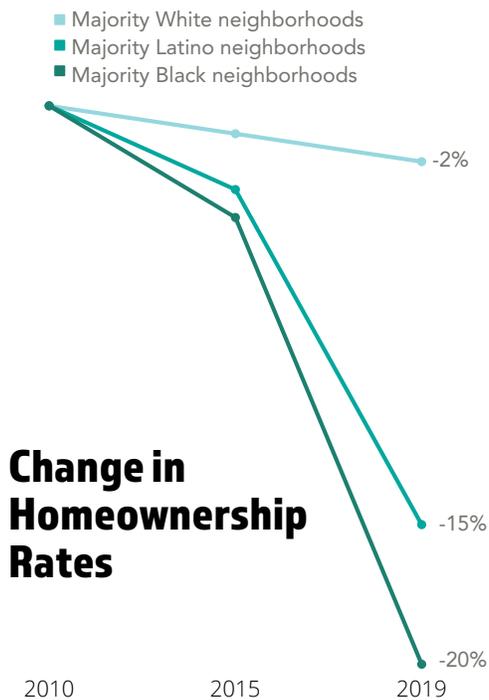


# Acts Housing Homeownership Acquisition Fund

Across the country, communities are faced with the existential challenge of absentee investors purchasing massive quantities of single-family homes for long-term rentals. *Milwaukee is no exception.*



Milwaukee is losing 1,000 homeowners of Color every year, a pace that has persisted over the past decade. This terrible trend for neighborhood stability has been driven by absentee investor owners who are buying up large swaths of single-family homes and turning them into permanent (and often poorly maintained) rentals. The pandemic has only exacerbated these trends, with median rents up nearly 16% over the past year. Families of low-to-moderate income (LMI) are increasingly rent-burdened and forced to make impossible tradeoffs that limit their ability to experience upward mobility and participate in the American Dream.

[Click here to read the well-researched exposé published in the Milwaukee Journal Sentinel on the topic of absentee investor owners](#)

There are hundreds of families graduating from the Acts Housing homebuyer education program annually that are hungry for homeownership. These households are able to get pre-approved for financing, but they're missing out on the most attractive deals, which are being snapped up by absentee investor owners who are purchasing homes off-market and/or making cash offers for properties with no contingencies.

**What if Acts Housing could disrupt the absentee investor owner business model by outcompeting them for the best homes, making those homes available to LMI families?**

# Acts Housing Homeownership Acquisition Fund

*We were born for this.*

Acts Housing was incorporated in 1995 to empower families of low-to-moderate income (LMI) through homeownership. For Acts' first 15 years, its services included homebuyer coaching, real estate brokerage services, and home rehab support. In the aftermath of the foreclosure crisis, when banks simply would not lend to families to help them purchase and rehab distressed, foreclosed homes, Acts filled the void, forming Acts Lending, a nonprofit lending affiliate in 2013.



In 2019, Acts opened an office in Beloit, WI, to support aspiring homeowners in that community and prove that this model, honed over 25+ years, can benefit communities throughout the country. With a long-term 94% success rate for Acts' more than 3,000 alumni families, its one-stop-shop approach to homeownership has proven it can deliver massive value. In 2021, Acts had a breakthrough year, helping more than 300 families purchase homes (a 67% increase over its best prior year).

## 2021 Acts Housing Impact:



Now, faced with the growing land grab by predatory investors, Acts is prepared to innovate yet again and form a new social enterprise to further its mission.

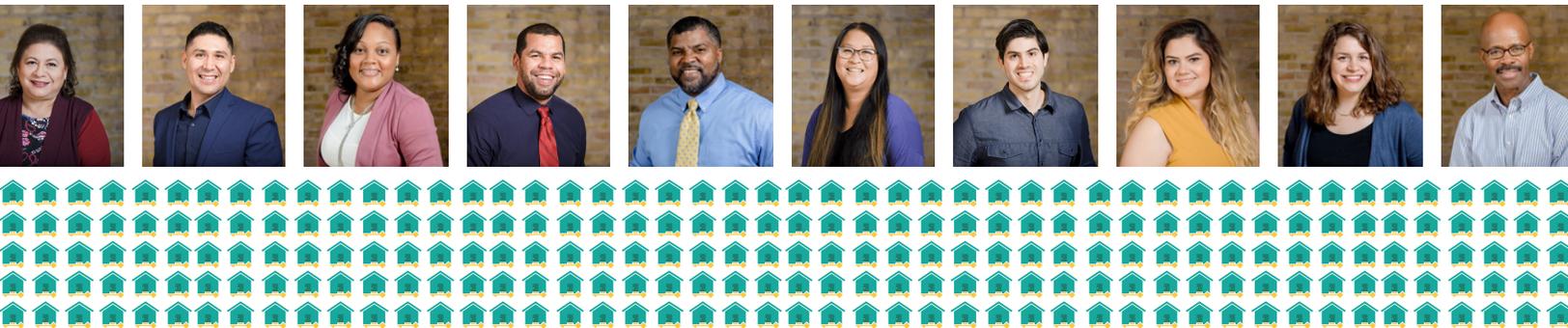
# Acts Housing Homeownership Acquisition Fund

