

SALE PRINCIPLES

- Emphasis on home ownership for both house and lot sales
- Development Property is not sold on speculation. Standard closing contingencies for buildable lots, development sites and major commercial properties in need of renovation are DCD plan approval, construction contracts and building permits in place and evidence of financing/equity.
- Sales involving performance other than buildable lots to residential owner-occupants require an Agreement for Sale with reversion of title provisions.
- Properties shall be sold for market value
- Properties should be advertised on the open market prior to acceptance of offers. Unsolicited offers may be accepted from adjoining owners for development when assemblage results in greater development or for projects that fulfill a City goal.

SALE DEFINITIONS & POLICIES

Property Classifications

Neighborhood Properties are small properties generally sold for homeownership to increase neighborhood stability. These lots may be sold without special Council action (except those requiring zoning change as noted below), but with aldermanic notice.

- Neighborhood Vacant Lots – Lots suitable for one or two family home construction either as a single tax key or assembled with or divided from other City property
- Neighborhood Unbuildable Lots – Remnant lots not suitable for development, but suitable for green space for adjoining owners of improved properties.
- Neighborhood Improved Properties – Buildings with one to four residential units

Development Properties are all other properties and will require Council approval for sale

- Commercial, Industrial, Institutional, Residential with 5 or more units and Mixed Use Buildings
- Large Vacant Lots suitable for commercial, industrial, multi-family residential, institutional or mixed-use development
- Multiple Neighborhood Vacant Lots being acquired by a single developer
- Neighborhood Properties that require a zoning change. A sale resolution will be submitted for Council consideration during the same cycle as the zoning change.

Sale Expenses

DCD shall deduct sale expenses (appraisals, environmental, title, special assessments, etc.) and a development fee paid to the Redevelopment Authority from the sale price.

Sale Proceeds

Net proceeds from property sales will be returned to the appropriate City account. Proceeds from tax-deed properties will be returned to the Tax Deficit Fund. Sale of City property is typically deposited in the General Fund with the exception of City Parking Lots, MPS-controlled properties or as directed by the Treasurer/Comptroller.

Legal Documents

- Commissioner of DCD or designee shall execute offers, agreements for Sale, deeds and other documents for City real estate sales
- DCD is authorized to execute Release of Deed Restrictions for restrictions contained in prior City deeds where development is proposed.
- Deeds may only be recorded by City staff, the title company, lender or attorney.
- Deeds must be delivered to the Register of Deeds within seven business days of closing.

Aldermanic Notification and Approval

Local Alderman (and aide) will be notified of the following actions and if objection is received with 15 days, DCD will not take the action without specific approval of the Common Council:

- The Council shall receive a letter identifying all Neighborhood Properties to be marketed for sale
- Individual alderman will be notified of pending offers submitted by CBO's for Neighborhood Property
- Local alderman will be notified if DCD recommends reclassifying a Neighborhood Vacant Lot to a Neighborhood Unbuildable vacant lot for sale to an adjoining owner and the justification for such a reclassification.
- The local alderman will be notified in advance of RFP's for Development Property and unsolicited offers.

- The local alderman will be notified prior to DCD granting an Exclusive Right to Negotiate granted for purposes of preparing plans or obtaining BOZA approval.

Aldermanic Notification

Notice will also be given to the local alderman of the following activities that have been previously authorized:

- DCD acceptance of an Offer to Purchase for a Neighborhood Property previously authorized for sale. Notice of vacant lot offers will also include image of proposed house.
- Property closings.

Sales Reports

Periodic sales reports will be presented to the Council for Neighborhood and Development Property sales and estimated investment.

Reports will be provided to the Block Grant Office on HUD goals for affordable housing and job creation for properties where HUD funds were used for acquisition, demolition and/or maintenance.

