

**Memorandum
Community Economic Development Department**



To: Thomas Thomas, City Manager
Subject: Ordinance to Authorize Sale of City Property through the HOME Program
Date: August 18, 2016

At the July 25th study session CED presented to City Council a new City homeownership program, Home Ownership Made Easy (HOME), which is intended to promote neighborhood revitalization by making available for purchase vacant, city-owned lots with the end goal of new home construction within six (6) months (described in the attached Program Guide). The goal of the program is to make the home building process as smooth and simple as possible. To this end the City is providing access to lenders, home builders with model floor plans appropriate for infill sites, and a fast-track approval process where all building permit fees are waived and the real estate transaction costs are covered by the City.

The program will be rolled out annually with an announcement of which city-owned lots will be available for purchase through the HOME program. To stay true to the acronym, CED recommends City Council will authorize the HOME program, the sale of the attached HOME program lots (Exhibit A), and the waiving of inspection fees and closing costs per the HOME program guidelines.

RECOMMENDATION:

It is recommended that Council approve the HOME program and an ordinance to waive inspection fees, cover real estate closing costs, and authorize the sale of the 2016 City-owned parcels identified in Exhibit A.

Submitted by: Brandy Howe, AICP, Interim Planning & Redevelopment Administrator
Bret Gardella, Economic Development Manager
Randy Hollerud, Housing and Loan Officer

Approved by: Thomas Thomas, City Manager

Welcome H.O.M.E.



Home Ownership Made Easy

Program Guide

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Welcome *H.O.M.E.*



H.O.M.E. PROGRAM

The Rock Island *H.O.M.E.* Program offers an exciting opportunity for anyone looking to build a new home on existing neighborhood infill sites owned by the City of Rock Island. The goal of the program is to make the home building process as smooth and simple as possible. To this end the City is providing access to lenders, home builders with model floor plans appropriate for infill sites, and a fast-track approval process where all building permit fees are waived and the real estate transaction costs are covered by the City. Wouldn't you like to make Rock Island your *H.O.M.E.*?

Eligibility

- *H.O.M.E.* buyers must secure financing
- *H.O.M.E.* buyers must build within 6 months
- No income restrictions
- Not restricted to first-time homebuyers

Incentives

- Lots available for purchase for \$5.00
 - Real estate transaction costs paid by City
 - Permit fees waived
- Buyers are qualified for Rock Island New Construction Property Tax Incentive Program (if owner occupied)

Contact Information

Community & Economic Development Department
1528 3rd Avenue
Rock Island, IL 61201
(309) 732-2900

www.rigov.org/HOME



H.O.M.E. PROCESS

- Step 1.** Initial Meeting with City Staff
Set up a meeting with City staff to go over the *H.O.M.E.* program requirements and complete the *H.O.M.E.* application and authorization form.
- Step 2.** Select Building Lot
Using the driving map provided by the City, take a look at each available building lot and select the lot you would like to build your home on. Complete a purchase agreement to reserve your preferred building lot.
- Step 3.** Secure Financing
Select a lender to complete the prequalification process to receive a mortgage loan. You can work with one of the City's partner financial institutions or you can use your own bank to secure a loan. Proof of financing is required to participate in the *H.O.M.E.* program.
- Step 4.** Complete Purchase Agreement
Once financing has been secured and a home plan has been selected, buyers will enter into an agreement with the City to build a new home on the selected site within 6 months.
- Step 5.** Select Builder and Home Plan
Chose one of the *H.O.M.E.* program's pre-designed home plans or bring your own builder and home design. Model home centers for our partner builders, Homeway Homes and Design Build, are a short drive away in Galesburg, IL or Eldridge, IA.
- Step 6.** Work with Builder on Home Specifics
Work with the builder of your choice to pick out exterior and interior home finishes, including flooring, cabinetry, and exterior color.
- Step 7.** Construction
Your new home will arrive to the site and will be permanently secured to its foundation. The finishing touches will be made such as site-built garages, porches, decks and driveways.
- Step 8.** Move In
Once you are completely satisfied with your home, you will receive a Certificate of Occupancy and your home will be ready to move-in.



H.O.M.E. BUILDING LOT SELECTION

Each year the City of Rock Island will pre-identify and map eligible *H.O.M.E.* lots that meet City zoning requirements and are otherwise ready for construction. Simply grab a map and take the walking or driving tour of each site to determine the best one to meet your needs. Home sites will also be identified by yard signs.



