

Memorandum
Community Economic Development Department

To: Thomas Thomas, City Manager
Subject: Property Disposition Guidelines
Date: August 17, 2016



The Community & Economic Development Department prepared a set of guidelines for the disposition, or sale, of City owned real estate. The purpose of the document is to establish a set of best practices to assist CED staff and the City Council when making decisions to sell surplus real estate. Council had an opportunity to hear a presentation on the proposed guidelines during study session at the November 9, 2015. At the August 8, 2016 meeting, City Council directed City staff to bring forward a set of property disposition guidelines for approval. Based on that directive, CED staff is now requesting Council consideration of a resolution to formally approve the guidelines.

RECOMMENDATION: Adopt the resolution to approve the document titled *Guidelines for the Disposition of City-Owned Real Estate* to serve as a guide for City staff and the City Council in its consideration of future property sales.

Submitted by: Brandy Howe, AICP, Interim Planning & Redevelopment Administrator

Approved by: Thomas Thomas, City Manager

City of Rock Island

Guidelines for the Disposition of City-Owned Real Estate

Pursuant to the Illinois Compiled Statutes and the powers granted to the City as a Home Rule Unit, the City has enacted the following guidelines concerning the disposition of city-owned real estate.

1. Purpose and Intent

The City of Rock Island periodically purchases, or accepts via donation, real property for the purpose of eliminating blight and strategically advancing redevelopment plans. It is the City's intent to eventually sell such property to an individual or organization that will advance this objective. The purpose of this document is to establish best practices that aid in the process for the sale of surplus real estate owned by the City of Rock Island. The practices outlined herein:

- (a) Are intended as guidelines for City decision-making in the sale of real estate. The practices outlined herein are not intended to supersede adoptions by the City Council that exclusively outline a sale of a specific property or type of property. In cases where inconsistencies or conflicts occur between the two, the specific policies adopted by the City Council for the property in question shall prevail.
- (b) Are intended to be coordinated with and in support of neighborhood and community planning and revitalization efforts.

2. Guiding Principles for the Sale of City Real Estate

- (a) Decisions regarding the sale of City real estate will be made on a case by case basis using these guidelines.
- (b) Except as otherwise delegated by ordinance, final decisions regarding the sale of City real estate shall be made by the City Council. Any negotiations entered into by the City prior to final authorization by the City Council should clearly communicate that the final decision is to be made by City Council.
- (c) The City Attorney's office should be consulted as needed in the process and, at minimum, on the form and substance of any transaction documents.
- (d) Properties will be sold as is. Any environmental analysis is the sole responsibility of the purchaser/applicant unless otherwise agreed upon by a development agreement or memorandum of understanding between the purchaser/applicant and the City of Rock Island.

3. Factors to Consider When Determining Whether a Property should be Sold

The City of Rock Island may accept any proposal determined by the City to be in the best interest of the City. The following is a non-exclusive list of conditions the City may consider when determining whether real estate is available for sale. The City may require answers to all of the following statements, some of the statements, or may require additional information be provided in determining the best interest to the City on a particular piece of real estate that may be sold:

- (a) The property is not currently used by a City department and/or does not have a municipal function.
- (b) The property is vacant and/or has no foreseeable use by the City.
- (c) The property is a non-performing or under-performing asset and value can be generated by its sale.
- (d) Economic development opportunities can be generated by selling the property.
- (e) The City will be relieved of potential liabilities and/or costs associated with maintaining a non income generating property or one that doesn't provide a public benefit.

- (f) The proposed use of the property complies with the Comprehensive Plan and other relevant City plans.
- (g) The sale of the property will result in returning the property to the tax rolls.

