City Commission Real Estate Policy Updates
June 7, 2022 - Committee of the Whole

Property Disposition Policy (900-63)
Consolidation of multiple policies for clarity and consistency
Set direction for disposition of residential property

Acquisition of Tax Foreclosed Properties (900-44)
Restated policy to align with current law and practice
Property Disposition Policy
City Commission Policy 900-63

Consolidation of three (3) existing policies

900-22 – Disposal of City of Grand Rapids Owned Residential Property
- Purpose: To provide procedures and guidelines for the disposition of all City-owned residential property
- Adopted 1988 as “900-22 Vacant Lot Sales”

900-27 – Good Faith Deposits on Bid Proposals
- Purpose: Define good-faith deposits for proposers seeking to acquire City owned property

900-41 – Disposal of City of Grand Rapids Owned Non-Residential Property
- Purpose: To provide procedures and guidelines for the disposition of City-owned non-residential property
- Adopted 2001, amended 2011
Property Disposition Policy
City Commission Policy 900-63

Policy Highlights

- Classification of properties by current status and development potential
- Establishes priorities based on property classification
- Establishes process for preparing property for disposal
- Defines affordable housing as at or below 80% AMI for ownership and 60% AMI for rental
- Defines permissible methods for disposing of property depending upon goals
- Provides purchase option with no sale until proposed project is ready to commence
- No sale if proposed purchaser has alternative property available or has previously purchased City owned property for a project that has not commenced or substantially behind schedule
- Third party administration permissible (currently SLBA)
- Directs excess proceeds (after covering all costs) to Affordable Housing Fund
Non-Residential Property

- Priorities include:
  - Creation of affordable or mixed-income housing
  - Improve general conditions of neighborhoods and preserve character
  - Increase property values
  - Implement economic development strategies
  - Maximize receipt of revenues

- Permissible methods of sale:
  - Listing and sale
  - Highest price sale
  - Negotiated sale
  - Request for Proposals
Property Disposition Policy
City Commission Policy 900-63

Residential Property (Property that can hold four or fewer residential units)

- Priorities include:
  - Creation of affordable rental housing and homeownership opportunities
  - Reduce disparity in home-ownership rates of white vs. households of color
  - Improve condition of neighborhoods and preserve character
  - Increase property values
  - Assist in implement of community development programs and goals
  - Maximize receipt of revenues

- Process for listing and sale:
  - All available properties listed at all times
  - 1st six months: available to qualified non-profits for affordable housing
  - 2nd six months: available to anyone for affordable housing
  - After 12 months: available for any development project, with priority for:
    - Local-ownership
    - Homeownership
    - Emerging developers
Details of residential recommendation
- All residential property has been available to non-profits for 20 months
- Nine (9) properties have been sold in that time
- 62 parcels currently in the State Land Bank Authority inventory (Two currently under option)
- Recommend reserving 35 properties for affordable housing for additional 12 months (plus any tax foreclosures acquired in 2022)
  - Affordable housing fund opportunities may present themselves
  - Additional year of ARPA programs
- Recommend putting 25 properties in “after 12 months” category (i.e. available for any development) as of July 2022
  - Reduce annual maintenance costs (~$70,000)
  - 25 parcels are in geographic areas surrounded by a significant number of vacant parcels or already income-restricted properties
  - 35 parcels are in geographic areas where there are fewer income-restricted or vacant parcels available and located within Neighborhoods of Focus.
Property Disposition Policy
City Commission Policy 900-63

Residential Land Bank Property (60 Total)

Availability
- AT TIME OF POLICY ADOPTION (25)
- RESERVED FOR 12 MONTHS (35)

Layer
Areas
- Ward 1
- Ward 2
- Ward 3
- Neighborhoods of Focus

Ward 1: 19
Ward 2: 4
Ward 3: 37
NOF: 53
Acquisition of Tax Foreclosed Property
City Commission Policy 900-44

2002 – Policy adopted
• Response to Kent County Treasurer becoming Foreclosing Governmental Unit (FGU) (previously City foreclosed)
• City exercises first right-of-refusal to acquire tax foreclosed property for non-profit housing developers

2013 – Policy amended
• Kent County Land Bank (KCLBA) established, beginning of foreclosure crisis
• City acquired all tax foreclosed property and transferred to KCLBA

2017 – Supplemental Guidance Adopted
• Foreclosures reducing
• City required KCBLA and non-profit partners to produce affordable housing

2022 – Amended and restated policy
• Amended and restated policy proposed
• Defines process to acquire tax foreclosures consistent with current law
• Defines evaluation for acquisition of tax foreclosures
Acquisition of Tax Foreclosed Property
City Commission Policy 900-44

Tax Foreclosed Properties Acquired

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Acquisition of Tax Foreclosed Property
City Commission Policy 900-44

Proposed Policy Highlights
- Removes sections on use of acquired property and disposition (now contained in proposed Property Disposition Policy)
- Aligns to changes to law resulting from MI Supreme Court Decision (2019-2020)
- Not dependent upon specific partners, which could change over time
- Secures property resources for housing or commercial development
- All property to be purchased under following scenarios:
  - Property is not occupied unless 3rd party identified for relocation
  - Property is improved or can be improved (i.e. “buildable”)
  - Property can be acquired for the minimum bid or similar
  - Discretion to staff to recommend property based on purchase price
- Sold pursuant to 6 month/12 month policy
Real Estate Policy Amendments
Recommendation

Adoption of both policies will accomplish the following:

- Continue to purchase tax foreclosed property as a resource for housing development
- Establish standardized procedures for evaluating disposition of City property
- Prioritize affordable housing for every residential property for no less than 12 months
- Provide access to residential property for less experienced developers for affordable housing
- Provide access to residential property for housing development in absence of affordable proposals
- Reduce ongoing maintenance costs of ~$70,000 over time