

SURPLUS PROPERTY SALES PROCEDURES

**ECONOMIC DEVELOPMENT
AND HOUSING COMMITTEE**

May 1, 2006

BACKGROUND

- The City owns a number of unneeded and unwanted tracts of land. Most of these tracts of land are left over strips from land acquired for roadway projects or site developments. These parcels of land are sold in accordance with the Texas Local Government Code and Section 2-24 of the Dallas City Code by several methods
 - By sealed bids where the property can be developed independently;
 - By direct sale to the abutting property owner where the property is so small or irregularly shaped that it cannot be developed independently;
 - By direct exchange of land originally acquired for right-of-way for other land or right-of-way needed by the City;
 - By direct sale to:
 - a qualified non-profit organization for affordable housing;
 - a governmental entity with the power of eminent domain;
 - an institution of higher learning;
 - a foundation for development under a contract with the city; and
 - a developer in a reinvestment zone for development under an approved project plan (TIF)
- This discussion does not include the sale of park land

PURPOSE

- Selling surplus property will :
 - facilitate private development
 - place land back on the tax rolls
 - contribute revenue to the City
 - reduce maintenance costs

CURRENT PROCESS

- The Real Estate Division maintains an inventory of City-owned properties
- Properties are routinely identified that appear to be unneeded by the City of Dallas
- Maps and descriptions of the properties are circulated to City departments that may be either affected by a possible sale or that may have a need for the property
- If no potential City needs are identified, the process of disposal begins, survey descriptions of the properties are prepared and appraisals are ordered
- For direct sales, a non-binding letter of interest is solicited from the prospective purchaser prior to submitting the proposed sale for Council action

CURRENT PROCESS

- A resolution is submitted for City Council action following all necessary reviews and approvals
 - This resolution:
 - Declares the property surplus and authorizes offer for sale by sealed bids or directly to a prospective purchaser;
 - Establishes the terms and conditions of sale
 - form of conveyance
 - reservations and exceptions to conveyance
 - limitations on the future use of the property whether land will be sold to the highest bidder or an abutting owner
 - the minimum purchase price
 - For sales by sealed bids, a subsequent resolution is submitted to the City Council to authorize acceptance of the highest bid and conveyance to the successful bidder or rejection of all bids received

STATE LAW REQUIREMENTS

- The Texas Local Government Code sets out the primary state law requirements for the sale of real property by a municipality.
- The general rule in Texas requires that notice of the proposed sale or exchange be published in a newspaper of general circulation in the County
 - The notice must:
 - include a description of the land
 - describe the procedure for submitting sealed bids to purchase or exchange the land; and
 - be published on two separate dates at least 14 days before the sale
- The sale must be at fair market value as determined by an appraisal obtained by the municipality or as determined by the price obtained by the municipality at a public auction

EXCEPTIONS TO BID REQUIREMENT

- Several exceptions to the sealed bid process are provided which can allow the City to sell property directly to a prospective purchaser at fair market value.
 - Examples are:
 - Sales of narrow strips or otherwise undevelopable properties to abutting owners;
 - Sales of abandoned streets and alleys to abutting owners;
 - Land originally acquired for streets or rights-of-way conveyed in exchange for land needed for streets, rights-of-way or other public purposes, including transactions partly for cash;
 - Land conveyed to a governmental entity with the power of eminent domain; and
 - Land in a reinvestment zone sold for development under an approved project plan (TIF plans);

EXCEPTIONS TO BID REQUIREMENT

- Examples (continued)
 - Land conveyed to a non-profit entity for the development of low or moderate income housing
 - Land conveyed to an institution of higher education to promote a public purpose related to higher education
 - Land that a political subdivision wants developed by contract with an independent foundation; and
 - Land conveyed to a non-profit organization subject to an agreement that the use promotes a public purpose, with an automatic reverter

CURRENT CITY CODE REQUIREMENTS

- Section 2-24 of the City Code requires staff to make an appraisal of properties to be sold and to publicize the availability of the property for at least 60 days prior to taking bids
 - by placing a “for sale” sign on the property; and
 - by sending a written notice of the sale to
 - property owners within 200 feet of the property
 - real estate brokers known to be active within the immediate community, and
 - neighborhood associations within the immediate community
- The notice provisions of Section 2-24 are not applicable to sales to other governmental entities and can be waived or modified by the City Council with respect to a particular property, to the extent not otherwise required by state law
- These provisions are normally waived for direct sales to abutting property owners and to non-profit organizations for affordable housing