H.O.M.E. SECURING A HOME LOAN

The *H.O.M.E.* Program connects applicants with partner lenders for the loan process, or, you can use your own bank to secure a loan. When financing a modular home, banks usually issue a loan that goes through two stages. These are known as construction-to-permanent loans. Until your home is complete and receives its final appraisal, the loan will be a construction loan. During this time, you will be making “interest only” payments. Once the home is complete, the loan will become a permanent mortgage. At that time, you’ll begin making regular payments against the total loan amount.

Step 1. Get a Prequalification Estimate

Once you’ve found a suitable lot and have signed a purchase agreement with the City, your next step will be to set up a meeting with a lender to get a pre-qualification estimate. Your lender will check your credit history and financial information to determine the amount the bank would be willing to lend you and what the interest rates and fees would look like. The pre-qualification estimate will help you determine which of the model homes in the *H.O.M.E.* Program will fit your needs and budget. This estimate is non-binding, both for you and the lender.

Step 2. Apply for a Loan

Once you’ve selected your lot and house plan, you will need to apply for a loan. In order to apply, your lender will need:

- The signed purchase agreement to purchase the lot of your choice.
- The contract with the *H.O.M.E.* Building Partner for the home you plan to purchase as well as blueprints to determine appraisal value (provided by your H.O.M.E Building Partner).
- W-2 forms from the past 2-3 years.
- IRS Form 4506-T and Federal tax returns (1040s).
- A detailed account of your assets and debts.
- Proof of employment and work history for the past 5 years.
- Information on any outstanding loans.
- A certified bank check to cover fees (credit check and application fees).



Step 3. Get Approved

If your application is satisfactory, the lender will approve the loan by sending you a letter of commitment. You may need to show this letter to the manufacturer or to a seller if you're buying land before they will sign a final contract.

Step 4. Set Up a Disbursement Schedule

Once you receive final approval, you'll need to establish a timeline for paying for the property, the manufacturer, the general contractor, and any other costs associated with constructing your home. As each milestone is reached, the bank will need proof of completion, often through an inspection. This will ensure that only once a task is completed to the bank's satisfaction will payment be released.

Step 5. Close on the Loan

Now that the disbursement schedule has been set and agreed upon and any other concerns that they had (e.g. did you receive your building permit?) have been addressed, the loan will be closed. You and the bank will sign the final documents and you will pay closing costs.

Step 6. Build Your Home

During the time that your home is being built, you'll be making interest payments to the bank every month. Until your home is complete, you won't be able to make any payments against the principle, so you'll want to get your home completed as quickly as possible.

Step 7. Make Your Construction Loan a Permanent Mortgage

Once construction has been completed, the lender will inspect and appraise the house. If everything is satisfactory, the loan will become a permanent mortgage and you will start making payments against both interest and principal. Even though up until now you had a construction loan, the clock started ticking on your mortgage as soon as the loan closed.

Source Material: The Definitive Guide to Building Modular. Modular Homeowners, 2015.



H.O.M.E. BUILDING OPTIONS

The Rock Island Line



760 square feet, 2 bedrooms, 1 bath

Base Price: \$103,069*

Not included in base price: Appliances, garage, landscaping, and site preparation. Please understand that you should budget for and expect some expenses for site preparation, such as sewer and water connections.

*Prices may vary.



Beecher Cottage



800 square feet, 2 bedrooms, 1 bath

Base Price: \$104,088*

Not included in base price: Appliances, garage, landscaping, and site preparation. Please understand that you should budget for and expect some expenses for site preparation, such as sewer and water connections.

*Prices may vary.



Hewitt Cottage



787 square feet, 2 bedrooms, 1 bath

Base Price: \$103,118*

Not included in base price: Appliances, garage, landscaping, and site preparation. Please understand that you should budget for and expect some expenses for site preparation, such as sewer and water connections.

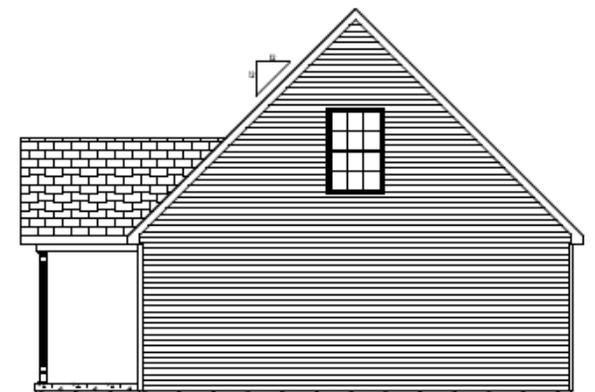
*Prices may vary.



