

City of Philadelphia

POLICIES FOR THE SALE AND REUSE OF CITY OWNED PROPERTY

**V 11.4.11**

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## Guiding Principles

This policy shall be used to promote and regulate the sale and reuse of City properties.

The sale and reuse of City properties shall at all times be consistent with the following guiding principles.

- Encourage the development and reuse of vacant properties.
- Eliminate blight and revitalize neighborhoods.
- Strengthen the City's tax base.
- Sell, at fair market value, properties without an adopted public purpose.
- Convey land in a unified, predictable, and transparent process.

The transfer of property under any specific part of these policies may be overridden by higher priorities at the City's discretion.

## Applicability

These policies apply to the real property inventories owned by the Redevelopment Authority of the City of Philadelphia, the Philadelphia Housing Development Corporation, and the surplus inventory held by the City of Philadelphia's Department of Public Property.

## Approaches to the Sale of Property

The sale of City property is intended to promote the greatest possible active reuse of parcels in the City's inventory, and will be accomplished through one of the following means:

Open Market Sales – Property may be sold directly to the party who submits the highest Qualified Bid pursuant to a competitive bidding process.

Direct Sales – Property may be sold directly to a qualified buyer based on the asking price identified on the City's website.

Discounted Sales – The City may, at its discretion, convey property for a discounted price when the proposed use of the property provides significant community benefits. Community benefits include, but are not limited to:

- 1) Affordable housing
- 2) Economic development projects
- 3) Community projects, such as parks, gardens or community facilities
- 4) Side and rear yards for adjacent homeowners
- 5) Blight prevention

***All discounted sales will be made available for public review via the website.***

Discontinued Programs - Property may be conveyed under the terms of discontinued programs for those applicants who applied for and were awarded property under previous program guidelines.

## Qualified Purchasers & Bids

All purchasers of City-owned property must fulfill their commitments to the City and to their neighbors, which includes paying property taxes and maintaining properties in accordance with all municipal codes and ordinances.

A Qualified Purchaser must be in good standing on all municipal obligations, and must not:

- own any property that is subject to any significant unremediated violation of city codes and ordinances; or
- own property that is delinquent in taxes or other municipal claims; or
- have been an owner in a Philadelphia tax foreclosure proceeding; or
- appear as the owner of record on the Philadelphia District Attorney's list of land that has been confiscated due to criminal activity.

All purchasers must submit disclosures as required by the City.

A Qualified Bid will be required to demonstrate:

- 1) Plans for development
- 2) Capacity to complete work proposed
- 3) Financial resources
- 4) Ongoing operating capacity

## Appropriate & Timely Development of Properties

The City expects that properties will be developed in an appropriate and timely manner according to the agreement. To ensure these expectations are met, the City will place conditions on land it conveys to achieve the most productive outcome.

Applicants will be expected to develop and use property acquired under these policies in a timely manner. This requirement will be enforced either through reverter provisions in the deed, or by requiring that property be conveyed simultaneously with construction financing closing. New owners will:

- Give consideration to any adopted and accepted city, community, or neighborhood plans, including Phila2035 and Greenworks
- Comply with fair housing and marketing regulations
- Conform with current zoning requirements, or obtain the appropriate variance
- Maintain the property in accordance with all City codes and ordinances

**NOTE: The City reserves the right to decline any offer to purchase City-owned property if the sale does not advance the City's goals or comport with its policies for property disposition. If an offer is rejected, a reason will be provided for the objection upon request.**

### **Site Control: Options and Holds**

The City recognizes that developers often require legally recognizable site control as part of the development process. The City may at times execute contingent agreements of sale or option agreements to allow developers to pursue financing and other approvals necessary for development.

Agreements or contracts for this purpose must meet the following conditions:

- The applicant will be responsible for property maintenance, insurance, and utilities.
- The timeframe must be limited to one year or less and may be renewed solely at the City's discretion.
- The proposed use must not be inconsistent with the City's Comprehensive Plan.
- The applicant may not use or move into the property.
- An option fee will be due upon execution.
- Not-for-profits and city-subsidized projects will be exempt from a fee.
- The contract terms will be public information.

### **Requests for Proposals**

If the City has a specific planned use for a parcel, a Request for Proposals (RFP) will be issued to identify and select a potential developer. The RFP format allows the City to explain the planned use and any further restrictions that might be placed on the developer or successive owners of the property.