## The Strategy:

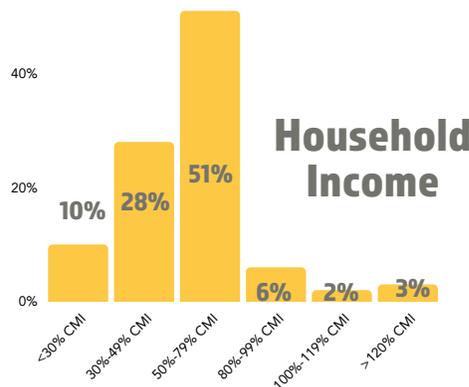


Dorothy York, MBA  
VP Real Estate

Dorothy York has served as Acts' COO and Managing Broker since 2017; she's an integral part of the Acquisition Fund planning group and will transition to her new role as VP Real Estate full-time in 2022. Dorothy will add additional talent to Acts' team of mission-minded real estate and home rehab professionals to identify ownership opportunities, quickly purchase these homes with cash, no contingency offers, and then make these homes available to LMI families. This will include buying portfolios of properties from investors, buying homes directly from sellers in off-market transactions, and purchasing tax-deeded properties from municipalities. Once purchased, these homes, depending on demand, can be sold in as-is condition to graduates of homebuyer education programs, or Acts can self-perform necessary repairs and sell move-in-ready homes in improved condition.



Acts is confident that Dorothy is the right professional to operationalize the Acquisition Fund to become self-sustaining within five years of project launch while presenting families with affordable opportunities that would otherwise be unavailable. This will typically result in families purchasing homes for \$90,000-\$140,000 and having monthly housing costs between \$900-\$1,200 per month, making these homes affordable to families earning less than \$25 an hour.



In 2021, 80% of new Acts homeowners earned between 30% and 80% of the county median income.

**For a family of three,  
that's \$38,000-\$60,750 per year.**

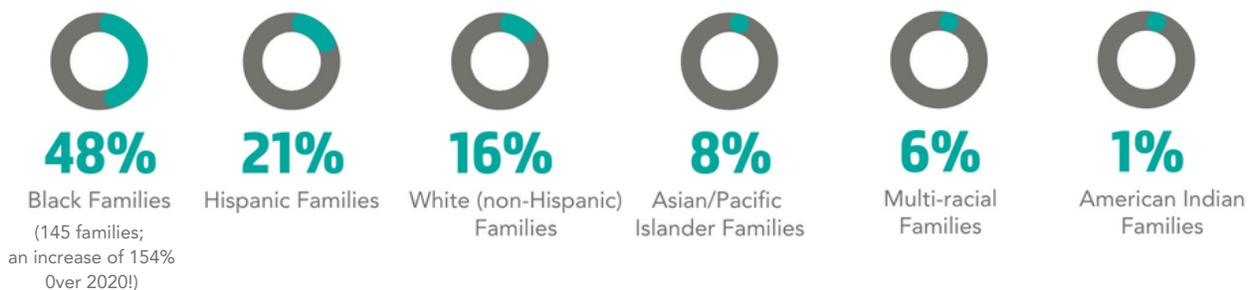
# Acts Housing Homeownership Acquisition Fund

## Impact:

Acts will acquire at least 100 properties per year beginning in 2023 (after a soft-launch in third quarter 2022) and convert these properties into owner-occupied homes (Phase 1). After providing this proof of concept, Acts can ramp up its property acquisition strategy in a sustainable way through a combination of Program Related Investments from philanthropies and long-term patient capital from financial institutions and others.

The purchasers of these properties will be the same demographics as the participants in Acts' programs, which means more than 90% of them will be LMI and more than 80% of them will be Black, Indigenous, and People of Color (BIPOC).

