

CITY COMMISSION POLICY

 <p>GRAND RAPIDS MICHIGAN</p>	NUMBER: 900-44	HISTORY
	DATE: 08/20/2002	82442 05/28/2013 91742 05/24/2022
	FILE NUMBER: 70274	
	DEPARTMENT: Economic Dev	

SUBJECT: Acquisition of Tax Foreclosed Properties

PURPOSE: To guide the evaluation of tax foreclosed properties in the City of Grand Rapids for potential acquisition as provided for in Section 78 of Public Act 206 of 1893, MCL 211.78 *et seq.* (the “Act”).

1) **OVERVIEW AND RESPONSIBILITY**

This Policy shall be administered by the Economic Development Department. Other departments will assist with specific portions of the Policy as requested by the Economic Development Department.

2) **DEFINITIONS**

As used in this Policy, the following words or phrases are given the meanings below:

- a) **Foreclosing Governmental Unit (FGU)** – the Kent County Treasurer
- b) **Tax Foreclosed Property** – any property that the FGU forecloses upon for the non-payment of real property taxes.
- c) **Minimum Bid Amount** – the minimum amount required to be paid to the FGU as consideration for a Tax Foreclosed Property, which generally includes all past due real property taxes, fines, and fees.
- d) **Fair Market Value** – the product of multiplying the most recently confirmed State Equalized Value for a particular property by two.
- e) **Notice of Claim** – a notice which may be filed by a potentially interested party which asserts a claim of ownership and excess proceeds resulting from the sale of tax foreclosed property

3) **EVALUATION OF PROPERTY**

In any given year in which tax foreclosed properties become available to the City of Grand Rapids (as described below), the City will utilize the following

evaluation criteria to determine whether it wishes to attempt to acquire any given property in any given year.

- a) **Developable Property.** The City will attempt to acquire any property which may be developed. For purposes of this Policy, a development consists of no less than one (1) single-family residence. Therefore, a property that has the size, access, and topography to minimally contain a single-family residence is a property that the City will attempt to purchase.
- b) **Public Purposes.** The City will attempt to acquire any property which is needed for a public purpose, including but not limited to parks or greenspace, stormwater capacity, public rights-of-way, environmental remediation or any other valid public purpose.
- c) **Strategic Acquisition.** Any property determined to be a strategic acquisition, which may include but not be limited to, adjacency to property that is of high value or strategic to implementing the City's Strategic Plan, Community Master Plan, Parks and Recreation Master Plan or Community or Economic Development Plans.

4) **GUIDING PRINCIPLES AND KEY OBJECTIVES FOR ACQUISITION OF TAX FORECLOSED PROPERTY**

The City will acquire tax foreclosed properties in furtherance of the goals of the Master Plan, Strategic Plan and Community or Economic Development Plans.

5) **ACQUISITION COSTS**

In determining the cost of acquisition ("acquisition costs", or "consideration") for any particular property, the City must consider amendments made to the Act via Senate Bills 0676 of 2019 and 1137 of 2020 (the "Amendments"). Prior to the Amendments, the City was able to acquire Tax Foreclosed Properties for the Minimum Bid amount. The Amendments provide, in part, that "*a claimant may submit a notice of intention to claim an interest in any applicable remaining proceeds from the transfer or sale of foreclosed property*" MCL 211.78t(1). If such a notice is filed, then the City must pay the greater of the Minimum Bid Amount or Fair Market Value (FMV) for that property if it is to acquire the property prior to the FGU conducting an auction.

Notices of Claim must be filed with the FGU in the manner prescribed by the Act no later than July 1 of any given year. Therefore, the City cannot determine with absolute certainty the acquisition cost for any particular property prior to July 1.

6) **ANNUAL PROCESS FOR TAX FORECLOSED PROPERTY ACQUISITION**

The Economic Development Department, in coordination with other relevant departments and/or stakeholders, and by incorporating a review of applicable

plans and strategies, will take the steps below in the process of acquiring tax foreclosed property(ies).

The FGU will foreclose on properties in the City of Grand Rapids for the non-payment of taxes as it determines is appropriate and permissible by law. The foreclosure process is prescribed in Public Act 206 of 1983 (MCL 211.78 et. seq) and contains certain timelines and notices that the FGU must adhere to in the proper administration of its role. From time-to-time, the details of the process may be modified through legislative amendments or rules promulgated by the State of Michigan. Therefore, the steps taken by the City as described below are intended to accomplish the City's purpose and goals and should not be viewed as chronologically oriented but rather as tasks to be accomplished in the most efficient manner in any given year.

- a)** The FGU will provide the City with a list of properties upon which it may foreclose as permitted by the Act. The list will include the Minimum Bid Amount for each property. The list is provided in advance of foreclosure and therefore may change as time progresses if property owners make payments of delinquent amounts.
- b)** Economic Development will review the list and determine whether there are any unique characteristics of any of the properties (i.e. adjacent to a City park, challenging size, access or topography, etc.) and will add the estimated FMV for each property to the list, and will then provide the list to other City departments for evaluation.
- c)** The property or properties, if any, which meet the criteria in Section 3(a)-(c) will be considered for acquisition. The City will also use its reasonable best efforts to determine whether a property is vacant or occupied and will only acquire occupied property in the event there is a plan to address the occupants of the property.
- d)** Economic Development will also provide the list to the City Treasurer, who will provide Economic Development with an accounting of the additional amounts, if any, that may be owed to the City, including property specific fines, fees or charges, and amounts due for water and/or sewer service to the extent those amounts are not included in the Minimum Bid Amount.
- e)** In this review, Economic Development and any City department requesting property will consider both the Minimum Bid Amount and the Fair Market Value and determine whether acquisition will be pursued at only the Minimum Bid Amount or whether acquisition will be pursued in the event the acquisition cost must be the FMV.
- f)** Economic Development will provide the FGU with a list of properties it wishes to acquire, taking into consideration the needs of other City departments and available funds. In its communication to the FGU, the City will enumerate which properties it will acquire at the Minimum Bid Amount and which it will acquire regardless of the price.
- g)** On or shortly after July 1, the FGU will notify the City of any Notices of Claims filed and for which properties. Any Tax Foreclosed Property for a

which a Notice of Claim has been filed requires the City to pay the greater of the Minimum Bid Amount or FMV to acquire.

- h) Considering the Notices of Claims filed, if any, and the impact to the potential acquisition costs, Economic Development will finalize the list of properties it wishes to acquire and convey that list to the FGU and the City Treasurer.
- i) Economic Development will present the City Commission with its recommendation as to which properties it recommends be acquired, including the purpose and the cost of acquisition. If, due to timing requirements, this recommendation must occur before July 1 in any given year (i.e. before Notices of Claim must be filed), then the recommendation may contain a conditional recommendation, indicating specifically which properties will be acquired only for the Minimum Bid Amount and not at FMV, and which, if any, will be acquired regardless of the required consideration.
- j) In the event a property that the City wishes to acquire only at the Minimum Bid has a Notice of Claim filed requiring the consideration be the FMV, then that property will not be acquired under the City's right of first refusal. However, if the FGU is unsuccessful in selling the property at an auction, then the City may elect to acquire the property after that auction for the Minimum Bid Amount.

7) USE OF TAX FORECLOSED PROPERTY ACQUIRED

Tax Foreclosed Property acquired pursuant to this Policy shall become inventory of the City and will be used for (a) the public purpose for which it was acquired, or (b) made available for sale pursuant to City Commission Policy 900-63.

8) WAIVER

The City Commission may, in its sole discretion, waive application of this Policy in whole or in part, with respect to any particular property if it determines such waiver to be in the public interest.