

**ST. CLAIR COUNTY LAND BANK AUTHORITY**

***PRIORITIES AND POLICIES***

As approved by the Board of Directors on \_\_\_\_\_, 2010

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## 1. Policies Governing the Acquisition of Properties

The acquisition and disposition of properties acquired by the Treasurer of St. Clair County through tax foreclosure procedures in accordance with 1893 P.A. 206, as amended by 1999 P.A. 123, MCL 211.1 et. Seq., and properties that are owned by the St. Clair County Land Bank Fast Track Authority (the "SCCLBA"), shall be governed by the following basic priorities and policies.

The acquisition, use, and disposition of such properties shall at all times be consistent with the authority granted by the Constitution of Michigan, the laws of the State of Michigan, the Land Bank Agreement by and between St. Clair County, Michigan and the State of Michigan dated July 9, 2009, the articles of incorporation and bylaws of the St. Clair County SCCLBA, and the public purposes set forth therein.

In determining which, if any, properties shall be acquired by St. Clair County or by the SCCLBA, the Treasurer shall give consideration to the following factors:

1. Acquisition of properties supports the mission of the Land Bank.
2. Proposals and requests by governmental, nonprofit and for-profit entities that identify specific properties for ultimate acquisition and redevelopment, which: a) act as catalyst for further development; b) are part of a comprehensive development plan; or c) reduce blight in the community. In particular, acquisition will be prioritized where the land bank participation is necessary to complete the redevelopment.
3. Proposals and requests by governmental, nonprofit and for-profit entities that identify specific properties for ultimate use and redevelopment, including but not limited to infrastructure, public space and parking projects. In the case of municipal involvement, inter-local agreements (if required for development or maintenance) must in place prior to acquisition.
4. Properties that are available for immediate occupancy without need for substantial rehabilitation, and will generate operating resources for the functions of the Land Bank.
5. Properties located in reinvestment areas that would support strategic neighborhood stabilization and revitalization plans.
6. *Properties that meet the criteria for demolition, and such demolition will support blight elimination and neighborhood revitalization plans. This activity is contingent upon the funding available for the Land Bank to facilitate demolition.*
7. Properties that would form a part of a land assemblage development plan by either the land bank or partnering entities.
8. Vacant, non-conforming, or undevelopable properties that could be placed into a Side Lot Disposition Program or support a planned development.

9. *Properties that may generate operating support for the functions of the Land Bank.*
10. Properties that will result in a planned development that benefits the community, and are supported by the local government.
11. *All properties must be absent of any financial liabilities. The Land Bank must be aware of any environmental conditions. If any adverse conditions are determined, a remediation plan must be in place.*
12. *Properties that would allow for the creation or expansion of green or community space.*
13. Properties for which title issues are preventing the property from being developed to its highest and best use.
14. Properties that have a designated end use in place prior to acquisition.
15. Any exception to the policies governing acquisition shall be taken to the governing body of the Land Bank for consideration and approval.

The Treasurer may combine properties from one or more of the foregoing categories in structuring the terms and conditions of the statutorily required auctions of the tax foreclosure properties, and may acquire any such properties prior to auctions, at such auctions, or subsequent to auctions as authorized by law. In determining the nature and extent of the properties to be acquired the Treasurer shall also give consideration to underlying values of the subject properties, the financial resources available for the acquisitions, the operational capacity of the SCCLBA, and the projected length of time for transfer of such properties to the ultimate transferees.

## **2. Priorities Concerning the Disposition of Properties**

The disposition of properties shall be based upon a combination of two different factors. The first factor involves the intended or planned use of the property. The second factor considers the nature and identity of the transferee of the property. Within each factor is a ranking of priorities. The disposition of any given parcel will be based upon an assessment of the most efficient and effective way to maximize the aggregate policies and priorities. The Board and Staff of the SCCLBA shall at all times retain flexibility in evaluating the appropriate balancing of the priorities for the use of the property, priorities as to the nature of the transferee of properties, and priorities concerning neighborhood and community development.