### 2021 Acts homeowner racial demographics:



### Purchasers will have three things in common:



Received financial and homebuyer coaching



Buying at affordable and attractive prices



In most instances, have instant equity due to available down payment assistance funds

# Acts Housing Homeownership Acquisition Fund *Collaboration*

Acts partners with the Community Development Alliance (CDA) in support of Milwaukee's Collective Affordable Housing Plan. The CDA is an affiliation of community development funders and practitioners that have collaborated for more than a decade on neighborhood improvement efforts in Milwaukee. Their mission? A quality, affordable home for every Milwaukeean.



[Click here to review the Collective Affordable Housing Plan or go to \[housingplan.org\]\(https://housingplan.org\) for more](#)

## CDA Member Organizations Include:

- City of Milwaukee
- Milwaukee County
- Housing Authority of the City of Milwaukee
- Wisconsin Housing and Economic Development Authority (WHEDA)
- Bader Philanthropies
- Children's Wisconsin
- The Greater Milwaukee Committee
- The Greater Milwaukee Foundation
- LISC Milwaukee
- Northwestern Mutual Foundation
- Zilber Family foundation.



## Acts and the CDA have successfully partnered on:

- Acts Housing Board of Directors formally endorsed the CDA Collective Affordable Housing Plan in 2022
- \$1MM grant award from the Zilber Family Foundation for the Acquisition Fund
- \$1MM down payment grant awarded from the State of Wisconsin
- \$7.5MM grant application (pending) to Wells Fargo for the overall housing plan with a portion dedicated to the Acquisition Fund
- \$2.5MM grant application (pending) to Milwaukee County for the Acquisition Fund

# Acts Housing Homeownership Acquisition Fund

**17,000  
Black & Latino  
families in  
Milwaukee  
aspire to buy an  
affordable  
home at  
\$125,000 or  
less, and are  
currently  
renting.**

**There are only around 1,500  
homes available for sale in that  
price range each year...**



**...and 40% are  
purchased by  
investors...**



**...leaving  
around 900  
homes for  
families to  
purchase for  
owner-  
occupancy.**

*\*Number of families determined by CDA and includes multiplying White homeownership rate by the number of Black and Latino families making \$25,000-\$50,000 per year (see 2019 ACS census tables B19001L and B19001B), less estimated existing homeowners (see 2000 table HCT035). Property numbers analyzed by CDA and includes information from the City of Milwaukee Assessors Office.*

**Acts Housing intends to disrupt the predatory investor-owner business model by acquiring at least 100 properties per year to make them available to local owner-occupants through the homeownership acquisition fund. Program budget and modeling follows.**

# Acts Housing Homeownership Acquisition Fund

## Operating Budget - Phase 1 (acquisition of homes)

	Phase 1: 100 Properties per Year		
	2022	2023	2024
<b>Income</b>			
Fund Proceeds*	-	\$ 315,000	\$ 842,400
Rent	\$ 1,836	\$ 186,150	\$ 222,768
<b>Total</b>	<b>\$ 1,836</b>	<b>\$ 501,150</b>	<b>\$ 1,065,168</b>
<b>Expenses</b>			
VP Real Estate Salary	\$ 50,000	\$ 104,000	\$ 108,160
Rehab Manager Salary	\$ 21,250	\$ 86,700	\$ 90,168
Rehab Coordinator Salary	-	\$ 67,600	\$ 70,304
Rehab Coordinator Salary	-	\$ 67,600	\$ 70,304
Housing Navigator Salary	-	\$ 67,600	\$ 70,304
Broker Manager Salary	\$ 21,250	\$ 88,400	\$ 91,936
Sales Associate Salary	\$ 11,250	\$ 46,800	\$ 48,672
Marketing Associate Salary	\$ 22,500	\$ 46,800	\$ 48,672
Payroll, Fringe, Facilities	\$ 50,500	\$ 230,200	\$ 274,290
Property Operating Costs	\$ 374	\$ 37,869	\$ 45,318
Organizational Legal Fees	\$ 15,000	\$ 20,800	\$ 21,632
Third Party Marketing Costs	\$ 30,000	\$ 62,400	\$ 64,896
<b>Total</b>	<b>\$ 222,124</b>	<b>\$ 926,769</b>	<b>\$ 1,004,656</b>
<b>OPERATION SUPPORT NEEDED</b>	<b>\$ 220,288</b>	<b>\$ 425,619</b>	<b>\$ (60,512)</b>

\*After the initial startup costs, the Acquisition Fund will be sustained by allocating an average of \$7,500 of each sale to covering the costs of operating the fund ("Fund Proceeds").

