

**ALPENA COUNTY LAND
BANK AUTHORITY**

**Priorities, Policies, and
Procedures**

As approved by the Board of Directors on August 30,
2023

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1. Policies Governing the Acquisition of Properties

The acquisition and disposition of properties acquired by the Treasurer of Alpena County through tax foreclosure procedures in accordance with Public Act 206 of 1896, Public Act 123 of 1999, 211.1 *et seq.*, and properties that are owned by the Alpena County Land Bank Fast Track Authority ("the LBA") 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 Intergovernmental Agreement between the Alpena County Treasurer and the Michigan Land Bank Fast Track Authority June 27, 2023, the articles of incorporation and bylaws of the Alpena County Land Bank Authority, and the public purposes set forth therein.

a. Policies Governing the Acquisition of Tax-Foreclosed Properties

In determining which, if any, properties shall be acquired by purchase or bundling that become available through the tax foreclosure processes for acquisition by the Alpena County Land Bank Authority (LBA), the Treasurer shall give consideration to the following factors:

1. Blighted, vacant, and/or nuisance properties that are either the subject of an existing order for demolition or meet the criteria for demolition.
2. Proposals and requests by governmental entities that identify specific properties for ultimate use and redevelopment.
3. Proposals and requests by nonprofit corporations that identify specific properties for ultimate acquisition and redevelopment.
4. Vacant properties that could be transferred to an adjoining property owner.
5. Properties that will generate operating resources for the functions of the LBA.
6. Residential rental properties that are occupied or are available for immediate occupancy without need for substantial rehabilitation.

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 tax-foreclosed 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 also gives consideration to underlying values of the subject properties, the financial resources available for acquisitions, the operational capacity of the LBA, and the projected length of time for transfer of such properties to the ultimate transferees.

b. Policies Governing the Acquisition of Non-Tax Foreclosed Properties

The Land Bank Fast Track Act, Public Act 258 of 2003, 124.755 *et seq.*, allows for the direct purchase of property. While the foundation of the Land Bank property is acquired through the tax foreclosure process, there may be opportunities for direct purchase of properties that represent the mission of the Land Bank. Policies and procedures to carry out these priorities are:

1. Accumulate property information including assessment data, map location, photos, code violation information, and other pertinent information regarding the property.
2. Personal inspection of the interior/exterior of the property.
3. Contact the local jurisdiction and receive a written evaluation of the property relative to their community/neighborhood plan.
4. Request a rehabilitation/redevelopment appraisal or market value estimate from professional service staff.
5. Professional staff will prepare a financial and policy analysis, and present the information to the board to establish purchase price and approval.

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

All conveyances received by the LBA in its land banking capacity will be reviewed and considered by the LBA in accordance with the following procedures:

1. The transferor of any proposed conveyance to the LBA in its land banking capacity shall prepare a written proposal containing the following information:
 - a. A legal description of the property.
 - b. A title report or other similar evidence, indicating that the property is free of all liens and encumbrances specified in Part A.
 - c. A description of the transferor's intended uses of the property and the time frame for use and development of the property by the transferor.
2. Following receipt of the proposal, the LBA shall review the proposal and notify the transferor of its approval or disapproval, and of any changes or additions that may be necessary as determined by the LBA in its sole discretion.

2. Priorities Concerning the Disposition of Properties

The disposition of properties shall be based upon a combination of three 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 third factor addresses the impact of the property transfer on the short- and long-term neighborhood and community development plans. The disposition of any given parcel will be based upon an assessment of the most efficient and effective way to maximize priorities within these three factors.

1. Priorities for Use of Property

- a. Homeownership and affordable housing.
- b. Neighborhood revitalization.
- c. Return of the property to productive tax paying status.
- d. Purpose of environmental cleanup.
- e. Provision of financial resources for operating functions of the LBA.

