



DETROIT LAND BANK AUTHORITY

STRUCTURE SALES POLICY

Table of Contents

<u>Chapter</u>	<u>Subject</u>	<u>Page</u>
	Definitions.....	i
	Introduction	ii
I.	Auction.....	1
II.	Own It Now	4
III.	Demolition Candidates	6
IV.	Marketed Sales	8

Definitions

For purposes of this Structure Sales Policy (this “**Policy**”), the following terms having the meanings specified below or where indicated.

“**Accessory Structure**” is defined in Section I(C).

“**Auction Eligible Property**” is defined in Section I(C).

“**DLBA**” means the Detroit Land Bank Authority.

“**Eligible Purchaser**” means a person who meets all of the following criteria.

(a) The purchaser must be an individual who is at least 18 years of age or a company or organization that is a legal entity authorized to acquire real property and to do business in Michigan.

(b) The purchaser shall not have unresolved ticketed blight or code violations in the City of Detroit.

(c) The purchaser shall not have delinquent property taxes that are not subject to a payment plan on a property located in Wayne County.

(d) The purchaser shall not currently be involved in a bankruptcy proceeding.

(e) If the purchaser has previously purchased any structure from the DLBA:

(i) The purchaser shall have achieved compliance with their first structure purchased from the DLBA.

(ii) If the purchaser has achieved compliance with their first purchased structure, the bidder must also be compliant with all additional structures purchased from the DLBA.

(iii) If the purchaser voluntarily reconveyed a previous purchase, the DLBA may, at its sole discretion, allow the purchaser to make additional purchases.

(f) The DLBA is entitled to interpret the purchaser eligibility requirements in a manner consistent with the Policy’s stated objectives. In its sole discretion, the DLBA may refuse a sale to a purchaser if the DLBA believes that the purchaser is using any type of entity, including those commonly referred to as “a shell company”, to circumvent the intent of the eligibility requirements.

“**Policy**” means this Structure Sales Policy.

“**Successful Bidder**” is defined in Section I(F).

Introduction

The Detroit Land Bank Authority was created to make vacant and residential public property available for sale in order to promote homeownership, neighborhood revitalization, urban agriculture and economic growth in the City of Detroit. The DLBA both develops and implements its own programs and cooperates with the departments and agencies of the City in order to carry out this mission.

Since 2014, the DLBA has implemented a series of programs to offer for sale the various types of properties that it holds. Based on this experience, the DLBA has determined that it is necessary and appropriate to implement a comprehensive policy to address the sale of improved residential property in its inventory. This Structure Sales Policy supersedes the existing Auction Policy and expands other existing policies. To the extent that this Structure Sales Policy is inconsistent with any provision in any other existing DLBA policy, the provisions of this Structure Sales Policy shall control.

This new Structure Sales Policy is comprised of four chapters: Auction, Own It Now, Demolition Candidates and Marketed Sales. Each chapter modifies, streamlines, or expands existing programs.

I. **AUCTION**

A. **Objective.** To sell certain DLBA-owned vacant residential structures to Eligible Purchasers that agree to renovate the properties to an occupiable condition.

B. **Eligible Properties.** An eligible Auction property is defined as a parcel of property in the DLBA's inventory that contains a vacant residential structure of between 1-4 units.

C. **Parcel Combinations.** DLBA staff may combine one, and no more than one, parcel with an eligible Auction property prior to listing it for sale, provided that it meets one of the following criteria.

(1) The secondary parcel contains a vacant accessory structure visibly associated with the structure on the eligible Auction property and does not contain a separate residential structure. What constitutes an accessory structure is determined at the sole discretion of the DLBA, but may include garages, sheds, gazebos, palapas, or carports, among other structure types (each, an "**Accessory Structure**"). The Accessory Structure must not exceed 750 square feet in size.

(2) The secondary parcel contains a curb-cut driveway visibly associated with the structure on the eligible Auction property and does not contain a separate residential structure.

