


# CITY COMMISSION POLICY

 <p>GRAND RAPIDS MICHIGAN</p>	<b>NUMBER:</b> 900-22	<b>HISTORY</b>	
	<b>DATE:</b> 9/27/88	<b>FILE #</b>	<b>DATE</b>
	<b>FILE NUMBER:</b> 50469	59437	8/9/94
	<b>DEPARTMENT:</b> Economic Dev.	71032	4/1/03*
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*\*replaced Policy #900-20 Vacant Lot Sales, last revised 1/12/88*

**SUBJECT:** DISPOSAL OF CITY OF GRAND RAPIDS OWNED RESIDENTIAL PROPERTY

**PURPOSE:** To provide procedures and guidelines for the disposition of all City-owned residential property.

## **POLICY:**

### I. OVERVIEW

The City's Economic Development Office will oversee the disposition of City-owned residential property in conformance with this policy.

#### A. Goals and Principles

Disposition of residential property shall be guided by the City's Strategic Plan, Master Plan and other City objectives. In addition, it shall be guided in no particular order by the following principles:

1. Maximize receipt of revenue unless determined otherwise
2. Convey ownership to responsible parties
3. Recoup lost tax revenues and collection of unpaid debts
4. Maximize land use
5. Improve the general condition of neighborhoods
6. Increase in the value of real property

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7. Advance Community Development goals and other strategies of the City in an efficient, expeditious and fair manner
8. Encourage owner occupancy of property
9. Involve neighborhood residents.

## B. Definition

1. For purposes of this policy City-owned residential property shall be defined as residential improved properties, and residential vacant lots that come into the City's possession. It does not cover property acquired for rights-of-way or encroachments for public purpose or properties, which come into City possession as a result of a default on an obligation of the City's Rehabilitation Program.
2. Significant Property shall be defined as a property of high value or known to be critical to the needs of a governmental partner.

## C. Administration

A committee appointed by and under the direction of the City Manager to be named the Land Revitalization Committee (LRC) will advise the Economic Development Office regarding disposition of residential properties. The LRC shall consist of department representatives from Community Development, Planning, Treasurer's Office, City Attorney's Office, Neighborhood Improvement, Police and other representatives as needed. The LRC will be chaired by the Economic Development Office.

Its role is to provide multi-disciplinary review and to ensure that disposition of City-owned residential property is consistent with City policies for reducing blight, encouraging homeownership and supporting affordable housing and other goals of the City.

## II. CLASSIFICATION AND PREPARATION

### A. Classification

Properties covered by this policy shall be classified by the Economic Development Office, with input as needed from the Planning Department, and LRC, and identified in the City inventory as:

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1. Developed Property - property which has either an economically viable structure or a structure needing significant improvement.
2. Vacant Buildable Property - vacant land that has the size to accommodate development as provided in the City's Zoning Ordinance.

To be a buildable lot the property must also have the topography and access to accommodate significant development. Note that corner lots have different size requirements in each of the zone districts.

Certain lots, which are close in size to required dimensions, may in fact be buildable by obtaining a zoning variance. Therefore, some lots observed to be close in size to code requirements or conform with other properties in the surrounding area that are developed will be reviewed with planning staff. If staff feels there is a reasonable likelihood of receiving a zoning variance the property will be classified as buildable.

3. Vacant Non-Buildable Property - vacant land that does not have the size, access or topography to accommodate development.

## B. Development Objectives

1. Economically Viable Structure: A residential structure in need of little or no repair shall be sold for residential purposes at or near market value.
2. Structures Needing Significant Improvement: A structure needing substantial improvement will only be sold to a person or entity that has the financial capability and rehab experience to make repairs, which will bring the property into compliance with all City codes, regulations and City development goals.
3. Buildable Vacant Properties: Buildable vacant properties will be sold for development of residential structures.
4. Non-Buildable Vacant Properties: Vacant non-buildable lots will be offered to adjacent property owners.

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## C. Evaluation for Disposal

Property subject to this policy shall at a minimum be evaluated annually to determine if the property is ready to sell, except property obtained by forfeiture for drug activity shall be administered as required by MCL 333.7524. The Economic Development Office, after receiving input from appropriate City departments, shall, from time to time as appropriate determine whether City-owned residential property should be:

1. assigned to a specific City department for its use;
2. made available for disposal according to this policy; or
3. held in the City inventory by request of City departments or geographic based community organizations per Section D.4.