GENERAL BUYER POLICIES

Offers shall not be accepted or closings conducted with parties as individuals or members of a corporation, company, etc if any of the following conditions exist:

- Delinquent real estate or personal property taxes for property in the City of Milwaukee
- City judgment (including In Rem and In Personam) within the previous five years except upon specific approval of the Common Council and repayment of delinquent taxes and related legal expenses. Former owners shall be prohibited from repurchasing the property even after the five-year period.
- Outstanding violations or orders from the City's Health Department or Department of Neighborhood Services that are not actively being abated.
- Conviction for violating an order of the Health Department or Department of Neighborhood Services within the past year
- Felony convictions for crimes against property or neighborhood stability (such as drug dealing, sexual offenses, property fraud/flipping) with a possible five-year application for certain convictions.
- Outstanding offers to purchase or uncompleted performance on another City or RACM sale except upon approval of Commissioner based on history of performance.

CONFLICT OF INTEREST

Membership on a City board (CPC, BOZA, SAC, F&PC, etc.) shall not disqualify the member from purchasing City property, but such membership must be disclosed on the Offer to Purchase. For Development Property, the Land Disposition Report submitted to the Council shall note the buyer's membership.

City employees, other than certain employees of the DCD and the Redevelopment Authority are permitted to purchase City property, but must disclose their employment. DCD employees (including RACM, HACM, NIDC and MEDC) must submit with an offer to purchase a Conflict of Interest Form that has been signed by their supervisor and Commissioner.

Employees of the DCD/RACM's Real Estate Section, Environmental Team and Development Team are not permitted to purchase City property except in the case of unbuildable remnants adjoining their property or a Buildable Vacant Lot that has been on the Extended Listing for more than six months if such lot will be used for construction of an owner-occupied home.

<p>NEIGHBORHOOD PROPERTY -- VACANT LOTS</p>
<p>Buildable Lot Definition Buildable lots for one or two-family houses are as defined in Chapter 295 (the Zoning Code) with consideration to planning factors such as existing platting, site access, topography. Such lots may be single tax parcels or assembled and/or divided with other City-owned vacant lots.</p>
<p>Aldermanic Notice The Council will be notified by letter and email of future listings of buildable lots. If no objection is received with 15 days, the lots will be marketed. Alderman will also be given letters to send to area residents notifying them of lot availability.</p>
<p>Marketing Buildable Lots Marketing will occur (if no aldermanic objection is received) via DCD's website. Targeted outreach efforts may be conducted on occasion to groups such as neighborhood employers, churches, etc..</p> <ul style="list-style-type: none"> • Initial advertisements will be restricted to prospective owner occupants and will specify a due date for offers. • If no offers are received, lots will be advertised on a first-come, first-serve basis (with a 24-hour hold before closing time to accept offers).
<p>Plan and Financing Requirements An Offer to Purchase must include:</p> <ul style="list-style-type: none"> • house plans (site plan and elevations) that conform to the City's Single-Family Standards; • plans from the City House Catalog; • Builder plans that have been certified by DCD; or • a commitment to submit plans for review and approval within a specified date from the offer acceptance. <p>Buyers must also submit a prequalification letter from a lender and/ provide evidence of equity.</p> <p>DCD shall notify the local Alderman of receipt of an Offer to Purchase and shall provide the alderman with a copy of the proposed design when available.</p>
<p>Offer Acceptance DCD shall evaluate offers submitted prior to the deadline in terms of offering price, proposed design, estimated investment, owner occupancy, neighborhood residency, conformance to General Buyer Policies and other factors as may be listed in the advertisement. In competitive marketing situations, bonus points will be given for area residents (+10%) and first-time homebuyers (+10%).</p>
<p>CBO/Developer Sales Multiple Buildable Lot sales to community-based organizations or developers/builders shall be submitted to the Common Council for approval.</p>
<p>Closings – Owner Occupants Closings for Buildable Lots will occur upon DCD approval of final plans, an executed construction contract, issuance of a building permit and financing. EBE use will be strongly encouraged, but an EBE Agreement will not be required. Construction must commence within 30 days of closing and be completed within one year. Deeds may contain a five-year owner-occupancy restriction. DCD shall permit a buyer to assign the offer to its contractor for a turn-key project and require the lot be conveyed to the owner-occupant immediately upon completion.</p>
<p>Closing – Non-Occupant/Developer Developers will be required to execute of an Agreement for Sale with reversion of title provisions to guarantee construction as approved. EBE Agreements may be used if requested by the EBEP Office.</p>
<p>Lot Reservations DCD may internally reserve lots for future major projects (i.e. tax-credit developments, Habitat, etc.) with sale subject to future Council approval. The Commissioner or Real Estate Officer shall notify the party of the time period of the reservation, development expectations and items necessary to be submitted before the sale can be presented to Council. The local alderman will be notified of such reservation and if objection is received with 15 days, DCD shall not grant the internal reservation.</p>
<p>Unbuildable Lots</p> <ul style="list-style-type: none"> • Unbuildable lots may be sold only to the abutting owner or owners of an improved property for greenspace if recommended by the Planning Staff. • Remnant lots may be divided between adjoining owner based on neighborhood platting, typical lot

