCD”).

1. **Purchase Price.** HACM offers to purchase the Property for \$ _____ (“Purchase Price”) to be paid by cashier’s check at time of closing, subject to the customary prorations and deductions pursuant Section 16 (“Net Price”).

2. **Proposed Use; HACM Subsequent Sale or Lease.** After Closing, HACM shall renovate the Property by completing **Scope** work (defined in the Development Agreement) and by correcting code violations (see below), and HACM shall seek responsible owner-occupant buyers or responsible tenants fro the Property.
 - a. **City General Buyer Policies.** After Closing on City’s conveyance to HACM, and when HACM conveys or leases the Property to another, HACM shall attempt to sell and/or lease to those who understand the responsibilities of leasing and owning (as the case may be) and who have demonstrated to HACM’s reasonable satisfaction capacity to successfully lease or own (as the case may be) in a way that will benefit the Property and its surroundings.

 - b. **Explanation of Restrictive Covenants.** After Closing on City’s conveyance to HACM, HACM must, at or prior to signing a lease with a HACM tenant with a lease-to-own component, or at or prior to selling to a HACM buyer, the Property, explain to the tenant or buyer, as the case may be, the restrictive covenants that the City imposed when the City conveyed the Property to HACM.

 - C. **Homebuyer Counseling.** After Closing on City’s conveyance to HACM, and when HACM conveys the Property to another, HACM’s buyer must, as a condition to HACM closing with the buyer, receive at least 8 hours home buying counseling from a HUD-approved housing counseling agency.

 - D. **No 3rd Party Occupancy Until Scope Work Completed.** HACM may not allow an HACM tenant or an HACM buyer to occupy the Property, and HACM may not close on

a sale to an HACM buyer, prior to (i) HACM completing the Scope work for the Property, and (ii) HACM obtaining a Certificate of Code Compliance for the Property.

3. **No Broker.** No real estate broker was used regarding this transaction. City shall owe no broker commission as a result of this agreement or closing.
4. **No Earnest Money.** No earnest money is required concerning this transaction.
5. **Buyer Identification and Disclosures.** HACM is an entity under Wis. Stat. 66, Subch. XII.

Identify corporate officers: _____

HACM certifies that HACM, and every officer and director of HACM, directly or indirectly, is now and will at closing be in compliance with the following "City General Buyer Policies":

- a) Not delinquent in the payment of any property tax (real and personal property), special assessment, special charge or special tax to the City of Milwaukee.
- b) Not a party against whom the City has an outstanding judgment.
- c) Not have outstanding building or health code violations or orders from the City's Health Department or Department of Neighborhood Services that are not actively being abated.
- d) Not a party who has been convicted of violating an order of the Health Department or Department of Neighborhood Services within the past year.
- e) Not been convicted of a felony that causes neighborhood or community concerns with respect to neighborhood stability, health, safety or welfare.
- f) Not subject to a property tax foreclosure by the City within the past five years.

City will reject Offers from parties that violate the City General Buyer Policies and City may terminate an accepted Offer if such conditions exist at any time after acceptance of this Offer or at closing.

City may reject an Offer from parties with outstanding City of Milwaukee offers or recently purchased property from City where improvements or renovations have not been completed.

HACM certifies that HACM is in compliance with Offers to Purchase that HACM may have with City for other parcels HACM is buying from City and with deed restrictions that may be in place for other parcels that HACM may have bought from City.

Neither HACM nor any officer of HACM is an employee of the City of Milwaukee, Redevelopment Authority, Housing Authority, Milwaukee Economic Development Corporation or Neighborhood Improvement Development Corporation (collectively "City Agencies").

6. **Acceptance.** Submitted Offer must be signed HACM and acceptance occurs upon signature of the Commissioner of DCD or designee at which time this Offer becomes an agreement binding upon both parties ("Effective Date"). HACM may withdraw the Offer at any time prior to delivery of the accepted Offer.