CURRENT PROCESS FOR REVIEW OF LEGAL DESCRIPTIONS

- The PWT Survey Division currently approves all surplus property legal descriptions and are reimbursed by Development Services for their reviews
- PWT maintains a vault which contains all records pertaining to city owned land, boundaries, historical data, etc. needed for the review of surplus property field notes
- PWT is also responsible for the review (and in some instances, the preparation) of field notes pertaining to all of the city's capital improvement and water projects
- Development Services – Engineering currently reviews all field notes associated with abandonment requests and licenses for private development – standard review process for all field notes
- Because DDS-Engineering has fewer legal descriptions to review, the field note reviews are processed quicker

RECOMMENDATIONS

- If a property has an estimated value of less than \$20,000, the appraised land value per square foot, as determined by the Dallas Central Appraisal District, will be used to assist in the establishing fair market value – **This recommendation will require an amendment to the Dallas City Code**
 - Eliminates the need to appraise properties with low market values (sometimes appraisal may cost more than the land is worth)
 - Allows a sale to proceed quicker by eliminating the time to obtain an appraisal
 - DCAD values readily available
- If a property has an estimated value of over \$20,000, staff will obtain an independent appraisal - **This recommendation will require an amendment to the Dallas City Code**
 - Provides for the appraisal of the more valuable properties to ensure highest value

RECOMMENDATIONS

- Streamline process - instead of requiring two actions for the potential sale of surplus property
 - declare surplus, direct land to be sold and set terms for sale, and
 - acceptance of the highest bid or rejection of all bids received
 - allow both actions in one agenda to the city council - declare the land surplus and authorize acceptance of the highest bid received for the land, or rejection of all bids and direct re-advertisement at a lower price. The minimum bid and other terms of the sale would be established by staff and the land advertised and posted for sale prior to any Council action) – **This will require an amendment to the Dallas City Code**

RECOMMENDATIONS

- **Advantages**

- Reduces the time it takes to process surplus land and gets it back on the tax rolls quicker
- Development of the land can start sooner
- Reduce council time on consideration of surplus land sales

RECOMMENDATIONS

- Contact abutting owners and offer to sell small remnants of land for \$100 or more depending on the location of the land as well as other factors, provided the abutting owner agrees to obtain a survey from a registered professional land surveyor – **This recommendation will require an amendment to the Dallas City Code**
 - Would begin with small remnants of land in residential neighborhoods
 - City benefits by placing unneeded land on the tax rolls

RECOMMENDATIONS

- Reduce the required notice time from 60 days to 30 days prior to the bid opening and increase the neighboring property notification radius from 200 feet to 300 feet – **This recommendation will require an amendment to the Dallas City Code**
- Eliminate requirement to send notices to real estate brokers – internet access available – **This recommendation will require an amendment to the Dallas City Code**
 - When the code provision was initially established, real estate brokers were limited to working in specific geographical areas and notification was limited to those areas. That limitation no longer exists and as a result of the code provision, we continue to notify over 1,300 brokers of all surplus property sales which are bid out. Very few leads, if any, have resulted from these notifications

RECOMMENDATIONS

- Advantages
 - Reduced staff time to prepare land for sale and reduced postage if notice is limited to publication on the newspaper and real estate web site. Brokers with expertise in the type of property for sale would be targeted when that information can be obtained for special and unique properties.
 - Few, if any calls, are generated as a result of the mail notifications
 - Internet use is preferred by most

SUMMARY OF ADVANTAGES

- Less costs to city and purchaser by using the DCAD values to aid in establishing bid amounts \$50,000 or under
- Eliminates the need to do an independent appraisal of the properties with low market values
- Continues to provide for the appraisal of valuable properties
- More efficient processing of surplus land sale
- Puts land back on the tax rolls quicker
- Builds revenue for the City
- City would continue to do targeted marketing for special and unique tracts of land
- Reduction in postage costs

FUTURE ACTION

- Amend the city code as recommended