size, topography, etc.

- Sales prices will be nominal as an incentive for the owner to acquire the property.
- The deed shall contain a restriction joining the City lot with the owner's adjoining property for use as greenspace. Only the Council can remove such restrictions.
- Vacant lots with interconnecting public utilities will be made available for sale to the adjoining property that has interconnecting utilities.

NEIGHBORHOOD PROPERTY – 1 TO 4-UNIT HOUSES
Inspection Improved properties shall be inspected upon acquisition for hazards and evaluated for condition and marketability. DCD shall obtain home inspections and scopes of work for repairs from DNS or outside contractors
Razing Properties recommended for razing (in full or in part) shall be referred to DNS for demolition. If a full demolition is recommended, DCD shall evaluate the development potential to determine if foundations should be removed.
Existing Occupants Occupants shall be retained as tenants if no safety hazards exist. The Property Manager shall establish the rent to be paid to RACM. RACM shall hold the rents to pay for property repairs and other holding costs. Excess rents shall be returned periodically to the Tax Deficit Fund.
House Repairs House repairs shall be made where necessary to preserve the house value or to protect the occupants. DCD shall pay for such repairs with rent collections being held by RACM or through the CDBG Land Management Account.
Council Notification DCD shall provide the Council with a letter of houses recommended for sale at least 15 days prior to the expected date for advertisements. Timing of such notice shall consider holidays and Council recesses. Emails will also be sent to the local alderman and aldermanic aides. If objection is received, the specified house will be held in inventory or recommended for sale by resolution.
Aldermanic Area Resident Letters Prior to public sale – both the for the initial homeownership listing and for open listings -- DCD shall provide letters to the local alderman that may be sent to area residents notifying them of the sale and providing bonus points (such as 10%) to offer prices submitted by area residents and/or first-time buyers (5-10%). Such bonus percentages will be established prior to marketing.
Offer/Marketing Hierarchy DCD shall make houses available for sale in the following order: <ol style="list-style-type: none">Existing tenants (excluding former owners or relatives) shall be given the opportunity to submit an Offer to Purchase prior to public sale. The local alderman will be notified of the pending offer.Community based organizations may submit offers to purchase for vacant houses for renovation for housing production. Houses with a value of \$15,000 or less and may be acquired for \$1,000 or the amount of DCD expenses. A detailed scope of work and financing strategy must be submitted with the offer. The local alderman will be notified of the pending offer and the offer will be accepted if no objection is received. A CBO may submit offers for no more than two houses except upon specific approval of the Council.Homeownership Listing. Initial public advertisement with a due date for offers shall be restricted to prospective owner occupants. Prior to advertisement, the local alderman shall be asked to send letters to area residents notifying them of the homeownership listing.<ul style="list-style-type: none">➤ Bonus point shall be assigned offers submitted by area residents (5-10%) and/or first-time homebuyers (10%).➤ Homeownership bonus may be eliminated if buyer has an existing home that will convert from owner-occupied to rental property.➤ Deeds for such sales will include a homeownership deed restrictions for a five-year period from the date of the deed➤ Penalty for violation will be a payment of 50% of the purchase price for sale to a non-owner occupant in the restricted period.Open Listing. The second listing shall be open to all buyers – prospective homeowners or investors -- with a specific due date. Prior to advertisement, the local alderman shall be asked to send letters to area residents notifying them of the Open Listing.Bonus points may be given to offers from prospective owner occupants (10% - if existing home will not become rental property) and first-time buyers (10%).Extended Listings. Houses shall be listed on a first-come, first-serve basis with offer submission cut-off 24 hours following receipt of the first offer.