EX C-2¹⁵

7. **Offer Term.** The Offer shall commence on the Effective Date and be in effect for a period of 45 days (“**Expiration Date**”). HACM must satisfy all contingencies and close on or before the Expiration Date pursuant to Section 12 of this Offer. Under limited circumstances, the Offer may be extended by the Commissioner of DCD for up to 30 days (“**Extended Date**”) upon submission by HACM and City acceptance of a written request for such extension including the reasons therefor and a check for \$250 in payment of an Extension Fee. If the Offer term is extended, the Extension Fee is non-refundable and shall not be credited toward the Purchase Price.

8. **Duty to Comply with Building Code.** Conveyance shall be subject to all building and health code violations outstanding at Closing, if any. HACM shall bring the Property into compliance with the City of Milwaukee Building Code within **6 months** following the date of the Deed.

9. **Roots Program for Owner Occupants.** HACM elects to participate in the Roots Program:
 Yes No.

10. **Contingencies.**

A. **Pro Forma, Scope and Initial Gap Estimate Contingency.** As required by the Development Agreement, Closing on this Offer is contingent upon HACM submitting to DCD prior to Closing, a **Scope and Pro Forma** (as those terms are defined in the Development Agreement), and on HACM obtaining prior to Closing DCD’s approval of same. If DCD’s review of the Scope and Pro Forma show an “**Initial Gap Estimate**” as defined in the Development Agreement, Closing is also contingent upon DCD and HACM agreeing on the amount of the Initial Gap Estimate. If DCD does not approve the Scope, or the Pro Forma, or if the parties do not agree on the Initial Gap Estimate, then City shall have no duty to Close and City may declare this Offer null and void. Per the Development Agreement, City financing per agreed-upon Initial Gap Estimate is subject to future adjustment per Actual Gap determination.

B. **MCO 304-49-3-c and 304-49-4.5 Contingency.** Because HACM may receive gap financing from City for the Property rehabilitation, per the Development Agreement, and per the above, DCD shall promptly (within 10 days of City acceptance of this Offer) provide notice of this PASA to the local council member in whose district the Property is located. Any City acceptance of this Offer is contingent upon approval by that local council member, or failing approval, per Common Council approval. DCD shall keep HACM apprised of local Council member approval status.

11. **Property Condition, AS IS.** City shall convey the Property in “AS IS, WHERE IS” condition with all faults and defects, known or unknown, physical or otherwise, and without representation or warranty, express or implied. Such provisions shall bar all tort, warranty, and misrepresentation claims – including any action based on non-disclosure. HACM shall rely on HACM’s own due diligence and independent investigation and inspection, and shall not rely upon any oral or written statement or representation of City or any employee or agent or contractor of City. Any scope of work or cost estimates provided by City (if any)

(including any DNS Scope, as defined in the Development Agreement) are for informational purposes only and the City does not warrant the content or conclusions of same. HACM is encouraged to retain its own consultant to evaluate structure condition and renovation costs, and HACM must submit to DCD a Scope and Pro Forma regarding renovation.

City has conducted no investigation of the structural condition of the improvements, survey of any encroachments or easement, or of the bearing capacity of the subsoil. The Property may contain lead-based paint (especially if constructed prior to 1978), asbestos and underground storage tanks. HACM is solely responsible for obtaining any Property investigations at its sole expense.

Because no Transfer Fee is required for the City conveyance (Wis. Stat. 77.25 (2)), per Wis. Stat. 709.01 (1), City is not required to, and will not, provide a Wis. Stat. Ch. 709 "Real Estate Condition Report."

Notwithstanding the foregoing, prior to Closing, City shall, at its expense, remove all personal property (not fixtures) from the interior of structures at the Property, including but not limited to trash, furniture, clothing, boxes, dishes, etc..

12. Closing. Closing on this transaction ("**Closing**") shall take place at the offices of the City DCD Real Estate Office at 809 North Broadway, 2nd Floor, Milwaukee, Wisconsin, or at a title company, or other mutually acceptable place, at a time and date that will be on or before the Expiration Date or Extended Date - provided (i) City has approved the Scope and Pro Forma, (ii) HACM and DCD have agreed on the Initial Gap Estimate (if applicable), (iii) HACM is not in violation of the City General Buyer Policies, and (iv) approval under MCO 304-49-3-c and 304-49-4.5 occur..