(3) The secondary parcel contains a secondary unit attached to a unit on the eligible Auction property, such as the second unit in a duplex structure.

For purposes of this Policy, an eligible Auction property on its own or together with a secondary parcel is referred to from time to time as an "**Auction Eligible Property.**"

D. **Purchaser Eligibility.** To be eligible to purchase an Auction Eligible Property, a bidder must be an Eligible Purchaser.

E. **Sales Method.** Auction sales shall be sold pursuant to the following practices and procedures:

(1) All sales shall occur on the DLBA website. Properties shall be posted and identified as coming up for sale on the DLBA website for a period of at least three (3) days before the day of the auction.

(2) The online auction for each Auction Eligible Property shall be open for bids on the stated date, and the dollar amount of each bid received (but not the identity

of the bidder) will be publicly visible. Bids will be accepted for a period of at least eight (8) hours, until a time specified for the close of bidding. If a new high bid is made within the last five minutes that the bidding is scheduled to be open, then bidding shall automatically be extended until five minutes after that bid was placed, and this process shall be repeated until five minutes have elapsed after the final bid was placed.

(3) A hold will be placed on the credit card on file for each bidder in the amount of \$1,000 when they make a bid. Once the auction closes, the credit card of the highest bidder will be charged the \$1,000. This amount will be refunded if such bidder is unsuccessful, and will be applied to the down payment if the bidder is the Successful Bidder.

(4) A minimum bid price shall be established for each property by the DLBA and included with the listing. The minimum bid price shall be at least \$1,000.

(5) The DLBA discount programs (for example, the City of Detroit employee discount) can be applied to reduce the Auction purchase price due from a Successful Bidder.

F. Procedure for Successful Bidder. After the auction closes, the bidder with the highest bid shall be the “**Successful Bidder.**” The Successful Bidder shall complete all of the following.

(1) The Successful Bidder shall pay a down payment of \$1,000 or 10% of the purchase price (not to exceed \$5,000), whichever is greater. The \$1,000 collected by the DLBA upon the Successful Bidder making a bid will be applied to this down payment.

(2) The DLBA will complete a review of the Successful Bidder in order to confirm they are an Eligible Purchaser. The Successful Bidder shall provide all documentation necessary to demonstrate eligibility including, but not limited to, government-issued photo identification, certificates of good standing, lists of shareholders, deeds, and tax payment receipts.

(3) If the Successful Bidder is unable to demonstrate their eligibility or make their down payment in a reasonable timeframe, the DLBA reserves the right to cancel their bid and retain their down payment and may begin the eligibility and down payment process with the second-highest bidder. If the second-highest bidder is unable or unwilling to complete the eligibility and down payment process, the DLBA reserves the right to cancel their bid and may begin the eligibility and down payment process with the third-highest bidder. The DLBA shall not consider other bidders.

G. Right to Reject Bid. The DLBA reserves the right to reasonably reject any bid or cancel the results of any auction for cause; such reasons may include, but are not limited to, website interruptions, suspected fraud, property damage, or a property being occupied. If the DLBA rejects a bid or cancels the results of any auction, the DLBA will refund the bidder’s down

payment. The DLBA may also remove a property from the Auction and then offer it for sale in another Auction or another sales program.

H. Purchase Agreement Obligations to Rehabilitate Property. If the DLBA determines that a Successful Bidder is an Eligible Purchaser, then the DLBA will offer to enter into a Purchase Agreement that will require the Successful Bidder to comply with specific requirements concerning the obligation to rehabilitate the property, including immediately securing the property and maintaining the exterior, providing the DLBA with regular reports on progress made, and bringing the property up to code within prescribed time periods. The Successful Bidder shall execute a reconveyance deed and if the Successful Bidder is in breach of any of its obligations set forth in the Purchase Agreement, the DLBA may record the reconveyance deed at the Register of Deeds, and thereby reconvey the property to the DLBA without compensation to the Purchaser.

