



CITY OF DALLAS

## Memorandum

Date: June 1, 2012

To: Budget, Finance and Audit Committee:  
Jerry Allen (Chair), Tennell Atkins (Vice Chair), Scott Griggs, Monica Alonzo, Ann Margolin

Subject: Surplus Property Auction

On Monday, June 4, 2012 you will be briefed on a proposal to sell certain city-owned surplus properties by public auction and a proposed amendment to Article III, Division I of Chapter 2, "Administration," of the Dallas City Code, as amended. The Code amendment addresses conditions by which property may be sold by public auction.

There will be a need for an executive session during the briefing to discuss matters relating to the sale of real property. A copy of the briefing is attached for your review.

If you need further information, please call Theresa O'Donnell at 214-670-4127.

Ryan S. Evans  
Assistant City Manager

c: The Honorable Mayor and Members of the City Council  
Mary K. Suhm, City Manager  
Thomas Perkins, City Attorney  
Rosa Rios, City Secretary  
Craig Kinton, City Auditor  
Judge C. Victor Lander, Administrative Judge Municipal Court  
A.C. Gonzalez, First Assistant City Manager  
Forest Turner, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Joey Zapata, Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Edward C. Scott, City Controller  
Stephanie Pegues-Cooper, Assistant to the City Manager  
Theresa O'Donnell, Director, Sustainable Development and Construction

# SURPLUS PROPERTY AUCTION

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Budget, Finance and Audit Committee,  
June 4, 2012





# PURPOSE

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- To propose a list of surplus properties for sale by auction
- To establish a reserve for certain properties to be sold



# BACKGROUND

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- June 13, 2011 - Budget, Finance and Audit Committee briefed on proposal to sell properties by auction
  - Previously sold by sealed bid
  - Success rate has been low in recent years
  - Staff looked for creative ideas to boost sales and increase revenues
- June 22 – City Council authorized a 3-year contract with Hudson & Marshall
  - Selected through competitive bid process
  - Extensive experience with auctions for City of Houston, other government/non-government agencies



# CONTRACT PROVISIONS

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- Single ballroom auction event
- Widely targeted marketing
  - Aerial photographs taken and due diligence performed and posted on H&M website; marketing brochures prepared
  - Auction sign on each property
  - Ads in local and regional newspapers, on City of Dallas, commercial and residential real estate websites, targeted billboards
  - Online/Internet advertising and targeted email and mailing campaigns



# CONTRACT continued

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- Open house for improved properties
- Call center available 24/7 to answer questions
- Day of Auction
  - Conducted by auctioneer, bid assistants
  - High Bid deposits taken
  - Purchase and Sales Agreements drafted
  - Affidavits signed by bidders, verified by staff



# CONTRACT continued

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- Post-auction
  - Unsold properties will be marketed for online sale by auction firm
  - Unsold properties will be also be placed into another auction
  - H&M will continue to aggressively market these properties
- Staff verifies that only eligible persons are awarded the properties
  - No back taxes or liens owed
  - No code violations



# CONTRACT continued

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- Winning bidders must close on the property within a specified timeframe (generally 45 days)
- H&M will not charge City upfront fees
- H&M will charge buyer's premium
  - 8% for \$300,000 or less
  - 7% between \$301,000 and \$600,000
  - 5% for greater than \$600,000
- Buyer's premium will reduce amount of revenue City receives for sold properties