- RFP will be widely advertised to encourage broad participation.
- Selection criteria will include factors such as developer capacity and proposed development outcomes as well as the price.
- The price established through this process will be considered the fair market value of the property, but it must be acceptable to the City.
- A parcel may be assembled from parcels owned by several different city agencies

## **Pricing**

### Open and Competitive Market Sales

Open Market Sales such as broker listings, the use of the Multiple Listing Service, web sites or other recognized method of advertising may be used to encourage broad participation in the sale of selected properties.

- Asking prices may be established using appraisal, competitive market analysis, or Automated Valuation Model (AVM).
- Properties to be on the market for at least 45 days
- The best Qualified Offer must be acceptable to the City

### Individual Direct Sales

Available properties will be published on the City's website with an asking price. Individual requests for properties will be accepted and reviewed on an ongoing basis through the Philadelphia Redevelopment Authority.

- Qualified Applicants will be allowed to purchase property at the listed price.
- When a purchaser offers less than the asking price for a property, the City will use the Open Market Sales approach to obtain the best offer for the property.

### Discounted Sales

The City may convey a property for a discounted price to support public purposes such as affordable housing, economic development, community development, or side yards. If a property is identified for one of the following uses, the City will evaluate the proposal and property request to determine if the proposed project provides significant, visible community benefits that would merit the proposed reduction in sales proceeds.

The following programs qualify for discounted pricing.

## **Discounted Sales**

### **Affordable Housing**

Developments that provide affordable housing as defined under federal guidelines may acquire property for less than fair market value. Affordable housing projects do not have to be directly subsidized by the City to qualify for discounted pricing.

### **Economic Development Projects**

Still need language for this section

### **Community Development Projects**

A Qualified Bid that proposes significant incremental community benefits may be eligible for discounted pricing at the discretion of the City.

## **Side Yards**

Individual parcels of property may be transferred to individuals for nominal consideration in accordance with the following:

- Must be vacant land adjacent to the applicant's residential property, with a common boundary line on either side or behind the property.
- Must be located on a block that is predominantly occupied.
- In the event that multiple adjacent property owners desire to acquire the same side lot, the lot shall be transferred to the highest bidder for the property.
- Maximum Lot Value: \$15,000
- Maximum Lot Size: 3000 sq ft
- Deed of consolidation will be presented at closing.

### **Eligibility Requirements for Applicants for Side Yards:**

- The applicant must be the owner of an adjacent property and using that property as his/her primary residence.
- An applicant may buy up to two (2) adjacent lots, but one of those lots must be adjacent to the applicant's property.
- The applicant must be a Qualified Purchaser

### ***Notice to adjacent property owners:***

Written notice by U.S. mail will be given to all adjacent owner-occupants when an application is filed to acquire a side yard. If more than one party is interested in purchasing the property, the City will sell the property to the highest bidder.

## **Discontinued Programs**

At the administration's discretion, property may be conveyed under the terms of discontinued programs for those applicants who applied for and were awarded property under previous program guidelines, and can demonstrate continuous effort and completion of their obligations under the original program terms. Applicants will be subject to the *Qualified Purchaser & Bid* provisions, in addition to the *Ethics* provisions of these policies.

## **Self-amortizing Second Mortgage**

For properties conveyed for a discounted price, a self-amortizing mortgage for the difference between the sale price and the discounted price will be executed by the purchaser to ensure that if the property is re-sold to another party within a specific time frame, the buyer will not benefit unfairly from the discounted price offered by the City. The Self-Amortizing Mortgage will not require any payments by the purchaser of the property if the property is used in conformance with the originally agreed upon terms for the duration of the mortgage.

- The length of the mortgage will be 10 years from the date of purchase
- The amount of the obligation will decrease by 10% every year for 10 years

- Upon completion of the ten year time frame the City will satisfy the mortgage
- If the purchaser wants to sell the property before the 10 year expiration date of the mortgage, the City must receive the amount owed on the mortgage before the mortgage will be satisfied.
- The fair market value may be established either through an independent appraisal or another suitable method at the City's discretion.

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## **Other Transactions**

### **Individual Urban Gardens**

The City supports the creative use of vacant land for urban gardens and other uses that improve the quality of life in the City's neighborhoods.

An urban garden is a publicly-owned property for which a person or group is given temporary access to farm or garden and maintain. The intent is to provide an interim use for the land to eliminate blight and improve safety until development is possible. The City expects that the majority of urban gardens will be temporary, and the land will still be available for development.

- Urban Garden Agreements will be administered through the City's Redevelopment Authority.
- A renter is eligible to apply for an urban garden agreement.