### Priorities for Use of Property

1. Homeownership
2. Neighborhood revitalization
3. Consistent with existing redevelopment plans
4. Demolition
5. Return of the property to productive taxpaying status
6. Land assemblage economic development projects
7. Retail and commercial development
8. Public infrastructure
9. Development of public green space (parks and gardens)
10. Historic preservation
11. Quality affordable housing

### Priorities as to the Nature of the Transferee

1. Individuals who own and occupy residential property.
2. Businesses that will own and occupy commercial property
3. Nonprofit or tax-exempt institutions such as academic, social service and religious
4. Local government entities for public purpose use
5. Qualified nonprofits corporations that will hold title to the property on a long-term basis (primarily rental properties) or hold title to the property for purposes of subsequent redevelopment and re-conveyance to private third parties for homeownership.
6. Landlords or Qualified real estate investors (unless the landlord has any judgments against them during the past 5 years regarding a landlord/tenant issue)
7. Qualified Residential Builders
8. Businesses who own commercial property for purposes of the Side Lot Disposition

9. Individuals who own and occupy residential property for purposes of the Side Lot Disposition Program.

Individuals and entities that were the prior owners of property at the time of the tax foreclosure which transferred title to the Treasurer shall be ineligible to be the transferee of such property from the Treasurer.

### **3. Factors in Determining Consideration Due Upon Transfers**

The following factors shall constitute general guidelines for determination of the consideration to be received by the SCCLBA for the transfer of properties. In each and every transfer of real property the SCCLBA shall require good and valuable consideration in an amount determined by the SCCLBA in its sole discretion. The SCCLBA will consider both the fair market value of the property and the Property Costs in its determination of consideration for each property. "Property Costs" shall mean the aggregate costs and expenses of the SCCLBA attributable to the specific property in question, including costs of acquisition, maintenance, repair, demolition, marketing of the property and indirect costs of the operations of the SCCLBA allocable to the property.

- 1) The consideration to be provided by the transferee to the Land Bank may take the form of cash, deferred financing, performance of contractual obligations, imposition of restrictive covenants, or other obligations and responsibilities of the transferee, or any combination thereof.
- 2) All property that is transferred shall be based upon consideration equal to the fair market value of the property or, at minimum, the Property Costs. Fair market value shall be determined by an appraisal on property with a state equalized value of over \$50,000. Such consideration shall be paid in full at the time of the transfer.
- 3) Any exception to the policies governing consideration shall be taken to the governing body of the Land Bank for consideration and approval.

## 4. Side Lot Disposition Program

Individual parcels of property may be acquired by the Treasurer, the County, or the Land Bank Authority, and transferred to individuals in accordance with the following policies. The transfer of any given parcel of property in the Side Lot Disposition Program is subject to override by higher priorities as established by the SCCLBA.

### A. Side Lot Disposition Policies

1. Qualified Properties. Parcels of property eligible for inclusion in the Side Lot Disposition Program shall meet the following minimum criteria:
  - a) The property shall be vacant unimproved real property.
  - b) The property shall be physically contiguous to adjacent occupied (owner) residential property with not less than a 75% common boundary line on one side (left or right).
  - c) Initial priority shall be given to the disposition of properties of insufficient size to permit independent development.
  - d) No more than one lot may be transferred per contiguous lot.
  - e) Intended use for lot is disclosed.
  - f) The transfer shall include a deed restriction requiring the use of the property to be consistent with the stated use.
  
2. Transferees.
  - a) All transferees must hold title on the contiguous property. The transferee must not own any real property (including both the contiguous lot and all other property within the county) that is subject to any un-remediated citation of violation of the state and local codes and ordinances.
  - b) The transferee must not own any real property (including both the contiguous lot and all other property in the county) that is tax delinquent.
  - c) The transferee must not have been the prior owner of any real property that was transferred to the Treasurer or to a local government as a result of tax foreclosure proceedings ten years prior to the disposition.
  
3. Pricing
  - a) Properties sold as a side lot to an adjacent owner shall be priced at \$100 inclusive of all recordable fees. Title insurance is not included as part of the Project Costs.



#### 4. Additional Requirements

- a) In the event that multiple adjacent property owners desire to acquire the same side-lot, the lot shall be transferred to the property owner who has the largest percentage of common boundary line with the subject side lot.
- b) In the event that multiple adjacent property owners (with the same percentage of common boundary line) desire to acquire the same side lot, the lot shall either be transferred to the highest bidder for the property, or divided and transferred among the interested contiguous property owners.
- c) *In the event that a contiguous property requires additional land for a driveway or other local code compliance issues this subsection will rule.*

## 5. Land Transfers

### A. Land Transfer Policies

These policies pertain to transfers whose future use is residential. At time of transfer the property may be vacant, improved or ready to occupy.