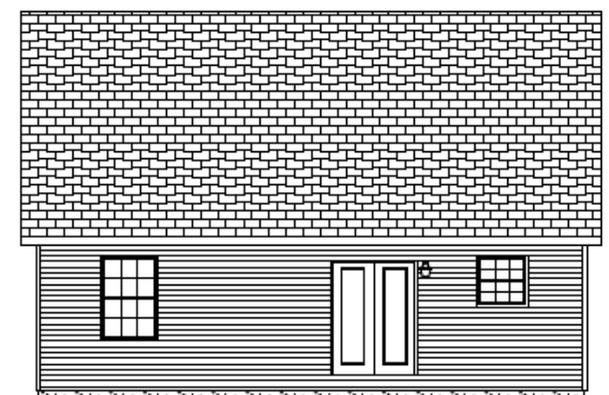
The Centennial



FRONT ELEVATION



SIDE ELEVATION



REAR ELEVATION

1,229 square feet, 3 bedrooms, 1 bath

Base Price: \$119,923*

Not included in base price: Appliances, garage, landscaping, and site preparation. Please understand that you should budget for and expect some expenses for site preparation, such as sewer and water connections.

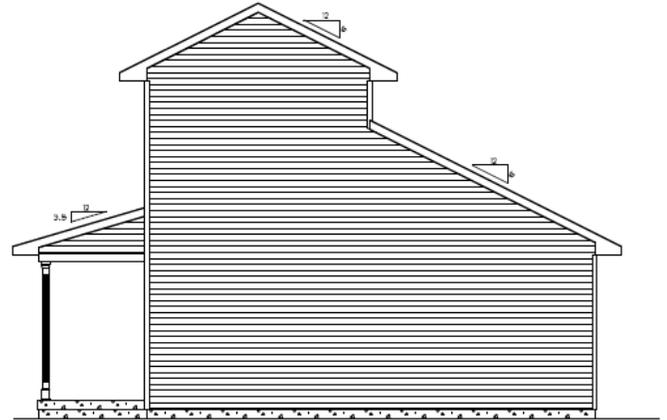
*Prices may vary.



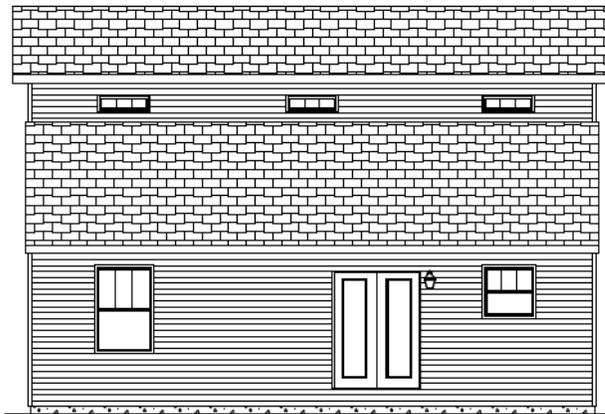
The Mississippian



FRONT ELEVATION



SIDE ELEVATION



REAR ELEVATION

1,199 square feet, 3 bedrooms, 1 bath

Base Price: \$139,680*

Not included in base price: Appliances, garage, landscaping, and site preparation. Please understand that you should budget for and expect some expenses for site preparation.

*Prices may vary.



H.O.M.E. FAQs

Q. Are there income restrictions with the *H.O.M.E.* program?

A. No. This is not a program specific to low and moderate income participants. There is no income minimum or maximum required for program participation. Buyers do, however, have to demonstrate proof of their ability to finance a new home.

Q. Can I bring my own builder or my own home design?

A. The *H.O.M.E.* program does not require buyers to work with the partner builders. Rather, our partner builders are available to buyers to simplify the home construction process.

Q. Can I purchase more than one *H.O.M.E.* lot at a time?

A. Only one lot may be purchased at a time. A second lot may be purchased after a certificate of occupancy has been issued for the first lot. 2305

Q. Can I purchase a lot that is not owned by the City and participate in the *H.O.M.E.* program?

A. Yes and no. Home sales with a private owner must be handled by the buyer. The City can connect the buyer to a partner *H.O.M.E.* builder and financial institution to construct a new home.

Q. Who handles the site work for the new home (i.e. basement, concrete, etc.)?

A. If you select a Homeway Home plan, Homeway Homes handles all site work which is rolled into the purchase price of the home. If you select a Design Build plan, a subcontractor will need to be hired to complete the preparation work to ready the site for the new home.