2. Priorities as to the Nature of the Transferee

- a. Individuals who will own and occupy residential property.
- b. Businesses that will own and occupy commercial property.
- c. Qualified nonprofit 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 reconveyance to private third parties for homeownership.
- d. Entities that are a partnership, limited liability corporation, or joint venture comprised of a private nonprofit corporation, or joint venture comprised of a private nonprofit corporations and a private for-profit entity.
- e. Individuals who own and occupy property adjacent to the property (side lot transfer).
- f. Governmental entities.

Individuals and entities that were 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. Priorities Concerning Neighborhood and Community Development

- a. The preservation of existing stable and viable neighborhoods.
- b. Neighborhoods which have recently experienced or are continuing to experience a rapid decline or deterioration.
- c. Geographic areas which are predominantly non-viable for purposes of residential or commercial development.

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 LBA for the transfer of properties. In each and every transfer of real property the LBA shall require good and valuable consideration in an amount determined by the LBA in its sole discretion. The LBA 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 be defined as the aggregate costs and expenses of the LBA attributable to the specific property in question, including costs and acquisition, maintenance, demolition, marketing of the property and indirect costs of the operations of the LBA allocable to the property.

The consideration to be provided by the transferee to the LBA 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.

1. Transfers to Entities or Individuals for Development

- a. Transfers of property shall require consideration not less than the property costs.
- b. Consideration shall be established at a level between the property costs and fair market value of the property. To the extent that the consideration exceeds the property costs, such amount shall be reflected by a combination of contractual obligations to develop, maintain, or preserve the property for specified development purposes. Such amount may be secured by subordinate financing in which amortization of the obligation occurs by virtue of annual performance of the required conditions.

2. Transfers to Governmental Entities

- a. To the extent that transfers of property to governmental entities are designed to be held by such governmental entities in perpetuity for governmental purposes, the aggregate consideration for the transfer shall be based upon deed restrictions upon the use of the property.
- b. To the extent that transfers of property to governmental entities are anticipated as conduit transfers by such governmental entities to third parties, the consideration shall consist of not less than property costs to be paid in cash. The difference between the property costs and the fair market value may be included in consideration depending upon the relationship between the anticipated uses and the governing priorities of the LBA.

3. Transfers to Nonprofit Entities for Affordable Housing

- c. Transfers of property to nonprofit entities for the development, operation, or maintenance of affordable housing shall require consideration not less than the property costs.

- d. Consideration shall be established at a level between property costs and fair market value of the property.
- 4. **Side Lot Transfers**
 - a. Parcels of property that are not capable of independent development may be transferred for nominal consideration.
 - b. Parcels of property that are capable of independent development shall be transferred for consideration in an amount not less than the amount of the costs incurred in acquisition, demolition, and maintenance of the lot.

5. **Transfers of Property at Open Market Conditions**

- a. Property that is transferred on the open real estate market, whether through auction or negotiated transfers, without restrictions as to future use, shall be based upon consideration not less than property costs, to be paid in cash. The difference between the property costs and the fair market value may be included in consideration depending upon the relationship between the anticipated uses and the governing priorities of the LBA. Such consideration shall be paid in full at the time of the transfer.
- b. Property that is transferred on the open real estate market, whether through auction or negotiated transfers, with restrictions as to future use, shall be based upon consideration equal to the fair market value of the property. Such consideration shall be paid in full at the time of the transfer.

4. Side Lot Disposition Program

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

- 1. Qualified Residential Properties.
 - a. Parcels of property eligible for inclusion in the Side Lot Disposition Program shall meet the following minimum criteria:
 - i. The property shall be vacant unimproved real property.
 - ii. The property shall be physically contiguous.
 - iii. The property shall consist of no more than one lot capable of development. Initial priority shall be given to the disposition of properties of insufficient size to permit independent development.
 - iv. No more than one lot may be transferred per contiguous lot.
- 2. Transferees
 - a. All transferees must own and occupy the contiguous property, and priority is given to transferees who personally occupy the contiguous property.
 - b. The transferee must not own any real property (including both the contiguous lot and all other property in Alpena County) that is tax delinquent.
 - c. The transferee must not have been the prior owner of any real property in Alpena County that was transferred to the Treasurer or to a local government as a

result of tax foreclosure proceedings unless the LBA approves the anticipated disposition prior to the effective date of completion of such tax foreclosure proceedings.