# CONTRACT continued

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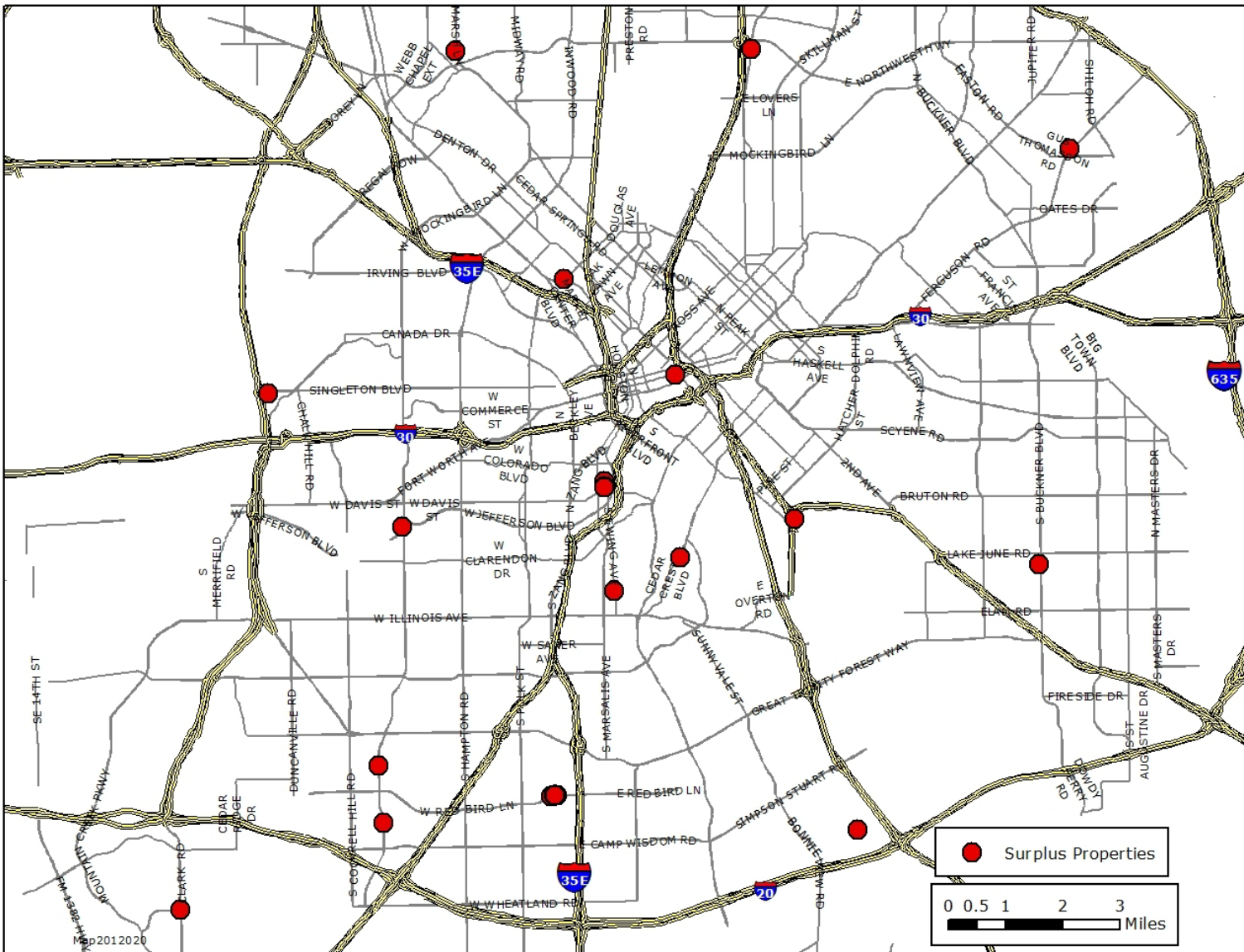
- H&M will absorb marketing and expenses associated with the auction
  - Marketing expenses ~ \$109K +/-
  - Commissions paid to Buyer's Agents
- City will ensure statutory ads properly placed
- If City pulls a property from the auction after list provided to H&M, City is responsible for reimbursing H&M for any marketing costs that were expended on that property
  - Reimbursement not to exceed \$10,000 per property will be paid from revenues received on other auctioned properties



# SURPLUS PROPERTIES

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- 26 properties currently available for auction
  - 6 improved with buildings
  - 1 downtown parking lot
  - 19 unimproved
- 9 properties previously advertised for sale between 1 and 9 times
- 17 properties not advertised for sale previously



NOTE: Some locations so close together, dots overlap; 26 properties represented



# PROPERTY LIST

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## ■ IMPROVED PROPERTIES

- 5221 S. Westmoreland (shell-only building acquired for district offices, deed restricted against SOB's)
- 3303 W. Jefferson (former fire station)
- 1735 S. Ewing (former fire station)
- 3636 Almazan (former library)
- 1125 Buckner (former library)
- 10355 Ferguson (former library)



# PROPERTY LIST continued

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- DOWNTOWN PARKING LOT
  - 2100 Commerce
    - Month-to-month lease
    - \$4,200 annual revenue



# PROPERTY LIST continued

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- UNIMPROVED PROPERTY

- 6700 JJ Lemmon (with 10400 & 10301 Julius Schepps)
- 6701 Westmoreland
- 2317 Lowery
- 7001 Wheatland
- 6501 Greenville (billboard lease)
- 2911 Mike
- 2127 and 2203 Wycliff
- 1229 Dalview
- 7 SF lots in the 500 block of W. Laureland
- 400, 404 and 512 N. Lancaster



# TOTAL ASSESSED VALUE

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- 2012 DCAD Assessed Value: approx. \$3.3M
  - Revenue assumed in FY 2012-13 forecast
- Some properties may sell for less, others more than assessed value
- On average over past 10 years, surplus properties have sold for 80% of originally appraised value
- Returning properties to tax rolls = approx. \$26,000 annually, plus opportunity for higher revenues if developed with productive uses



# POTENTIAL AUCTION REVENUE

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- City of Houston realized an average return of 85% of value for properties sold at auction by H&M in 2009
- Assuming 85% average return on value, potential revenue could be approx. \$2.8M





# COST BENEFIT

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- Approx. Annual Maintenance: \$21,000
- Approx. Salary and Marketing:  
\$47,000
- **Approx. Annual Savings: \$68,000**



# SALES AUTHORIZATION

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- Local Government Code Section 272.001(b) states:
  - The appraisal or public auction price is conclusive of the fair market value of the land or interest, regardless of any contrary provision of a home-rule charter
- Dallas City Code Sec. 2-26.1 states:
  - After tabulation of bids or after reaching agreement for a negotiated sale, the City Manager shall make a recommendation to City Council. City Council may act to award or reject the sale.