13. Quit-Claim Deed of Property; AS-IS Sale; Restrictions. Upon delivery of the Net Price by HACM, City shall convey the Property to HACM by Quit-Claim deed ("**Deed**") in the form attached hereto as **EXHIBIT A**, and containing the restrictive covenants set forth in that Deed.

See EXHIBIT A Deed for restrictive covenants.

14. Title Insurance. City shall provide HACM with a title insurance commitment for the Property, issued by a title insurance company chosen by City, in the amount of the Purchase Price if the Purchase price is greater than **\$5,000**. City shall pay the base cost of title insurance. HACM shall be responsible for the cost of any title and gap endorsements and the cost of any title updates incurred after the initial invoice. City shall pay its cost of title insurance at Closing from the Purchase Price, if sufficient to cover such cost, or by separate check. Provision of title insurance shall not change the "AS-IS/WHERE IS, no warranty or representation" nature of this transaction. No evidence of title shall be provided by City if the Purchase Price is less than \$5,000.

EX C-4 17

15. **Legal Possession & Occupancy.** Legal possession of the Property shall be delivered to HACM at Closing. Physical occupancy is subject to the rights of tenants in possession, if any. At Closing, and upon delivery of the Deed to HACM, whatever occupancy rights City has in and to the Property will become HACM's.
16. **Proration.** Property taxes and/or utility bills, if any, shall be pro-rated to the date of Closing. City shall be responsible only for special assessments of record as of the date this Offer is accepted by City. Special assessments that are the responsibility of City, but that have not been billed or paid, may be deducted from the Purchase Price at Closing and shall be paid by HACM when due. If the Purchase Price is inadequate to pay such Special Assessments, City shall pay such Special Assessment when due. Rent, if any, shall be prorated to the date of Closing. Unless otherwise disclosed, City holds no security deposits in respect of any tenant now or formerly occupying the Property.
17. **City Termination.** City may terminate this Offer and return the Extension Fee (if any) if City is unable to provide marketable title or City is unable or unwilling to remove valid objections to title prior to Closing. If Property is damaged prior to Closing, City reserves the right to terminate this Offer or adjust the Purchase Price.
18. **Energy Efficiency.** Sale of improved properties that will be used as rental units may be subject to the Wisconsin Department of Commerce "Rental Unit Energy Efficiency Standards," Chapter 67, Wisconsin Administrative Code and Wis. Stat. 101.122. HACM is responsible for all costs, expenses and fees for complying with this program.
19. **Transfer Fee.** No real-estate-transfer fee shall be due at Closing pursuant to Wis. Stat. 77.25(2). HACM shall cooperate with City regarding information needed for completion of the transfer return required by Wis. Stat. 77.255.
20. **Recording Deed.** Promptly after Closing, the Deed shall be recorded by the City or other party, such as a title company, as required by Milwaukee Code of Ordinances ("MCO") 304-49-11. HACM shall be responsible for the recording fee and shall provide City at Closing with a check to record the Deed as directed on the closing statement.
21. **Property Recording.** HACM shall not be required to register the Property with DNS under MCO 200-51.5 (Property Recording) or 200-51.7 (Vacant Building Registration) because under those ordinances HACM, as government owner, is exempt.
22. **Successors and Assigns.** Once this Offer is accepted by City, this Offer binds and inures to the benefit of the parties hereto and their successors and assigns. However, HACM may not assign any rights, or obligations under this Offer without the written consent of City by its DCD.
23. **Facsimile and Counterparts.** This Offer may be executed in one or more counterparts which, when taken together, shall constitute one and the same document. Facsimile or email/PDF signatures shall be accepted as originals.