3. Pricing

- a. Parcels of property that are not capable of independent development may be transferred for nominal consideration as determined by the LBA.
- b. Parcels of property that are capable of independent development shall be transferred for consideration in an amount not less than the amount of costs incurred in acquisition, demolition, and maintenance of the lot.

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 be either 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 needs land for a driveway or other local code compliance issues this subsection will rule.

5. Property Transfers

Individual parcels of property may be acquired by the LBA and transferred to individuals in accordance with the following policies.

1. Transferees

- a. The transferee must not own any real property that has any unremediated citation or violation of the state and local codes and ordinances.
- b. The transferee must not own any real property that is tax delinquent.
- c. 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 during the twelve (12) months immediately preceding the submission of the application (exception in rental cases).
- d. The transferee must not have been the prior owner of any real property in Alpena County that was transferred to the Treasurer or to a local government as a result of tax foreclosure proceedings unless the LBA approves the anticipated disposition prior to the effective date of completion of such tax foreclosure proceedings.
- e. The transferee must agree to pay future property taxes from time of transfer.

2. Use of Property

- a. The use of transferred property must give consideration to the community/neighborhood plan (if one is in place) and received a letter of comment from the appropriate planning groups.

- b. All developmental projects should be started and completed within a time frame negotiated with the LBA.
- c. A precise narrative description of future use of the property is required.
- d. If code or ordinance violations exist with respect to the property at the time of the transfer, the transfer agreements shall specify a maximum period of time for elimination or correction of such violations, with the period of time for elimination or correction of such violations, with the period of time to be established as appropriate to the nature of the violation of the anticipated redevelopment or reuse of the property.
- e. The proposed use must be consistent with current zoning requirements or a waiver for non-conforming use is a condition precedent to the transfer.

3. Procedures

- a. The prospective transferee must submit the following documents to the LBA:
 1. List of currently owned property
 2. Project Description: property use must be consistent with current zoning requirements
 3. Rehabilitation/Improvement Specifications
 4. Timeline for Rehabilitation/Improvement Completion (if applicable)
 5. Project Financing (Pre-Qualification Letter for Lender) (if applicable)
 6. Development Budget (if applicable)
 7. A Photo ID
 8. Proof of Social Security Number (if needed for identification and/or tax compliance)
 9. Corporate transferees must provide most recent audited financial statement
- b. Within a 60-day period of receiving a complete request packet, the LBA Chair will complete a basic analysis and present it to the LBA Board for approval. Additional information may be required of the transferee prior to final approval. The Board of Directors will approve all transfers.
- c. Once the project has been approved, the Chair will compile the closing documents for property transfer and complete the transaction with the transferee.

6. Rehabilitation of Properties

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

- 1. Rehabilitation and Marketing
 - a. The LBA may undertake, in its sole discretion, rehabilitation of properties prior to the transfer to third parties. The nature and extent of any such rehabilitation shall be determined by the LBA in its sole discretion.
 - b. At the commencement of rehabilitation, a sign shall be placed on the property indicating that the property is owned by the LBA.

c. A real estate agent, or realtor, shall be selected in accordance with LBA guidelines to assist in the marketing of the property. A listing agreement will normally be signed with such agent approximately two months prior to completion of the rehabilitation. Marketing of the property will normally commence at this point. The LBA staff will make available information on the property and on the procedures to be followed by parties interested in the possible acquisition of the property.

2. Sale of Rehabilitated Properties

- a. A nonrefundable escrow deposit shall be required for all contracts for the disposition of property rehabilitated by the LBA. Such deposit shall be in an amount established by the LBA but shall not be less than \$500 for a purchase price less than \$30,000 and \$1,000 for a purchase price greater than \$30,000.
- b. A sales contract shall be submitted to the Chair for review and must comply with all policies and procedures of the LBA. The sales contract shall not be binding upon the LBA until approved by the Board of Directors.
- c. Closing of the transfer shall occur with the assistance of a title company selected and approved in accordance with the LBA guidelines.