H.O.M.E. APPLICATION

Name/Company _____

Current Address _____

Telephone Number (Home) _____ (Work) _____

Email _____

Name of Employer _____

Proposed lending institution for construction loan _____

Estimated amount of funds for a down payment \$ _____

Preferred building site (address of RDA owned lot) _____

Will you be able to start construction in the next 6 months? Yes / No (circle one)

Will you be occupying the house? Yes / No (circle one) OR

Will this home be sold for owner occupancy? Yes / No (circle one)

I certify that I have received a copy of the *H.O.M.E.* Program Guide and understand and accept the Guide as the basis for acceptance into the Program.

Signature Date

Signature Date



H.O.M.E. AUTHORIZATION FORM

I/We hereby authorize the City of Rock Island, to discuss pertinent information with my financial institution relating to financial capabilities, loan information and any other related assets that are needed to qualify for the *H.O.M.E.* Program.

I/We hereby authorize the City of Rock Island, to discuss pertinent information with my Builder/Developer and any other relevant parties regarding home plans, design and any other applicable information that is needed to qualify and attain the *H.O.M.E.* Program.

I/We further authorize the City of Rock Island, to receive and /or know of any documents and/or actions relating to our file. In addition, the City of Rock Island may, at its sole discretion, obtain a Credit Bureau Report to verify information submitted to help ascertain eligibility for the *H.O.M.E.* Program. It is understood that a photocopy of this form will also serve as authorization. The information the City of Rock Island obtains is only to be used in the *H.O.M.E.* Program.

Signature Date

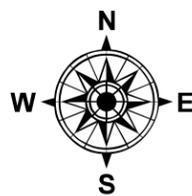
Signature Date



Welcome H.O.M.E. Building Sites



Two Additional Properties-
1523 & 1527 36th Street.
Go East on 18th Avenue,
Left on 36th Street,
Continue North to Properties



A SPECIAL ORDINANCE PROVIDING FOR THE SALE
OF CERTAIN REAL ESTATE OWNED BY
THE CITY OF ROCK ISLAND, ILLINOIS AND
APPROVAL OF A H.O.M.E. PROGRAM

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ROCK ISLAND, ILLINOIS:

Section One. It is hereby determined that the retention of the title to the parcels of real estate described on Exhibit A, attached hereto and made a part hereof, owned by The City of Rock Island, Illinois, are no longer necessary, appropriate, required for the use of, profitable to, or for the best interests of The City of Rock Island, Illinois.

Section Two: That a new City home ownership program be instituted which is intended to promote neighborhood revitalization by making available for purchase vacant, city-owned lots, with the end goal of new home construction as described in the Program Guide to be known by the acronym H.O.M.E. Program (Home Ownership Made Easy). All closing costs relating to the purchase of the lots will be paid by the City and all building permit fees for the homes to be constructed under the Program will be waived by the City.

Section Three: That the Program will be rolled out annually with an announcement of which city-owned lots will be available for purchase each year.

Section Four: That the city-owned lots available for purchase in 2016 are described on Exhibit A attached hereto as referenced above.

Section Five. That the Mayor and City Clerk be and are hereby authorized and directed to execute on behalf of The City of Rock Island, Illinois, Warranty Deeds conveying the above-described parcels to each individual owner as said lots are sold in accordance with the Program Guidelines.

Section Six. All ordinances and part of ordinances in conflict herewith are hereby repealed insofar as they do so conflict.

Section Seven. This ordinance shall be in full force and effect 10 days from its passage and approval, as required by law.

MAYOR OF THE CITY OF ROCK ISLAND

PASSED: _____

APPROVED: _____

ATTEST: _____

CITY CLERK

EXHIBIT A

1. The West 46 feet of Lot 5, excepting therefrom the North 58 feet, Block 16, Chicago or Lower Addition;
AND
The Northerly 58 feet of the Westerly 46 feet of Lot 5 in Block 16 of “Chicago or Lower Addition to the City of Rock Island”, further described tract to-wit: Commencing on the West line of Lot 5 in Block 16 in that part of the corner of said Lot and running thence North along the West line of said Lot 58 feet to the alley, thence Easterly at right angles to said West line, 46 feet, thence Southwardly parallel with said West line, 58 feet, thence Westerly to the place of beginning;
AND
The East 34 feet of the following described premises: Fractional Lot 5 in Fractional Block 8 in that part of the City of Rock Island known as and called “The Old or Original Town”, also Fractional Lot 5 in Fractional Block 16 in that part of the City of Rock Island known as and called “Chicago or Lower Addition”, all situated in the Township of Rock Island, County of Rock Island, State of Illinois.