EX C-5 18

24. **Entire Agreement.** This Offer and the Development Agreement constitute the entire agreement between the parties and all other statements, written or oral, are of no effect. This Offer may only be amended by a written agreement signed by all the parties hereto.
25. **Severable.** The terms and provisions of this Offer are deemed separable and severable such that the invalidity or unenforceability of any term or provision shall not affect or impair the validity or enforceability of the remaining terms and provisions.
26. **Survival.** The terms, provisions, and agreements herein shall survive Closing and delivery and recording of the Deed.
27. **Notices.** All notices permitted or required hereunder shall be considered given (i) upon receipt if hand-delivered by commercial courier or otherwise personally delivered, (ii) if sent by facsimile or email, then the notice must be sent during business hours (i.e. 8:30 A.M to 4:30 P.M., Monday through Friday) on days that City's City Hall is open for business, and the notice shall be deemed given when sent as per the following and so long as the notice is successfully sent (i.e. the sender does not receive any error or "busy" or "inability to send" notification), and (iii) within two business days of depositing same in the U.S. mail, postage-paid, addressed by name and address to the party intended as follows:

If to City:

Karen Taylor
 Department of City Development
 809 North Broadway, 2nd Floor
 Milwaukee, WI 53201-0324
 Phone: 414-286-5730
 Fax: 414-286-0395
 Email: ktaylo@milwaukee.gov

If to HACM:

Antonio Perez
 Housing Authority of the City of Milwaukee
 809 N. Broadway, 3rd Floor
 Milwaukee, WI 53202
 Phone: 414-286-5670
 Fax: 414-286-0833
 Email: tperez@hacm.org

28. **Remedies.** Except as otherwise provided herein, in the event of breach of this Agreement, the nonbreaching party shall have all rights and remedies available at law and in equity against the breaching party.

29. **Special Conditions:** Addendum is is not attached.

IN WITNESS WHEREOF, the parties caused this Offer to be entered into and executed as of the date written below.

HACM: HOUSING AUTHORITY OF THE CITY OF MILWAUKEE

By: _____
 Name Printed: _____
 Title: _____

 Date ▲

FEIN of HACM: 39-1159751

EXC-6¹⁹

Acceptance by City (City of Milwaukee)

Accepted: _____ Date ▲

Rejected: _____ Date ▲

EX C-7 20

Document Number

QUIT CLAIM DEED

Name and Return Address:

ANTONIO PEREZ
HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
809 N. BROADWAY, 3RD FLOOR
Milwaukee, WI 53202

Tax Key Number: _____

Drafted by: City of Milwaukee

This deed and conveyance are exempt from the Wisconsin Real Estate Transfer Fee per Wis. Stat. 77.25 (2).

Recording Area

THIS QUIT-CLAIM DEED is made as of this _____ day of _____, 201__ and is by the CITY OF MILWAUKEE, a Wisconsin municipal corporation ("City") as grantor, to the HOUSING AUTHORITY OF THE CITY OF MILWAUKEE ("HACM") as grantee, for good and valuable consideration. HACM's purchase price was \$ _____.

A. **Conveyance of Property.** City hereby conveys and quit-claims to HACM, on an "AS-IS, WHERE-IS" basis, all of City's right, title, and interest, in and to the real estate described as follows:

Legal Description: _____, in the City and County of Milwaukee, State of Wisconsin ("**Property**").

Address: _____, Milwaukee, WI.

TIN: _____

B. **Restrictive Covenants.** This conveyance and the Property are subject to the following Restrictive Covenants. The terms and conditions of these Restrictive Covenants were material inducements to City conveying the Property to HACM, and but for HACM's acceptance of the terms and conditions by execution of an Offer to Purchase between City and HACM and of a "Sale and Development Agreement" between City and HACM dated as of _____, 20__ (the "**Development Agreement**"), City would not have conveyed the Property to HACM. The restrictive covenants are binding on HACM as the owner of the Property and upon HACM's successors and assigns, including successor owners of the Property.

EX C-8₂₁

1. Code Compliance and Scope Completion Requirement (“Performance Restriction”).

(a) On or before the 6-month anniversary of the date of this Deed, HACM shall (i) bring the Property into full compliance with applicable building codes and ordinances, and (ii) complete Scope work (as defined in the Development Agreement), and (iii) obtain a Certificate of Code Compliance for the Property.