4. Eligibility Requirements to Purchase Surplus City-Owned Real Estate

Sale of surplus real estate is contingent upon the applicant meeting the following criteria:

- (a) The applicant must present a reasonable and appropriate proposal for use of the property.
- (b) The applicant must present documentation proving they have the financial ability to purchase and maintain the property, and financial ability to complete their proposed project. Failure to provide proof of adequate financing may be used as an immediate denial of a sale.
- (c) The applicant is not delinquent on their property taxes (if applicable) and has no outstanding delinquent special assessments.
- (d) The applicant has no past due/delinquent water/sewer bills or delinquencies in any other obligations owed to the City of Rock Island.
- (e) The applicant is in good standing with the City of Rock Island, with no outstanding zoning, health, nuisance, building, or other municipal code violations on any properties owned in the City of Rock Island within the past 5 years.

Note: The above is not an exclusive list, but factors the City will consider when determining eligibility of the applicant to purchase real estate from the City.

5. Negotiation of Sale Price and Development Agreement

The purchase price of City real estate will be established through negotiations between the applicant and the Community & Economic Development (CED) Department and then approved by City Council. Prices are typically based on factors such as, but not limited to:

- (a) Condition of the property;
- (b) Amount of any outstanding taxes due on the property;
- (c) Amount for which the City acquired the property; and
- (d) An appraisal provided by the applicant that was prepared by a certified or licensed real estate appraiser. To be considered, the appraisal must be dated no more than six (6) months from the date of submittal of an application to purchase the property per Section 7, below; and
- (e) Any conditions of a specific City program for a designated property or group of properties.

Except in cases of residential side yard or back yard expansions (refer to Section 6, below) applicants wishing to purchase property from the City shall provide a development and/or use proposal for the site.

6. Side Yard or Back Yard Expansion

A side yard or back yard expansion is the sale of a whole or partial nonconforming lot to an adjacent owner, the combination of which may result in the creation of a conforming lot of adequate size. A nonconforming lot is one that, at the time of its establishment, met the minimum area and yard requirements for the zoning district in which it is located but which, because of subsequent changes to the lot requirements applicable to that zoning district, no longer meets the minimum area and/or yard requirements.

A residential side yard or back yard expansion can allow an addition, deck, or yard expansion, among other potential improvements and can increase the value and enjoyment of the home. A commercial side yard or back yard expansion can expand or add to the current use and potentially increase revenue of a business. Such an expansion may allow for an outdoor café, courtyard, or parking among

other potential improvements. The sale of surplus real estate to enable a side yard or back yard expansion may be considered if the following conditions are met:

- (a) Adjoining owner is an owner-occupant of the adjacent property.
- (b) Adjoining owner is in good standing with the City of Rock Island (per Section 4, above).
- (c) Vacant lot has no current development proposals or lacks future development potential.

Note: The above is not an exclusive list, but factors the City will consider when determining eligibility of the applicant to purchase real estate.

Requestors for side yard or back yard expansions should complete the application and should comply with the typical approval process outlined in Section 7, below; however, they are not required to submit an appraisal. The sale price of property sold for a side yard or back yard expansion will be negotiated between the applicant and the City, with applicable closing costs, as noted in the purchase agreement with the City, to be paid by the applicant.

In all cases of side yard or back yard expansion, the property owner shall aggregate the subject site with the adjacent site owned by the property owner at the time of closing on the property and execute any other documents necessary to complete the transaction. City staff will provide a limited power of attorney and the lot aggregation form required to execute the aggregation. This provision will be included in the purchase agreement between the City and the applicant.

7. Application and Approval Process

All sales of City real estate are subject to City Council approval. The following is the typical process for the sale of City real estate. Sale of real estate via the Rock Island HOME program is described under Section 8.