## D. Preparation for Disposal

In order to prepare a property for disposal, the following steps will be taken:

1. Identification of the goals to be attained by disposal.
2. Determine criteria, if any, for disposal. Criteria may include but is not limited to: price, amount of investment, type of use, compatibility with neighboring properties, quality of workmanship, previous development experience, compliance with design standards, compliance with existing zoning, size, appearance, streetscape development, financial capacity, amount of investment, timing of completion of development.

In all transactions, preference shall be given to proposers who will occupy or develop residential property, or an apartment in the residential structures, for owner occupied use in balance with other established criteria of sale.

3. Determination of fair market value taking into account goals, criteria, type of use, etc. Such determination of fair market value may include one or more of the following. In the case of property with structures needing improvements determine the minimum investment necessary.
  - a. An independent fee appraisal.

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- b. City Assessor's written determination of fair market value.
  - c. A written determination of fair market value from the Economic Development Office based upon a review of current market data and forces,
  - d. A written determination by the Neighborhood Improvement Office of costs to repair structures needing significant improvement.
  - e. Structures needing substantial improvement will not be required to have a predetermined fair market value. The market value will be determined through a competitive bidding process. The bidding process will solicit bids, which provide information regarding purchase price, amount of rehab investment and future use, all which will be evaluated to determine the best bid.
  - f. The availability and feasibility of using other program dollars may also be considered as an incentive for eligible properties.
4. Neighborhood organizations, if any, will be notified regarding intentions to sell property. A geographic based neighborhood organization may ask for properties to be placed on hold for one year, with an option to renew a second year, while a community based plan for the area is prepared in conjunction with City staff.
  5. Prior to making a public offering of a Significant Property, the property should first be offered to governmental partners. The City reserves the right to reject any and all proposals submitted to purchase, if the City Commission, with the recommendation of Staff, determines that the partner's development proposal and terms do not meet the City's objectives for the property. Noticed parties shall be given thirty (30) days to submit a notice of intent to purchase and develop the property.
  6. Initiate steps through the City Attorney to "clear" title to property as needed. It is the intent of the City policy to provide the purchaser or grantee with marketable title.

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## III. METHODS FOR DISPOSAL OF IMPROVED OR BUILDABLE VACANT PROPERTIES

Improved or buildable vacant properties made available for disposal will be disposed of through one or a combination of the following methods:

### A. Listing and Sale

The asking price and other conditions of sale of a property are established in accordance with paragraph Section II. D. above. The property may be sold, upon approval of the City Commission, to the first person offering to purchase the property at a price which is acceptable, and meets established goals and criteria given market forces and the amount of time it has been listed as determined by the staff of the Economic Development Office.

### B. Highest Price Sale

The asking price and other conditions of sale of a property are established in accordance with paragraph Section II. D. above. Thereafter, the Economic Development Office will request sealed bids by an established time period. Proposals timely received will be simultaneously opened.

Subject to compliance with other provisions of this policy, the property, upon approval of the City Commission, may be sold to the bidder bidding the highest price that meets established goals and objectives and otherwise meeting the conditions of sale. If the property is not sold it may be re-offered for sale by requesting sealed bids by an established time period.

### C. Negotiated Sale

The property is prepared for disposal in accordance with Section II. D hereof including the establishment of goals to be attained, the determination of fair market value if appropriate and the establishment of criteria for disposal. Notices of sale shall include the asking price, criteria for disposal, any other conditions of sale and a period of time during which the City will receive proposals. If one or more proposals are received during the established time period which generally meet the criteria for disposal and other conditions of sale, the Economic Development Office shall review such proposals and may negotiate with prospective purchasers. After negotiations, the City Manager, based on information provided by the Economic

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Development Office, may recommend to the City Commission the negotiated proposal, which he/she believes best meets this policy. Upon approval of the City Commission, the negotiated proposal shall be accepted and the property conveyed in accordance therewith.

