

ALGER COUNTY LAND BANK AUTHORITY

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 articles of incorporation and bylaws of the Alger County Land Bank Authority and the public purposes set forth therein.

As approved by the Board of Directors on Aug 25th, 2011

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Policies Governing the Acquisition of Properties

In determining which (if any) properties shall be acquired by the Alger County Land Bank, the following considerations shall be made:

- Acquisition of properties supports the mission of the Land Bank.
- 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.
- Properties that will result in a planned development that benefits the community, and are supported by the local government.
- Properties that are available for immediate occupancy without need for substantial rehabilitation, and will generate operating resources for the functions of the Land Bank.
- Properties that can be redeveloped and placed into a quality rental program.
- Properties located in development districts (i.e. Downtown Development Authorities) that would support strategic neighborhood stabilization and revitalization plans.
- Properties that meet the criteria for demolition, and such demolition will support blight elimination and local revitalization plans. This activity is contingent upon the funding available for the Land Bank to facilitate demolition.
- Properties that would form a part of a land assemblage master development plan by either the land bank or partnering entities.
- Vacant, non-conforming, or undevelopable properties that could be placed into a Side Lot Disposition Program or support a planned development.
- Properties that will generate operating support for the functions of the Land Bank.
- 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.
- Properties that are environmentally contaminated where funds have been secured for the clean-up and reuse of the property.
- Bank-foreclosed properties which are located in a neighborhood that is an area of focus, or with the purpose of preventing the further decline of a neighborhood.
- Properties that would allow for the creation or expansion of infrastructure, green or community space.
- Properties for which title issues are preventing the property from being developed to its highest and best use.

**Acquisition is defined by the following methods: tax foreclosure; mortgage foreclosure; donation; purchase.*

In determining the nature and extent of the properties to be acquired the Land Bank shall also give consideration to underlying values of the subject properties, the financial resources available for acquisitions and/or ongoing management, the operational capacity of the Land Bank, and the projected length of time for transfer of such properties to the ultimate transferees.

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. 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 Land Bank shall, at all times, retain flexibility in evaluating the appropriate balancing of the priorities for development or use of the property and the considerations for the conveyance of those properties.

Priorities for Use of Property (Examples in no particular order of priority)

- *Economic development (job creation, increase tax base)*
- *Affordable housing*
- *Quality rentals*
- *Market rate housing development*
- *Side lots*
- *Public infrastructure*
- *Blight elimination (demolition & environmental remediation)*
- *Historic preservation*
- *Agricultural*

Priorities as to the Nature of the Transferee (Examples in no particular order of priority)

- *Individuals who own and occupy residential property*
- *Qualified nonprofits corporations*
- *For profit and nonprofit developers*
- *Businesses who own and occupy residential and commercial property*
- *Qualified real estate developers*
- *Tax-exempt institutions (i.e. academic, social service and religious)*
- *Landlords or qualified real estate investors who have not received any judgments against them during the past five (5) years regarding landlord and tenant issues(e.g. code compliance issues) or outstanding tax liabilities.*

Individuals and entities that were the prior owners of property at the time of the tax foreclosure which transferred title to the Treasurer may be ineligible to be the transferee of such property from the Land Bank (i.e. Side lot disposition).

PRIORITIES AND POLICIES

Policies Governing the Disposition of Properties (Land Transfer)

Old

In the event that the Land Bank Board of Directors determines there is just cause to sell a residential homestead property back to the prior owner, the property will be sold back for the minimum bid plus 10% of assessed value.

New

In the event that the Land Bank Board of Directors determines there is just cause to sell a residential homestead property back to the prior owner, the property will be sold back for the minimum bid plus 10% of assessed value. Such prior owner has 60 days from date Land Bank acquires property to purchase. (Revised Apr. 11, 2012)

Policies Governing the Disposition of Properties (Land Transfer)

In determining the requirements for property disposition by the Land Bank, the following considerations shall be made:

- The transferee must not own any real property that: a) has any un-remediated citation or violation of the state and local codes and ordinances; or b) is tax delinquent.
- *In the event that the Land Bank Board of Directors determines there is just cause to sell a residential homestead property back to the prior owner, the property will be sold back for the minimum bid plus 10% of assessed value.*
- *Properties purchased with the intent for rental housing may be sold on a land contract with a development agreement specifying annual property inspection requirements, zoning, and code compliance. Terms of the land contract including down payment amount, inspection fees, interest, and length of the contract will be determined by the Land Bank Board of Directors.*
- All tax incentives and financing necessary for the development to be completed must be committed for the development prescribed in the development agreement.
- The Land Bank may consider 'land leasing' as a method of disposition in any transaction.
- The Land Bank may consider alternative financing options (*i.e. providing a land contract*) as a method of disposition in any transaction.
- 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.
- 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 and zoning 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. This may be required upon request of local units.
- A precise narrative description of future use of the property is required. The future use must be in-line with local development, building code and zoning requirements.
- 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.

- The proposed use must be consistent with current zoning requirements or a waiver for non-conforming use is a condition precedent to the transfer.
- Title insurance will not be issued to the transferee for the property being disposed of. If the transferee requests title insurance as a condition of purchase, all costs of title work will be the responsibility of the transferee.
- The transferee must agree to pay future property taxes from time of transfer.
- 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) and must have a local agent (i.e. real estate, legal). This applies to all real property.

Side Lot Disposition Program

Individual parcels of property may be acquired by the Treasurer, the County, or the Land Bank, 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 Land Bank.

Side Lot Disposition Policies

Parcels of property eligible for inclusion in the Side Lot Disposition Program shall meet the following minimum criteria:

- The property shall be vacant unimproved *non-conforming* real property.
- 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).
- Initial priority shall be given to the disposition of properties of insufficient size to permit independent development.
- No more than one lot may be transferred per contiguous lot.
- Intended use for the lot is disclosed.

Transferees

- All transferees must hold title on the contiguous property. Priority is given to transferees who personally occupy 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.
- The transferee must not own any real property (including both the contiguous lot and all other property in the county) that is tax delinquent.
- The transferee must not have been the prior owner of the side lot property that was transferred to the County Treasurer or to a local Alger County government as a result of tax foreclosure proceedings within the last five (5) years.

Pricing

- *Parcels of property may be transferred for a consideration to be determined at the discretion of the authority, plus closing costs (e.g. deed preparation, deed recording fees, and administrative costs).*
- Title insurance will not be issued to the transferee for the property being disposed of. All costs of title work requested by the transferee will be the responsibility of transferee.
- The land bank must disclose that the side lot property cannot be combined for a minimum of 5 years after the purchase in the quit claim deed.

Additional Requirements

- 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.
- 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.
- In the event that a contiguous property needs land for a driveway or other local code compliance issues this subsection will rule.

Factors in Determining Consideration Due Upon Transfers

The following factors shall constitute general guidelines for determination of the consideration to be received by the Land Bank for the transfer of properties. In each and every transfer of real property the Land Bank shall require good and valuable consideration in an amount determined by the Land Bank in its sole discretion. The Land Bank 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 Land Bank 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 Land Bank allocable to the property.

- 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.
- Parcels of property shall be transferred for consideration in an amount not less than the property costs incurred in acquisition, demolition, maintenance and administrative fees of the lot/building. In the event that grant funds (i.e., environmental remediation, philanthropy, etc.) are used to support any of the aforementioned activities, a lesser consideration can be determined by the Land Bank or the market value which is less.
- Any exception to the policies governing consideration shall be taken to the governing body of the Land Bank for approval.

Transfers to entities or individuals for development

- Transfers of property shall require consideration not less than the Property Costs.
- The dominant priority in determining the amount of and method of payment of the consideration may be to facilitate development that aligns with the priorities on use and concerning neighborhood and community development.
- Any exception to the policies governing consideration shall be taken to the governing body of the Land Bank for approval.

Transfer of Rehabilitated Properties

These policies apply to the disposition by the Land Bank of improved real property which is rehabilitated by or on behalf of the Land bank prior to its disposition to a transferee.

- A real estate agent, or realtor, may be selected in accordance with Land Bank guidelines to assist in the marketing of the property. A listing agreement will normally be signed with such agent prior to completion of the rehabilitation.
- A nonrefundable escrow deposit shall be required for all contracts for the disposition of property rehabilitated by the Land Bank. Such deposit shall be in an amount established by the Land Bank.
- A sales contract must comply with all policies and procedures of the Land Bank. The sales contract shall not be binding upon the Land Bank until approved by the Board of Directors if required by Land Bank policies and procedures.
- Closing of the transfer shall occur with the assistance of a title company selected and approved by the Land Bank Board of Directors.
- Property may be listed on Land Bank website.