I. Release of DLBA Tax Capture. Staff may waive the organization's 5/50 tax capture interest in certain circumstances, as provided by the Tax Capture Waiver Policy.

II. OWN IT NOW

A. **Objective.** To sell certain DLBA-owned vacant residential to Eligible Purchasers who agree to renovate the properties to an occupiable condition.

B. **Eligible Properties.** An eligible Own It Now property is defined as a parcel of property in the DLBA's inventory that is an Auction Eligible Property.

C. **Purchaser Eligibility.** To be eligible to purchase an Own It Now property, the purchaser must be an Eligible Purchaser.

D. **Sales Method.** Own It Now sales shall be sold pursuant to the following practices and procedures:

(1) All Own It Now sales shall occur on the DLBA website. All properties available for purchase under the Own It Now program shall be posted on the DLBA website for at least three days before they are open for offers.

(2) Once an offer is received, a 72-hour "final offer period" will immediately begin, during which other prospective purchasers may make higher offers. At the conclusion of the 72-hour "final offer period", the DLBA will close the bidding on that property and notify the highest bidder that he is the Successful Bidder, subject to subsection E below.

(3) A minimum bid price shall be established for each property by the DLBA and included with the listing. The minimum bid price shall be at least \$1,000.

E. **Qualifying the Successful Bidder.** After the final offer period closes, the bidder with the highest bid shall become the Successful Bidder. The Successful Bidder shall complete all the following.

(1) The Successful Bidder shall pay a down payment of \$1,000 or 10% of the purchase price (not to exceed \$5,000), whichever is greater.

(2) The DLBA will complete a review of the Successful Bidder in order to confirm they are an Eligible Purchaser. The Successful Bidder shall provide all documentation necessary to demonstrate eligibility including, but not limited to, government-issued photo identification, certificates of good standing, lists of shareholders, deeds, and tax payment receipts.

(3) If the Successful Bidder is unable to demonstrate their eligibility or make their down payment within three days, the DLBA reserves the right to cancel their bid and retain their down payment and may begin the eligibility and down payment process with the second-highest bidder. If the second-highest bidder is unable or unwilling to complete the

eligibility and down payment process, the DLBA reserves the right to cancel their bid and may begin the eligibility and down payment process with the third-highest bidder. The DLBA shall not consider other bidders.

F. Right to Reject Bid. The DLBA reserves the right to reasonably reject any bid or cancel the results of any Own It Now sale for cause; such reasons may include, but are not limited to, website interruptions, suspected fraud, property damage, or a property being occupied. If the DLBA rejects a bid or cancels the result of any Own It Now sale, the DLBA will refund the bidder's down payment. The DLBA may also remove a property from an Own It Now sale and then offer it for sale in another Own It Now sale or another sales program.

G. Purchase Agreement Obligations to Rehabilitate Property. If the DLBA determines that a Successful Bidder is an Eligible Purchaser, then the DLBA will offer to enter into a Purchase Agreement that will require the Successful Bidder to comply with specific requirements concerning the obligation to rehabilitate or demolish the property, including immediately securing the property and maintaining the exterior, providing the DLBA with regular reports on progress made, and bringing the property up to code within prescribed time periods. The Successful Bidder shall execute a reconveyance deed and if the Successful Bidder is in breach of any of its obligations set forth in the purchase agreement, the DLBA may record the reconveyance deed at the Register of Deeds, and thereby reconvey the property to the DLBA.

H. Release of DLBA Tax Capture. Staff may waive the organization's 5/50 tax capture interest in certain circumstances, as provided by the Tax Capture Waiver Policy.

III. DEMOLITION CANDIDATES

A. Objective. To provide an opportunity for the purchase and rehabilitation of DLBA-owned homes in exceptionally distressed condition to buyers who demonstrate a clear intent and the capacity to carry out the necessary renovations.