(Commonly known as 1001 – 1003 -3rd Avenue, 1007 – 3rd Avenue (Land Only), 219 – 10th Street (Land Only), Rock Island, Illinois. These parcels have been combined into Parcel RI-1771.)
2. Lots 3 and 4, Block 3 of Bailey Davenport’s Fourth Addition to the City of Rock Island, Township of Rock Island, County of Rock Island, State of Illinois.

(Commonly known as 1122 & 1128 – 9th Avenue, Rock Island, Illinois.)
3. Lots 3 and 4 in the Re-Plat of George Schafer’s Addition to the City of Rock Island, Township of Rock Island, County of Rock Island, State of Illinois.

(Commonly known as 1123 – 9th Street, Rock Island, Illinois.)
4. Lots 10 and 11 in Block 2 of Dack’s Second Addition to the City of Rock Island, Township of Rock Island, County of Rock Island, State of Illinois.

(Commonly known as 1411 – 9th Street, Rock Island, Illinois.)
5. Lots 9 and 10, Block 3, Smalley’s First Subdivision of Lot 5 in the Southwest Quarter of Section 2, Township 17 North, Range 2 West of the 4th Principal Meridian, Township of South Rock Island, County of Rock Island, State of Illinois.

(Commonly known as 1927 & 1929 – 9th Street, Rock Island, Illinois)

6. Sub Lot "A", in Subdivision of Lots Number Six (6), Seven (7), Eight (8), Nine (9) and Ten (10) in Block Number Eighteen (18) in the Chicago or Lower Addition to the City of Rock Island, situated in Rock Island County, Illinois.

(Commonly known as 317 – 9th Street, Rock Island, Illinois)

7. Lot 7, Block 34 of Chicago or Lower Addition to the City of Rock Island, Township of Rock Island, County of Rock Island, State of Illinois. These parcels have been combined into Parcel RI-1911.)

(Commonly known as 423 & 425 – 6th Street, Rock Island, Illinois)

8. Lot 2 and the North 25 feet of Lot 3 in Block 59 of Chicago or Lower Addition to the City of Rock Island, Township of Rock Island, County of Rock Island, State of Illinois.

(Commonly known as 601 & 603 – 5th Street, Rock Island, Illinois)

9. Lot 2, Block 61 of Chicago or Lower Addition to the City of Rock Island, Township of Rock Island, County of Rock Island, State of Illinois.

(Commonly known as 603 – 7th Street, Rock Island, Illinois)

10. Lot 4, Block 59, Chicago or Lower Addition to the City of Rock Island, Township of Rock Island, County of Rock Island, State of Illinois.

(Commonly known as 606 – 6th Street, Rock Island, Illinois)

11. Lots 4 and 5, Block 58, Chicago or Lower Addition to the City of Rock Island, Township of Rock Island, County of Rock Island, State of Illinois.

(Commonly known as 602 & 612 – 5th Street, Rock Island, Illinois)

12. Lot 32 of Huber and Peetz Addition to the City of Rock Island, Township of Rock Island, County of Rock Island, State of Illinois.

(Commonly known as 749 – 15th Street, Rock Island, Illinois)

13. Lot 4 in Block 2 of Bailey Davenport's Third Addition to the City of Rock Island, Township of Rock Island, County of Rock Island, State of Illinois.

(Commonly known as 825 – 5th Street, Rock Island, Illinois)

14. Lot 8, except the West 12 feet thereof, Block 19 in Chicago or Lower Addition to the City of Rock Island; situated in Rock Island County, Illinois.

(Commonly known as 829-31 – 4th Avenue, Rock Island, Illinois)

15. Lot 3 and the East Half of Lot 4 in Block 6 of Bailey Davenport's Fourth Addition to the City of Rock Island, Township of Rock Island, County of Rock Island, State of Illinois.

(Commonly known as 918 – 10th Avenue and 920 – 10th Avenue, Rock Island, Illinois)
16. Lot 1 in Block 6 of Bailey Davenport's Fourth Addition to the City of Rock Island, Township of Rock Island, County of Rock Island, State of Illinois.

(Commonly known as 930 – 10th Avenue, Rock Island, Illinois)
17. Lot Number Twelve (12) in Block Number Seven (7) in that part of the City of Rock Island known as and called, "Buford and Guyer's Addition to the City of Rock Island", situated in the County of Rock Island, in the State of Illinois.

(Commonly known as 1523 – 36th Street, Rock Island, Illinois)
18. Lot Number Ten (10) in Block Number Seven (7) of Buford and Guyer's Addition to the City of Rock Island, situated in the County of Rock Island, in the State of Illinois.

(Commonly known as 1527 – 36th Street, Rock Island, Illinois)