If during the established time period, no proposals are received which meet or exceed the asking price and generally meet the criteria for disposal and other conditions of sale, the Economic Development Office may any time thereafter receive and review proposals which generally meet the criteria for disposal and the other conditions of sale. It may, upon such review, negotiate with the party submitting the proposal and if negotiated to the City Manager's satisfaction, he/she shall recommend the negotiated proposal to the City Commission. Upon approval of the City Commission, the negotiated proposal shall be accepted and the property conveyed in accordance therewith.

If a property has not been disposed of, the Economic Development Office may from time to time, re-evaluate the goals to be attained, the fair market price and the criteria for disposal and renote publicly a time period for the receipt of proposals.

## D. Request for Proposals

The property is prepared for disposal in accordance with Section II. D., including the establishment of goals to be attained and establishment of criteria for disposal. Thereafter, the Economic Development Office will request sealed proposals by an established time. The notice shall contain the asking price, if appropriate, criteria for disposal and other conditions of sale. Proposals timely received will be simultaneously opened, reviewed and evaluated. After review, the City Manager, based on information provided by the Economic Development Office, will recommend to the City Commission the proposal, if any, he/she believes best meets this policy including the goals to be attained for, and the criteria for disposal of, the property. Upon approval of the City Commission, the proposal shall be accepted and property conveyed in accordance therewith.

## E. Residential buildable lots within the City's Community Development General Target Area will be made available for sixty (60) days to non-profit housing developers before public offering under the following conditions.

1. The properties will be used for a public purpose.

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2. The nonprofit housing developer is under contract with the City to produce affordable housing, or is otherwise approved by the Land Revitalization Committee.
3. The nonprofit housing developer has a proven track record of quality work, timely performance, and constructive relationship with neighborhoods.
4. The properties must be purchased within 60 days of notification.
5. Other criteria as established from time to time.

Under any of the methods of disposal identified in subparagraphs A, B, C, and D above, the following will apply:

## F. General Requirements

1. A potential buyer must demonstrate financial capability to successfully comply with the terms and conditions of its offer or proposal.
2. A potential buyer must demonstrate a level of experience indicating they can successfully comply with the terms and conditions of its offer and/or proposal to substantially repair in a manner that complies with all City codes and regulations.
3. A potential buyer shall not have an adverse history of building, housing or zoning code violations.
4. A potential buyer shall not owe any delinquent taxes or debts to the City.
5. If under subparagraphs C and D above, more than one proposal is received, a public hearing may be held before the City Commission for presentation of proposals.
6. Conveyance to a successful buyer will be by either a conditional or unconditional quit claim deed, depending on the terms of sale. A conditional deed will contain certain restrictions, limitations and obligations of the buyer, which may be included in a development agreement with the buyer. Failure to comply with such restrictions, limitations and obligations may result in the City reacquiring the property. After compliance with applicable restrictions, limitations and obligations of the conditional deed, the City will release the same as a condition of such conveyance.



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7. Notices. Following the offering of properties to non-profits, properties will be at minimum advertised for sale by a public notice published at least once in a newspaper of general circulation in a) the City and b) the area in which the property is located. In addition properties may be listed with the Grand Rapids Association of Realtors multiple listing service and/or advertised via other media as determined by the City's Economic Development Office.

## IV. OCCUPIED STRUCTURES

### A. Determination

An inspection of the property and its title abstract shall be made to determine if an owner/occupant or tenant is in possession of the property. An owner/occupant or tenant can request the City to convey its interest to them and retain the property.

### B. Owner Occupied

Reconveyance to an owner/occupant shall be reviewed under the following criteria.

1. It is determined the subject property has been reasonably maintained and has no substantial exterior or interior code violations.
2. Owner/occupant can provide adequate proof of prior legal or equitable ownership.
3. All back taxes, liens and debts owed to the City including interest and penalties, along with all estimated taxes not levied during the term of the tax reversion process can be repaid.

### C. Tenant Occupied

1. A tenant shall be required to purchase the property at current market value as established in II. D. of this policy. The terms of sale shall be established at the sole discretion of the City.
2. A tenant shall provide proof of legal occupancy.