(b) If City does not record with the Milwaukee County Register of Deeds (“ROD”) Office a “Notice of Breach” of this Performance Restriction within 10 months from the date of this Deed (“Expiration Period”), then this Performance Restriction shall be deemed satisfied of record and it shall no longer be an encumbrance against title; and, City shall have no right to recover, and no lien regarding, liquidated damages for breach regarding this particular restriction (see Section C below).

2. 5-Year Restriction. HACM acquired title with the intent on either (i) leasing the Property to another for residential use and occupancy, or (ii) conveying the Property to another for that person’s owner-occupied residential homestead.

(a) Prior to the 5-year anniversary of the date of this Deed, if HACM leases the Property, HACM may not convey fee title to the Property to another without City’s prior written consent. If HACM, however, within that 5-year period, desires to convey the Property to HACM’s tenant, and HACM provides evidence to City that the intended grantee is HACM’s tenant and the tenant is ready to close, City will consent.

(b) If HACM does not lease the Property and HACM instead conveys it to a buyer for the buyer’s owner-occupied residential homestead, then, for at least 5 years from the date of HACM’s deed to that buyer, that buyer must occupy the Property as buyer’s primary residential homestead. That buyer during that 5-year period shall be bound hereby and may not during that 5-year period convey the Property to another unless that person will, for the remainder of said 5-year period, occupy the Property as that person’s primary residential homestead. During the 5-year period, the Property may not be used for non-owner-occupied, or rental, purposes.

Notwithstanding the foregoing, if the Property is a duplex, a 3-unit apartment, or a 4-unit apartment, the occupancy restriction for the buyer shall only apply to one of the units therein such that at least one of the units is occupied by the buyer.

(c) If City does not record with the ROD Office a “Notice of Breach” of this restriction within 5 years and 3 months from the date of this Deed (“Expiration Period”), then this restriction shall be deemed satisfied of record and it shall no longer be an encumbrance against title; and, City shall have no right to recover, and no lien regarding, liquidated damages for breach regarding this particular restriction (see Section C below).

3. HACM Pilot. HACM shall during its ownership of the Property pay a PILOT (payment in lieu of taxes) on the Property as contemplated by Wis. Stat. 66.1201 (22), with the

EX C-9 22

EXHIBIT D – REQUIRED FORM OF PRO FORMA

Harambee Challenge Fund - Housing Authority of the City of Milwaukee
Homeownership Proforma

Address:

Challenge Fund Property #

Stage 1 - Acquisition	
<i>Acquisition Cost</i>	
Financing/Closing Fees	
Title Policy and Insurance	
Appraisal	
Acquisition Total	
Stage 2 - Development Budget	
Rehab	
Contingency (10%)	
Alarm System	
Development Budget Subtotal	
Holding Costs (for 6 months)	
Taxes	
Utilities and water	
Insurance	
Other:	
Development Budget Total	
Total Development Cost (Acquisition + Development)	
Stage 3 - Sale of Property	
Total Development Cost (Acquisition + Development)	
Development Fee	
Closing Costs - Legal	
Closing Costs - related to sale	
Follow up Appraisal	
Brokerage fee (5%)	
Total Project Cost	

Ex D-1²⁴

Expected Sales Price	
GAP	

Harambee Challenge Fund - Housing Authority of the City of Milwaukee
Rental Proforma

Address:

Challenge Fund Property #

Stage 1 - Acquisition	
Acquisition Cost	
Financing/Closing Fees	
Title Policy and Insurance	
Appraisal	
Acquisition Total	
Stage 2 - Development Budget	
Rehab	
Contingency (10%)	
Alarm System	
Development Budget Subtotal	
Holding Costs (for 6 months)	
Taxes	
Utilities and water	
Insurance	
Other:	
Development Budget Total	
Total Development Cost (Acquisition + Development)	
Stage 3 - Place in Service (Rental)	
Total Development Cost (Acquisition + Development)	
Development Fee	

EXD-2²⁵

Total Project Cost	
Expected Permanent Mortgage - 30 years	
TOTA FINAL GAP	
GAP - HACM SHARE (1/3)	
GAP - CITY SHARE (2/3)	

EX D-3²⁶