- 1) The transferee must not own any real property that: a) has any unremediated citation or violation of the state and local codes and ordinances; b) is tax delinquent; c) was transferred to a local government as a result of tax foreclosure proceedings.
- 2) All tax incentives and financing necessary for the development to be completed must be committed for the development prescribed in the development agreement prior to actual disposition.
- 3) Parcels of property shall be transferred for consideration in an amount not less than the actual costs incurred in acquisition, demolition, maintenance and administrative fees of the lot/building. *In the event that grant funds (i.e. NSP, environmental remediation, philanthropy, etc.) are used to support any of the aforementioned activities, a lesser consideration can be determined by the Land Bank (as long as it meets the grant provisions).*
- 4) The Land Bank will consider alternative financing options (*i.e. Money-Purchase Mortgage, Land Contract, Contract for Deed, Installment Sale Agreement, etc.*) as a method of disposition in any transactions.
- 5) *Options to purchase real estate may be available for a specified percentage of the purchase price with a negotiated time frame to be determined by the Land Bank. This fee will be credited to the parcel price at closing. If closing does not occur, the fee is forfeited. All option agreements are subject to all policies and procedures of the Land Bank pertaining to property transfers.*
- 6) *All development projects should require a 'development agreement,' and be started and completed within the negotiated time-frame. Where rehabilitation of a property by the transferee is a condition of the transfer, the requirement for such rehabilitation shall be in accordance with rehabilitation standards as established by the local unit of government and adequate completion of such rehabilitation shall be a condition to the release of restrictions or lien securing such performance.*
- 7) *A precise narrative description of future use of the property is required. The future use must be in-line with local development plans. The development agreement shall apply to stated use.*

- 8) *If code or ordinance violations exist with respect to the property at the time of the transfer, the development or transfer agreements shall specify a maximum period of time for elimination or correction of such violations, with the period of time be established as appropriate to the nature of the violation of the anticipated redevelopment or reuse of the property.*
- 9) *The proposed use must be consistent with current zoning requirements or a waiver for non-conforming use is a condition precedent to the transfer.*
- 10) *Transactions shall be structured in a manner that permits the Land Bank to enforce recorded covenants or conditions upon title pertaining to development and use of the property for a specified period of time. Such restrictions may be enforced, in certain cases, through reliance on subordinate financing held by the Land Bank.*
- 11) *The transferee must agree to pay future property taxes from time of transfer.*
- 12) *The subject property must not have been used by the transferee or a family member of the transferee as his or her personal residence at any time preceding the submission of application (except in rental cases).*
- 13) Any non-local residents or entities may acquire Land Bank property only with an enforceable plan to place the property into immediate productive use (meaning the property is to be occupied immediately or with the immediate commencement of some form of development project that fits the stated mission of the Land Bank). This applies to all real property.
- 14) Any exception to the policies governing disposition shall be taken to the governing body of the Land Bank for consideration and approval.

## **6. Land Banking Policies**

*The SCCLBA is willing to receive title to properties from community development corporations and other entities, and hold title to such properties pending future use by the SCCLBA, by the transferor of the property, or by other third parties. The receipt by the SCCLBA of any and all conveyances of real property shall at all times be solely within the discretion of the SCCLBA, and nothing in this policy shall be deemed to require the SCCLBA to take title to any properties nor to limit the discretion of the SCCLBA in negotiating the terms of its acquisition of any property, whether as donated transfers or otherwise.*

*All conveyances received by the SCCLBA in its land banking capacity must comply with the requirements set forth below in Part 6A, and will be reviewed and considered by the SCCLBA in accordance with the procedures set forth in Part 6B. If the transfer is approved by the SCCLBA, the SCCLBA shall hold the subject property, and may use or convey the subject property or any interest in the subject project, subject only to the right of repurchase set forth in Part 6B.*

*Following the transfer of any properties to the SCCLBA in accordance with this policy, the SCCLBA shall have the right, but not the obligation, to maintain, repair, demolish, clean, and grade the subject property and perform any and all other tasks and services with respect to the subject property as the SCCLBA may deem necessary and appropriate in its sole discretion.*

### **A. Requirements for Conveyances to the SCCLBA in its Land Banking Capacity**

- 1. Property that is intended to be conveyed to the SCCLBA and to be held by the SCCLBA in its land banking capacity shall be clearly designated as such in the proposal for the transfer, and in the records of the SCCLBA.*
- 2. No property shall be transferred to the SCCLBA pursuant to this land banking policy unless the transferor is either a private nonprofit entity or a governmental entity.*
- 3. The subject property must not be occupied by any party or parties as of the date of transfer to the SCCLBA.*
- 4. The subject property must be located in St. Clair County, Michigan.*
- 5. The subject property must, as of the date of the transfer to the SCCLBA, be free of any and all liens for ad valorem taxes, special assessments, and other liens or encumbrances in favor of local, state or federal government entities.*
- 6. The subject property must, as of the date of the transfer to the SCCLBA, be free of all outstanding mortgages and security instruments.*

7. *The SCCLBA shall not receive and hold, at any given time, in excess of fifty (50) separate parcels of property from any given transferor.*
8. Any exception to the policies governing disposition shall be taken to the governing body of the Land Bank for consideration and approval.