B. Eligible Properties. An eligible demolition candidate is defined as a parcel of property in the DLBA's inventory that meets each of the following criteria.

(1) The parcel contains a vacant residential structure of 1 to 4 units.

(2) The structure exhibits major structural deficiencies, including, but not limited to, major damages to the foundation, roof, internal support structure, and/or load-bearing walls, or severe fire damage, or has been identified as a demolition candidate.

C. Purchaser Eligibility. To be eligible to purchase a demolition candidate, a prospective purchaser must meet all of the following criteria.

(1) The prospective purchaser must be an Eligible Purchaser.

(2) The prospective purchaser must complete an inspection of the structure prior to submitting an offer.

(3) The purchaser must provide one of the following items to demonstrate proof of capacity.

(a) Proof of funds of \$20,000 or more. Such proof of funds may include, but is not limited to, a bank statement, line of credit, or loan approval letter verifying possession of or access to a minimum of \$20,000.

(b) Evidence of a valid Michigan license in one or more of the skilled trades (e.g., building, mechanical, electrical, or plumbing) and proof of funds of \$5,000 or more. Such proof of funds may include, but is not limited to, a bank statement, line of credit, or loan approval letter verifying possession of or access to a minimum of \$5,000.

D. Sales Method. Demolition Candidate sales shall be sold pursuant to the rules of the Own It Now program.

E. Procedure for Successful Bidder. After the final offer period closes, the bidder with the highest bid shall become the Successful Bidder. The Successful Bidder shall complete all the following.

(1) The Successful Bidder shall pay a down payment of \$1,000 or 10% of the purchase price (not to exceed \$5,000), whichever is greater.

(2) The DLBA will complete a review of the Successful Bidder in order to confirm they are an Eligible Purchaser. The Successful Bidder shall provide all documentation necessary to demonstrate eligibility including, but not limited to, government-issued photo identification, certificates of good standing, lists of shareholders, deeds, and tax payment receipts.

(3) If the Successful Bidder is unable to demonstrate their eligibility or make their down payment in a reasonable timeframe, the DLBA reserves the right to cancel their bid and retain their down payment and may begin the eligibility and down payment process with the second-highest bidder. If the second-highest bidder is unable or unwilling to complete the eligibility and down payment process, the DLBA reserves the right to cancel their bid and may begin the eligibility and down payment process with the third-highest bidder. The DLBA shall not consider other bidders.

F. Right to Reject Bid. The DLBA reserves the right to reasonably reject any bid for cause; such reasons may include, but are not limited to, website interruptions, suspected fraud, property damage, or a property being occupied. If the DLBA rejects a bid, the DLBA will refund the bidder's down payment.

G. Purchase Agreement Obligations to Rehabilitate Property. If the DLBA determines that a Successful Bidder is an Eligible Purchaser, then the DLBA will offer to enter into a Purchase Agreement that will require the Successful Bidder to comply with specific requirements concerning the obligation to rehabilitate or demolish the property, including immediately securing the property and maintaining the exterior, providing the DLBA with regular reports on progress made, and bringing the property up to code within prescribed time periods. The Successful Bidder shall execute a Reconveyance Deed and if the Successful Bidder is in breach of any of its obligations set forth in the Purchase Agreement, the DLBA may record the Reconveyance Deed at the Register of Deeds, and thereby reconvey the property to the DLBA.

H. Homestead Lots. Homestead Lots (as defined in the DLBA's Amended and Restated Vacant Land Policy) shall not be included with the sale of demolition candidates.

I. Release of DLBA Tax Capture. Staff may waive the organization's 5/50 tax capture interest in certain circumstances, as provided by the Tax Capture Waiver Policy.

IV. MARKETED SALES

A. Objective. To provide an opportunity for the purchase and rehabilitation of certain DLBA-owned single structures such as those that are unique in nature or are in exceptionally distressed condition, or structures that are sold as a bundle of properties, in each case to buyers who demonstrate a clear intent and the capacity to carry out the necessary renovations.