DCD shall provide a Scope of Work and Cost Estimate prepared by DNS (for vacant units) or by home inspection contractors for all Improved Residential Properties for public sale and for tenant purchasers. These reports shall be paid by RACM and shall be reimbursed at closing.

NEIGHBORHOOD PROPERTY – 1 TO 4-UNIT HOUSES (CONTINUED)

Offer Submission

Offers for City houses must be submitted through a licensed real estate broker, who will arrange for the house inspection. Broker's commission is greater of \$750 or 6% of the sales price or other amount determined reasonable for the City Real Estate Officer. A bonus may be paid for offers submitted for homeownership (currently a \$500 bonus).

Offer Acceptance

DCD shall evaluate offers as follows

- Price must be not less than a certain percent of the Asking Price. City Real Estate Officer will establish the reasonable amount based on market and property conditions.
- DCD may consider offer contingencies, owner occupancy (+5-10%), first-time home buyer (5-10%), and area resident preference (+10%) as well as offering price in evaluating offers. Preference points for homeownership and area residents will be established prior to advertisement and may vary if the solicitation is restricted to homeowners.
- DCD may accept a Secondary Offer in the event the primary buyer fails to perform.
- DCD will only accept one offer from a party who submits multiple offers.
- Buyers must conform to General Buyer Policies. If the party with an acceptable offer is found to be in violation of one or more General Buyer Policies, the party will be given 24 hours prior to formal rejection to provide evidence that it is not the party in violation.
- Offers may be rejected from parties with outstanding performance on other City and/or RACM projects except upon approval of the Commissioner.
- DCD shall notify the local alderman of acceptance of an offer for property previously authorized for sale.

Offer Period

- Buyers shall be given 45 days in which to satisfy offer contingencies and close the transaction.
- Offers may be extended for only one 30-day period upon submission of a \$250 extension fee.
- Upon expiration of an offer, DCD shall retain the Good Faith Deposit and shall notify the Secondary Offer that it is now the primary offer.

Closings

- Closing may be conducted by a Title Company under contract with the City. The closing fee shall be paid from the net sale proceeds.
- Title insurance shall be given by the City for all transactions in excess of \$5,000.
- City shall convey title by Quit Claim Deed in an "as is, where-is" basis.
- Deeds may contain restrictions for owner occupancy and code compliances. Penalties for violations may include reversion of title and/or payment of a fee based on a percent (50%) of the purchase price.
- Local alderman will be notified of closing.

Code Compliance

Buyers must apply at closing for a Certificate of Code Compliance from the Department of Neighborhood Services. DNS to enforce compliance.