## **B. Right of Repurchase by the Transferor**

1. *The transferor shall have a right to repurchase the subject property from the SCCLBA at any time within a period of three (3) years from the date of transfer to the SCCLBA by giving notice to the SCCLBA.*
2. *The right of repurchase may be exercised by the transferor upon payment to the SCCLBA of the Purchase Price. The Purchase Price shall be an amount equal to (i) all expenditures of the SCCLBA (whether made directly by the SCCLBA or through payments to a third party contractor) in connection with the subject property incurred subsequent to the date of conveyance to the SCCLBA, and (ii) an amount determined by the SCCLBA as its average indirect costs, on a per parcel basis, of holding its portfolio of properties.*
3. *The SCCLBA shall have the right, at any time within the three year period following the date of the original transfer, to require the transferor to exercise its right of repurchase by giving written notice to the transferor of the requirement that it exercise its right of repurchase and the amount of the Purchase Price. The transferor must exercise its right of repurchase, and close the re-conveyance of the property within sixty (60) days of receipt of such notice. Failure of the transferor to exercise and close upon its right of repurchase within such period of time shall result in a termination of all rights of repurchase with respect to the subject property.*

## **7. Donated Property Policies**

1. Properties with adverse environmental conditions will not be accepted without a satisfactory funded plan for remediation approved by the Land Bank.
2. Properties with immediate maintenance requirements will not be accepted without a funding source secured for such maintenance.
3. The Land Bank will not determine the value of the donated property for the purpose of tax benefits, but will provide a letter describing the property donated.
4. The Land Bank will not accept donated properties with a balance due to the County or local unit for outstanding property tax and/or liens.
5. All donated properties must be approved by the Land Bank's Board of Directors by a majority vote.

## 8. Land Bank Issued Financing

Land Bank financing will be a contract between the Land Bank and the buyer of real property in which the Land Bank provides the financing to buy the property for an agreed-upon purchase price and the buyer repays the loan in installments. In this arrangement, the Land Bank retains the legal title to the property, while permitting the buyer to take possession of it for most purposes other than legal ownership. The sale price will be paid in periodic installments, often with a balloon payment at the end to make the time-length of payments shorter than a corresponding fully amortized loan without a final balloon payment. When the full purchase price has been paid, including any interest determined by policy or affordability, the Land Bank will then convey legal title to the property to the buyer. An initial down payment from the buyer to the Land Bank should be required. The legal status of this form of financing may vary from region to region. As well, funding used in the acquisition and redevelopment of subject properties may not allow for Land Bank financed sales.

### Installment payments

The installment payments of the purchase price will be similar to mortgage payments in amount and effect. The amount is often determined according to a mortgage amortization schedule. In effect, each installment payment is partially payment of the purchase price and partially payment of interest on the unpaid purchase price. This is similar to mortgage payments which are part repayment of the principal amount of the mortgage loan and part interest. As the buyer pays off more of the principal of the loan, his(her) equitable title or interest in the property increases. For example, if a buyer pays a \$2,000 down payment and loans \$8,000 for a \$10,000 parcel of land, and pays off in installments another \$4,000 of this loan (not including interest), the buyer has \$6,000 of equity in the land or 60% of the equitable title, but the Land Bank holds legal title to the land as recorded in documentation (deeds) in a government recorder's office until the loan is completely paid off. However, if the buyer defaults on installment payments, the Land Bank may consider the failure to timely pay installments a breach of contract and the land equity may be forfeited to the Land Bank, depending on the contract provisions.

The following policies shall establish the instances when the Land Bank will consider selling its property through alternative financing (*i.e. Money-Purchase Mortgage, Land Contract, Contract for Deed, Installment Sale Agreement, etc.*) rather than cash sale. All exceptions to this policy shall be decided by governing body of the Land Bank.

- Land Bank financing may be used when the property being sold is as an affordable owner-occupied-single residential structure. The

contract terms (down-payment amount, interest rate, amortization schedule and length of contract) will be determined by the governing body of the Land Bank.

- Land Bank financing may be used as a means to enforce a development agreement. The contract shall be based upon consideration equal to the fair market value of the property. Fair market value shall be determined by an appraisal approved by the Land Bank that is no older than 90-days from date of property application. The contract will have, at a minimum, a length equal to or greater than the development schedule sited in the development agreement.
- All terms of the contract may be renegotiated between the Land Bank and the buyer based on approvals from the governing body of the Land Bank.