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## D. Other Requirements of Owner and Tenant Occupied Structures

1. They may not owe any other outstanding taxes, liens or debts to the City on other properties including liabilities under an assumed name or joint ownership.
2. They may not have a history of serious code violations with the City's code enforcement department.
3. They must permit an inspection of the property for compliance with the applicable codes and ordinances and shall agree to correct all existing violations found within time limits established by the City.
4. The reconveyance shall be by conditional quit claim deed (with a reverter deed on record with the City unless there are no code violations). If there are no code violations, conveyance shall be by quit claim deed. The conditional quit claim deed will contain certain restrictions, limitations and obligations. Failure to comply with the terms of the conditional quit claim deed shall cause the City to reclaim the property. After performing the terms of the conditional quit claim deed and obtaining a final occupancy permit the City will issue a quit claim deed releasing the City's remaining title interest in the property.
5. The Commission, at its sole discretion, may accept or reject any bid proposal.

## E. Hazardous Structures

An unoccupied tax-reverted structure may be demolished if it is determined that the structure represents a hazard or public liability. Demolition may be authorized if rehabilitation is not feasible and the conveyance options listed below have not produced a qualified buyer. Consideration will be given to any request to hold the property for future re-use by an appropriate neighborhood organization. Properties that pose a health and safety threat, that are determined not to be economically salvageable, can not be adequately secured, or are necessary to be removed for property assembly purposes may be demolished in conformance with existing demolition policies and procedures. These properties will then be redefined as buildable vacant.

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In order to maintain the health, safety and stability of neighborhoods, repairs to City owned properties will be performed upon a determination that a City owned property is worthy of not being demolished. The decision to save a structure from demolition will be evaluated and performed if the cost of the exterior repairs and cleanup can be recouped through the sale of the property.

## V. NON-BUILDABLE VACANT PROPERTIES

- A. Non-buildable vacant properties made available for disposal may only be offered to an adjacent side lot-line property owner. A standard minimum sale price will be established from time to time by the Economic Development Office with concurrence of the City Commission to cover the City's administrative handling costs. The suggested minimum price is \$1,050, or more based on actual City expenses and costs incurred with respect to the sale of this property unless there is evidence of a higher market value.

If a request to purchase a non-buildable vacant property is submitted by an adjacent side lot-line property owner, a written notice of sale will be sent by first class mail to other side lot-line adjacent property owners at the address shown on the City's most recent ad valorem property tax roll to determine if they have an objection to the sale or if they also may be interested in purchasing the property. If multiple requests to purchase the property are received, the Economic Development Office will make a reasonable effort to accommodate an equitable settlement between the adjacent side lot-line property owners. If a reasonable settlement cannot be reached, the City Manager, based on information provided by the Economic Development Office, will make a recommendation to the City Commission which will make the final determination. Conveyance of property shall be by quit claim deed.

## VI. OTHER

- A. The City Commission is the sole final authority with respect to the disposal of City-owned residential property. The City Manager, or his/her designee may sign an acceptance of offer contingent on City Commission approval.

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B. The City Commission, in its sole discretion, may accept or reject any offer or proposal, waive defects, informalities and minor irregularities in offers or proposals, and select the offer or proposal deemed to be in the best interest of the City.

C. Conveyance of property shall be by quit claim deed and approved by the City Commission.

D. Return of Offers to Purchase

The City will not receive any offers to purchase property covered by this policy unless it has been made available for disposal in accordance herewith. Such offers received including any earnest money deposit shall be promptly returned to the offeror.

E. City Attorney Review and Approval of Documents

The City Attorney shall review and approve written agreements and instruments of conveyance in connection with the disposal of property pursuant to this policy prior to execution by an officer or other authorized representative of the City.

F. Approval of City Commission

The sale or other disposal of property pursuant to this policy shall be approved by the City Commission prior to conveyance.

G. Waiver of Policy by City Commission

The City Commission may in its sole discretion waive application of this policy with respect to a City-owned residential property if it determines that such waiver is in the public interest.

H. Disposition of Funds

Proceeds from the sale of property pursuant to this policy shall be deposited in the appropriate City account as directed by the City Commission. In general, proceeds of sale will be used in this order:

1. Pay for cost associated with relocation of displaced City facilities, if necessary
2. Retire debt associated with the property
3. Recoup the acquisition costs incurred to the acquiring department
4. Deposited in the Property Management Fund

In the case of tax reverted properties costs associated with maintenance and sale of the property will be reimbursed before excess proceeds are allocated to taxing jurisdictions.