Land Banking Policies

The Land Bank is able to receive title to properties from community development corporations, government agencies, and all other entities, and hold title to such properties pending future use by the Land Bank, by the transferor of the property, or by other third parties. The receipt by the Land Bank of any and all conveyances of real property shall at all times be solely within the discretion of the Land Bank. Nothing in this policy shall be deemed to require the Land Bank to take title to any properties nor to limit the discretion of the Land Bank in negotiating the terms of its acquisition of any property, whether as donated transfers or otherwise. All conveyances received by the Land Bank, in its land banking capacity, must comply with the requirements and in accordance with the procedures set forth below. If the transfer is approved by the Land Bank, the Land Bank 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 below. Following the transfer of any properties to the Land Bank in accordance with this policy, the Land Bank 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 Land Bank may deem necessary and appropriate in its sole discretion.

Requirements for Conveyances to the Land Bank in its Land Banking Capacity

- Property that is intended to be conveyed to the Land Bank and to be held by the Land Bank in its land banking capacity shall be clearly designated as such in the proposal for the transfer, and in the records of the Land Bank.
- No property shall be transferred to the Land Bank pursuant to this land banking policy unless the transferor is either a private nonprofit entity or a governmental entity.
- The subject property must be located in within Land Bank service area (Alger County).
- The subject property must not be occupied by any party or parties as of the date of transfer to the Land Bank.
- The subject property must, as of the date of the transfer to the Land Bank, be free or released 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.
- The subject property must, as of the date of the transfer to the Land Bank, be free or released of all outstanding mortgages and security instruments.

Right of Repurchase by the Transferor

- The transferor shall have a right to repurchase the subject property from the Land Bank at any time within a timeline determined by the Land Bank on a case-by case basis by giving notice to the Land Bank.
- The right of repurchase may be exercised by the transferor upon payment to the Land Bank of the Purchase Price. The Purchase Price (otherwise known as property costs) shall be an amount equal to (i) all expenditures of the Land Bank (whether made directly by the Land Bank or through payments to a third party contractor) in connection with the subject property that were incurred subsequent to the date of conveyance and (ii) an amount determined by the Land Bank as its average indirect costs, on a per parcel basis, of holding its portfolio of properties.
- The Land Bank shall have the right, at any time within a period designated by the land banking agreement, following the date of the original transfer, to require the transferor to exercise its right of repurchase by giving written notice to the transferor that it exercises its right of repurchase and the amount of the purchase price. The transferor must exercise its right of repurchase, and close the reconveyance of the property within a time period designated by 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.

Acceptance of Donated Property

Donated Property Policies

- Properties with adverse environmental conditions will not be accepted without a satisfactory funded plan for remediation approved by the Land Bank.
- Properties with immediate maintenance requirements will not be accepted without a funding source secured for such maintenance.
- 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.
- The Land Bank will only accept properties where all taxes are paid-free and clear of any debts, liens, and encumbrances.
- Any exception to the policies governing donated property shall be taken to the governing body of the Land Bank for approval.

Land Bank Issued Financing

Land Bank financing could be a mortgage, promissory note or land contract between the Land Bank and the buyer of real property in which there is a need for the Land Bank to provide the financing to buy the property for an agreed-upon purchase price and the buyer repays the loan in installments. 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. An initial down payment of no less than all incurred property costs plus 10% of the sales *price or an amount to cover all disposition costs from the buyer to the Land Bank is required.*

Installment payments

The installment payments are 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. 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 mortgage provisions.

The following policies shall establish the instances when the Land Bank may consider a Land Bank financed mortgage (rather than traditional third-party mortgage or cash sale). All exceptions to this policy shall be decided by the governing body of the Land Bank.

- Land Bank financing may be used when the property being sold is as an owner-occupied-single residential structure. The mortgage terms include:
 - Down payment amount of all incurred costs plus 10 %.
 - Interest rate of not to exceed 11%.
 - A maximum land contract length of three years.
 - Buyers to provide acceptable credit report.
- All terms of the mortgage may be renegotiated between the Land Bank and the buyer based on approvals from the governing body of the Land Bank.