The Urban Garden Agreement (UGA) will last for one year, and may begin and end at any time throughout the year. Urban gardens agreements are time-limited agreements that both the City and gardener may terminate at any time, with or without cause, upon prior written notice to the other party. The City will use reasonable efforts to avoid terminating the urban garden agreement between April 1 and November 1.

The City expects that urban gardens and farms will be maintained throughout the term of the UGA. Maintenance standards will be provided in writing to all applicants. Owners of adjacent properties will be notified when an urban garden agreement is executed. The notification will include information about maintenance standards, contact information for the gardeners, and how to report complaints to 311.

### ***Acceptable Uses***

The gardener may enter and use the property only for the following non-commercial, gardening purposes:

- To grow food, flowers, ornamental plants, and other landscaping.
- To compost in rodent-resistant containers.

Gardeners may make only the following constructed improvements in support of their efforts:

- Install fencing that meets all Philadelphia Code requirements
- Install a temporary storage shed no larger than 8' x 10' and no taller than 10'.

### **Community Gardens**

An area managed and maintained by a group of individuals to grow and harvest food crops or non-food crops (e.g., flowers) for personal or group consumption, for donation, or for sale that is incidental in nature. A community garden area may be divided into separate garden plots or orchard areas for cultivation by one or more individuals or may be farmed collectively by

members of the group. A community garden may include common areas (e.g., hand tool storage sheds) maintained and used by the group.

Community Gardens may be used for recreational purposes, and improvements to facilitate such purposes may be allowed on a case by case basis upon review by the City.

Additional Requirements for Community Gardens:

- Must be sponsored by a non-profit organization
- Must secure and maintain insurance acceptable to the City

### **Property Donations (Formerly Donor/Taker Program)**

Property donations are a way for the City to facilitate the redevelopment of privately-owned, tax-delinquent vacant property. Under limited circumstances, private parties may donate property to the City in exchange for forgiveness of the City liens on the property, either for a public purpose or for conveyance to a qualified third party who will redevelop for an approved purpose.

The donation program will be open to private individuals, non-profits, business corporations and quasi-public agencies. The property must be unoccupied. The City can clear only municipal debt, and title to the property must be clear of any other encumbrances. The City will not clear personal debt, which includes mortgages, judgments, bankruptcies, and IRS liens.

The donor and the designated recipient may not in any way be related parties. Related party is considered to be any of the following:

- Family Member or Shared Ownership Interest in Business Entity. An immediate family member is defined as a spouse, life partner verified at the Philadelphia Commission on Human Relations, mother, father, brother, sister, child, grandparent or grandchild (whether related as a full blooded relative, or as a "half" or "step" relative, e.g., a half-brother or stepchild).
- Property donors are prohibited from having any ownership interest in a business entity that becomes a designated recipient of the donated property. A business entity is defined as a group of people organized for some profitable or charitable purpose. Business entities include corporations, partnerships, charities, trusts, and other forms of organization

### **Citizen-Initiated Tax Sales**

To facilitate the reuse of privately owned tax delinquent properties, the City will allow citizens to initiate a tax sale proceeding by posting a deposit with the revenue department. When such a deposit is received the City will prioritize and process the subject property for an upcoming tax sale. This deposit will be considered the opening bid at the sale, and will be returned to the person who posted it if that person is not the successful bidder at the sale.

## **Ethics**

### **Home Rule Charter and Philadelphia Code requirements**

The City of Philadelphia is committed to ethical and transparent processes for the administration of vacant land. All real estate transactions are governed by City and State laws and rules that generally prohibit, among other things, conflicts of interest, the disclosure of confidential information, and the representation of another by a City official or employee in a transaction with the City.

### **Financial Assistance**

Any grant, loan, tax incentive, bond financing subsidy for land purchase or otherwise, or other form of assistance that is realized by or provided to a person in the amount of \$50,000 or more through the authority or approval of the City, is by law considered Financial Assistance under Chapter 17-1400 of the Philadelphia Code. Financial Assistance recipients must meet eligibility requirements by disclosing their political contributions. Financial Assistance includes the transfer of City property for less than fair market value. Recipients of Financial Assistance must comply with campaign contribution limits and must disclose campaign contributions for five years after receiving Financial Assistance. They must also disclose solicitations for any reason from any City official.

For more information on these requirements, please see [www.phila.gov/integrityworks](http://www.phila.gov/integrityworks). Any person inside or outside of City government with a concern that the disposition or administration of City property is unethical or violates the City's Financial Assistance requirements should contact the City's Chief Integrity Officer at 215.686.2178 or Inspector General at 215.686.1770.