- (a) *Application.* Individuals or organizations wishing to purchase real estate from the City should complete an application provided by the Community and Economic Development (CED) Department. Except for side yard or back yard expansions, applications should include an appraisal of the property dated no more than six (6) months from the date of the application. If the CED Department determines that the application meets the eligibility criteria (outlined in Section 4, above), the request to purchase will be referred to the City Council for consideration. A non-refundable fee of \$100.00 is required to submit an application.
- (b) *Initial Presentation to Council.* Within 60 days of submittal of a complete application, the City Council will consider the offer to purchase the property and determine if is appropriate to move forward with the proposed sale.
- (c) *Neighbor Notification.* A letter will be sent out by the City to all adjacent property owners advising them of the proposed sale.
- (d) *Public Notice.* Notice of the proposed sale will be given by publication in a daily newspaper having a general circulation in the City. Said notice should be published at least ten (10) days prior to the date of the preliminary approval described under subsection (e), below.
- (e) *Preliminary Approval.* At a regular meeting, City Council will consider a purchase agreement (for all properties) and development agreement (if applicable).
 - i. *Purchase Agreement.* If the City Council decides it wishes to further consider a potential sale, CED staff will negotiate a sales price with the applicant and prepare a purchase agreement. Once the proposed purchase agreement is signed by the applicant, CED staff will present the proposed purchase agreement at a regular meeting of the City Council for their consideration.
 - ii. *Development Agreement.* In conjunction with the purchase agreement, CED staff will work

with the applicant to prepare a development agreement (if applicable) that outlines the project proposed by the applicant, identifies the parties involved in the agreement, and indicates the terms of the agreement, including the timing/phasing for project completion. Once signed by the applicant, CED staff will present the proposed development agreement at a regular meeting of the City Council for their consideration.

If the City Council approves the purchase agreement and the development agreement (if applicable), the City Council will direct the City Manager to execute the purchase agreement and the development agreement, and refer the matter to the City Attorney to prepare an ordinance.

- (f) *Ordinance.* At a regular meeting, City Council will consider an ordinance authorizing the sale of the subject property subject to the agreed upon price and under the terms and conditions outlined in the purchase agreement and development agreement (if applicable).
- (g) *Closing.* Once the purchase agreement and authorization ordinance have been approved and executed by the appropriate City officials, the City Attorney or designee will contact the applicant to initiate the closing process.
- (h) *Appeals.* If the City Council denies an applicant's request to purchase, the applicant shall not re-submit the same request for a period of one year from the date of the original application.

8. Rock Island Home Ownership Made Easy (HOME) Program Properties

The Rock Island HOME program is intended to promote neighborhood revitalization by making available for purchase vacant, city-owned lots with the end goal of new home construction within six (6) months of a signed purchase agreement. The following is the typical process for the sale of City real estate in the HOME program.

- (a) *Identification and Approval of Properties for HOME program.* At a regular meeting, City Council will consider an ordinance authorizing the inclusion of certain properties deemed appropriate by CED staff for the HOME Program. Such authorization shall enable City staff to enter into purchase agreements with qualified HOME program applicants.
- (b) *Qualified Applicant.* To enter into the HOME program, applicants must present the City with proof of pre-approval for a construction loan from a reputable financial institution in an amount of not less than \$120,000.
- (c) *Purchase Agreement.* Under the HOME program, City staff may sell lots identified for the HOME program for \$5.00 cash payment. The purchase agreement shall require the applicant (purchaser) to close on the aforementioned construction loan and construct a residential dwelling on that property. The closing must occur within approximately thirty (30) days after the execution of this Purchase Agreement.

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WHEREAS, the City of Rock Island periodically purchases, or accepts via donation, real property for the purpose of eliminating blight and strategically advancing redevelopment plans, and it is the City's intent to eventually sell such property to an individual or organization that will advance this objective; and

WHEREAS, the City developed a set of guidelines entitled, *Guidelines for the Disposition of City-Owned Real Estate*, to establish best practices to aid in the decision-making process for the sale and disposition of surplus real estate owned by the City; and

WHEREAS, said guidelines are not intended to supersede adoptions by the City Council that exclusively outline a sale of a specific property or type of property, but rather provide a template for decision-making with regard to the sale of surplus real estate so that each case is handled in a consistent manner and in such a way as to provide adequate information to the City Council in its consideration of future property sales;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Rock Island hereby approves the City of Rock Island *Guidelines for the Disposition of City-Owned Real Estate*.

Passed this ____ day of August, 2016.

MAYOR OF THE CITY OF ROCK ISLAND

PASSED: _____

APPROVED: _____

ATTEST: _____
CITY CLERK