<p>DEVELOPMENT PROPERTY</p> <p>Site Analysis/Definitions DCD will evaluate the City inventory and determine properties suitable for development, determine recommended uses and market value. Such parcels may be single-tax key parcels or assemblage with or division of other City property.</p> <p>Development Property shall include all property other than Neighborhood Vacant Lots suitable for a one or two-unit house or a Neighborhood Improved Properties with one to four residential units. Mixed use properties are considered Development Property.</p>
<p>Environmental Assessments</p> <ul style="list-style-type: none">• Phase I environmental assessments shall be prepared for all Development Properties.• Recommended testing shall be conducted in advance of a development project if funds are available for such investigation.• Phase II testing for an identified project shall be tailored to the project and exact building locations to achieve maximum efficiencies of testing funds.• Buyers shall share equally in Phase II testing costs and shall reimburse the City at closing.
<p>Marketing/Offers</p> <ul style="list-style-type: none">• DCD may obtain Council approval in advance of marketing or may conditionally market property after Aldermanic notification.• DCD's Proposal Summary & Public Disclosure Statement must be submitted by all buyers.• DCD may conditionally accept proposals from adjoining owners when site assemblage will result in greater development than if the City Development Property was developed on its own.• Development Proposals may be marketed through a Request for Proposal process or on a web listing on a first-come, first-serve basis depending on property demand.• RFP's shall follow DCD's RFP protocol for the proposal, review and approval process.• DCD may conditionally accept unsolicited offers for Development Property if no market interest has been received or if the project has a clear public benefit, such as an affordable housing development. Such proposals shall be presented to the Council for approval.• DCD may grant a potential buyer limited site control/exclusive right to negotiate to allow for plan preparation, project refinement, etc. Such letters may also be used for applicants for WHEDA housing tax credit applications after aldermanic notification. The City Real Estate Officer will provide such buyers with a letter outlining the time period for site control, development expectations and items needed in order to present the project to the Council for approval.
<p>Approvals</p> <ul style="list-style-type: none">• Development sales must be approved by the Common Council.• Resolution will be accompanied by a Land Disposition Report that identifies the development property, the buyer, the proposed redevelopment, sale terms and conditions, closing contingencies and the project schedule.• Resolutions may also identify a secondary buyer who will have the right to purchase the property without further Council approval if the original buyer fails to perform.
<p>Option Period</p> <ul style="list-style-type: none">• Buyers will be given time to conduct due diligence and to obtain final construction plans and financing. DCD shall establish an option fee schedule. The option fee shall be credited if buyer closes within the initial period.• Option period may also be used by DCD to conduct environmental testing and/or remediation.• Option renewals may be granted by the DCD Commissioner upon demonstrated evidence of efforts to obtain final plans and financing. DCD shall establish a renewal fee, which shall not be credited toward the purchase price.• Options may also be extended by the Commissioner at no cost or penalty to buyers based on delays for environmental testing and/or remediation, subsurface conditions or title problems.

DEVELOPMENT PROPERTY (CONTINUED)

Closings & Performance

Agreements for Sale shall be used for all Development Properties. These documents shall outline closing contingencies, development requirements, project schedule and reversion of title provisions. The document or memorandum thereof shall be recorded with the Register of Deeds.

Closing contingencies include:

- DCD approval of final construction drawings conforming to approved preliminary plans
- Submission of a firm financing commitment (without contingencies) and/or evidence of equity
- Executed EBE Agreement
- Submission of a Performance Deposit according to DCD's fee schedule to help ensure performance.
- Building permit

DCD may grant credits toward the purchase price for project feasibility, environmental conditions or other subsurface problems. Buyers will be required to submit documentation to justify such credits such as a pro-forma income analysis for a feasibility analysis or contractor bids for subsurface problems.

DCD shall provide evidence of title for transactions with a purchase price of \$5,000 or more.

Deeds may contain restrictions prohibiting application for tax exemption (except upon special Council exception), owner occupancy, performance requirements, etc. Penalties for violation may include reversion of title or payment of a penalty.

After completion, a Certificate of Completion shall be issued by DCD and the Performance Deposit returned if the buyer has performed as agreed. Buyer will report on its use of EBE contractors as part of the Certificate Request.

SHORT-TERM PROPERTY LEASES

DCD may enter into leases up to 12 months for City property without Council approval, but with aldermanic notification. Such leases should be for an interim or trial use pending another redevelopment.

Net income for short-term property leases (up to 12 months) of tax-foreclosed property is deposited to the tax deficit fund. Net income for short-term property leases of other City-owned property is deposited to the general fund.