B. Eligible Properties. Eligible marketed sale properties are defined as those parcels of property in the DLBA's inventory that have vacant structures of any type.

C. Purchaser Eligibility. To be eligible to purchase a property under the marketed sales program, a prospective purchaser must be an Eligible Purchaser.

D. Sales Method. Marketed sales shall be conducted pursuant to the following practices and procedures.

(1) **Listings.**

(a) *Listings with Real Estate Agents or Brokers.* All properties sold through a licensed Real Estate Agent or Broker shall be publicly listed for sale on the Multiple Listing Service and/or other similar platforms for a period of at least 21 days. All such listings shall also be posted publicly on the DLBA website.

(b) *DLBA Site Listings.* Listings shall be posted publicly on the DLBA website. Listings shall be posted for at least 21 days before offers are reviewed.

(2) **Purchaser Documentation.**

(a) The DLBA shall have the right to require potential purchasers of marketed properties to submit documents supporting their offer including, but not limited to, the following:

(i) Descriptions of their plans or intentions for the property including architectural renderings, design inspirations, pro formas, business plans, and contractor/construction estimates.

(ii) Narrative summaries and/or visual depictions of related experience including work done as a contractor or developer.

(iii) Capacity-demonstrating documents such as financial statements, loan approvals, contractor agreements and/or experience.

(3) **Pricing.** The listing price shall be set by one of the following means:

- (a) advice of the listing agent or broker; or
- (b) staff analysis of past DLBA and private market sales.

If after a reasonable marketing period, no acceptable or qualifying offer has been received at or above the listing price, the DLBA staff may, in consultation with the listing agent or broker (if any), but at their sole discretion, decide to lower the listing price or to accept an otherwise qualifying offer at a lower price. In addition, if during the sales process the condition of one or more of the properties changes materially for reasons such as fire, theft, severe weather, or acts of God, DLBA staff may, at their sole discretion, reduce the sales price to account for such changes.

E. Purchaser Selection. At the end of the offer period, the DLBA shall use a standardized selection rubric to determine the Successful Purchaser. The factors considered will be weighted and such weights will be applied consistently. The rubric may include, but not be limited to, the following.

- (1) Offer price
- (2) Feasibility of project
- (3) Purchaser experience
- (4) Purchaser financial capacity and/or other resources
- (5) Neighborhood benefit

F. Right to Reject Offer. The DLBA reserves the right to reject any offer for any reason, including, but are not limited to insufficient experience or resources on the part of the offeror, nature of the proposed project, property damage, or a property being occupied. The DLBA may also at any time and for any reason remove a property from listing and then offer it for sale in another sales program.

G. Board Approval. Approval from the DLBA Board of Directors is required for the following marketed sales.

- (1) The transfer of five or more parcels of property to the same transferee within any 12-month period.
- (2) Any sale where the aggregate transaction amount is greater than \$75,000.

H. Purchase Agreement Obligations to Rehabilitate Property. If the DLBA determines that a successful offeror is an Eligible Purchaser, then the DLBA will offer to enter into a Purchase Agreement that will require the successful offeror to comply with specific requirements concerning the obligation to rehabilitate the property, including but not limited to immediately securing the property and maintaining the exterior, providing the DLBA with regular reports on progress made, and bringing the property up to code within prescribed time

periods. The successful offeror shall execute a reconveyance deed and if the successful offeror is in breach of any of its obligations set forth in the Purchase Agreement, the DLBA may record the reconveyance deed at the Register of Deeds, and thereby reconvey the property to the DLBA.

I. **Homestead Lots.** While vacant lots may be included in a sale as a secondary parcel, no additional Homestead Lots (as defined in the DLBA's Amended and Restated Vacant Land Policy) shall be included in sales.

J. **Release of DLBA Tax Capture.** Staff may waive the organization's 5/50 tax capture interest in certain circumstances, as provided by the Tax Capture Waiver Policy.