## Capital Budget - Phase 1

	Phase 1: 100 Properties per Year		
	2022	2023	2024
Capital Needed	\$ (1,751,500)	\$ (11,439,350)	\$ (11,911,000)
Phase 1 Funder A	\$ 2,500,000		
Phase 1 Funder B	\$ 2,500,000		
Phase 1 Funder C	\$ 2,500,000		
Phase 1 Funder D	\$ 2,500,000		
Recovered through Sales	-	\$ 4,415,500	\$ 12,004,000
<b>Capital Fund Balance</b>	<b>\$ 8,248,500</b>	<b>\$ 1,224,650</b>	<b>\$ 1,317,650</b>

# Acts Housing Homeownership Acquisition Fund

## Property Management Model

	Base Cost per Unit per Year	
<b>Operating Costs</b>		
Administrative	\$	750
Repairs	\$	1,000
Grounds	\$	250
Utilities (paid by tenant)		-
Water/Sewer	\$	1,000
Insurance	\$	500
Property Management	\$	500
Property Taxes	\$	2,500
Interest		-
<b>Total Costs</b>	<b>\$</b>	<b>6,500</b>
<b>Rent</b>		
Gross Rent	\$	9,600.00
Less Vacancy/Non-payment (15%)	\$	1,440.00
<b>Net Rent</b>	<b>\$</b>	<b>11,040.00</b>
<b>Net Revenue (Loss)</b>	<b>\$</b>	<b>4,540.00</b>

## Acquisition Model Transactions

	Extensive Rehab (e.g. Avg. In Rem)	Intermediate Rehab (e.g. sheriff/wholesale)	Minor Rehab (e.g. MLS list)
<b>Acquisition Cost</b>			
Purchase Price	\$ 40,000	\$ 85,000	\$ 105,000
Closing Costs	\$ 500	\$ 1,000	\$ 1,000
Broker Costs	(Included in fund proceeds)	(Included in fund proceeds)	(Included in fund proceeds)
Junk Removal	\$ 750	\$ 750	\$ 750
<b>Holding Costs</b>			
Insurance	\$ 1,000	\$ 1,000	\$ 1,000
Interest	\$ -	\$ -	\$ -
Taxes	\$ 1,500	\$ 600	\$ 750
Utilities	\$ 600	\$ 300	\$ 300
Exterior Maintenance	\$ 375	\$ 250	\$ 250
Security	\$ 1,100	\$ 650	\$ 650
Tenant Transition Costs	\$ -	\$ 750	\$ 750
<b>Rehab Costs</b>			
Roof	\$ 7,500	\$ 7,500	\$ -
Plumbing	\$ 5,000	\$ 2,500	\$ 1,000
Electrical	\$ 5,000	\$ 2,500	\$ 1,000
Furnace	\$ 7,500	\$ 7,500	\$ -
Water Heater	\$ 2,000	\$ 2,000	\$ 2,000
Painting & Flooring	\$ 5,000	\$ 2,500	\$ 1,000
Other	\$ 10,000	\$ 2,500	\$ 1,000
Project Management	(Included in fund proceeds)	(Included in fund proceeds)	(Included in fund proceeds)
<b>Disposition Costs</b>			
Closing Costs	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00
Broker's Cost	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00
Average Fund Proceeds	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00
<b>Total</b>	<b>\$ 101,825</b>	<b>\$ 131,300</b>	<b>\$ 130,450</b>

# Acts Housing Homeownership Acquisition Fund

## *The Need:*

### Transforming Wisconsin's Affordable Housing Inventory to Support Local Homeowners

**\$1MM**

+

**\$10MM**

=

**\$11,000,000**

Operating support to get us to be self-sustaining in 2028.

Grant capital to be used to purchase, rehab, and hold properties in our portfolio. This fund will re-circulate and will give financial institutions and others confidence to lend money to Acts at favorable rates for future phases.

Total philanthropic funding needed to launch the Real Estate Acquisition Fund.

Acts has already received a \$1 million commitment from the Zilber Family Foundation, \$750,000 of which is earmarked for our first 3+ years of operating expenses.

Additionally, Acts currently has grant requests pending with Wells Fargo, Milwaukee County, and will soon submit a request for support to the City of Milwaukee's Housing Trust Fund as well as the Greater Milwaukee Foundation and other local philanthropies.

#### To learn more about the Acts Housing Real Estate Acquisition Fund, contact:

Michael Gosman, President & CEO  
414-727-5440 [mgosman@actshousing.org](mailto:mgosman@actshousing.org)

Kelly Andrew, VP Strategic Partnerships  
414-727-0016 [kelly@actshousing.org](mailto:kelly@actshousing.org)