# Proposed Code Revisions

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- In order to sell properties at a public action, Code revisions are required to be made to Sec. 2.26.1 (b)
- Staff determination made whether highest qualifying bid equals or exceeds the reserve amount established by Council
- If sold absolute or the reserve amount is met or exceeded, City Manager may, without further council action, execute a purchase and sales agreement with successful bidder



# Proposed Code Revisions

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- If less than the reserve, the City Manager may make a recommendation to City Council, who may accept or reject the sale. Upon approval by the City Council, the City Attorney will prepare, and the City Manager execute, an appropriate instrument of conveyance.
- If City Council does not approve of a sale less than the reserve, the property will continue to be advertised for sale



# Recommendations

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- Staff recommends that Council adopt the proposed Code revisions
- Staff recommends that Council:
  - Declare the properties unwanted and unneeded;
  - Authorize their sale at public auction; and
  - Establish reserves on certain properties, the minimum bids acceptable for sale of each property (**Executive Session**)



# RECOMMENDATIONS

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- Authorize sale of listed unwanted and unneeded surplus properties by auction
- Authorize City Manager or designee to accept or reject bids based on highest qualified bid for absolute properties or reserves established by City Council
  - No additional Council action required
- Authorize use of Purchase and Sales Agreements for high bidders that meet minimum bids



# ESTIMATED SCHEDULE

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- June – Authorization of properties for sale by auction and use of Purchase and Sales Agreement
- June – Provide approved list of properties with reserves to Hudson & Marshall
- August – Auction conducted
- October – Properties close

# APPENDIX



## List of Properties

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<u>CITY-OWNED PROPERTY</u>	<u>MAPSCO</u>	<u>COUNCIL DISTRICT</u>	<u>SQ FT OR ACREAGE</u>	<u>SALE ATTEMPTS</u>	<u>ZONING</u>	<u>DCAD 2012 ASSESSED VALUE</u>	<u>EST. PROPERTY TAX REVENUE</u>
<b>IMPROVED PROPERTIES (INCLUDES STRUCTURE)</b>							
5221 S. WESTMORELAND (building shell, deed restricted)	63J	8	1.6829	1	IM	\$880,340.00	\$7,016.31
3303 W. JEFFERSON (former fire station)	53D	1	0.6357	0	PD 532	\$93,650.00	\$746.39
1735 S. EWING (former fire station)	55S	4	0.89	0	CR	\$150,450.00	\$1,199.09
3636 ALMAZAN (aka 9495 Marsh) (former library)	23Z	6	0.65	0	NO	\$104,260.00	\$830.95
1125 S. BUCKNER (former library), with 1124 Gardenview (additional parking)	58Q	5	1.056	1	PD366	\$142,240.00	\$1,133.65
10355 FERGUSON ROAD (former library)	38R	9	0.7633	0	D(A)	\$138,140.00	\$1,100.98
<b>DOWNTOWN PARKING LOT (month-to-month lease)</b>							
2100 COMMERCE (leased, paved parking lot - approx 15 spaces; annual income \$4,200)	45L	14	0.1193	0	PD 357	\$104,000.00	\$828.88
<b>UNIMPROVED LAND</b>							
6700 J.J. LEMMON, 10400 JULIUS (northwest corner of I-20 / I-45)	67STX	8	98	3	R-5(A)	\$776,430.00	\$6,188.15
6701 WESTMORELAND	63J	8	5.145	2	R-10(A)	\$223,990.00	\$1,785.20
2317 LOWERY	56G	7	0.1148	0	PD R-5(A)	\$4,000.00	\$31.88
7001 WHEATLAND (aka 7080 Wheatland)	71B-F	3	1.7657	9	NS(A)	\$230,750.00	\$1,839.08
6501 GREENVILLE	26X	14	0.219	0	MU-3	\$190,800.00	\$1,520.68
2911 MIKE	42P	6	0.1126	0	R-5(A)	\$19,276.00	\$153.63
2127 WYCLIFF	43Z	2	0.1721	2	TH-3	\$60,000.00	\$478.20
2203 WYCLIFF	34Z	2	0.1729	2	TH-3	\$45,000.00	\$358.65
1229 DALVIEW	55L	4	0.1532	0	R-7.5(A)	\$6,650.00	\$53.00
550 LAURELAND	65N	5	0.3732	0	R-7.5(A)	\$12,000.00	\$95.64
562 LAURELAND	65N	5	0.3532	0	R-7.5(A)	\$12,000.00	\$95.64
507 LAURELAND	65N	5	0.2583	0	R-7.5(A)	\$12,000.00	\$95.64
511 LAURELAND	65N	5	0.1722	0	R-7.5(A)	\$12,000.00	\$95.64
515 LAURELAND	65N	5	0.4304	0	R-7.5(A)	\$12,000.00	\$95.64
531 LAURELAND	65N	5	0.4304	0	R-7.5(A)	\$12,000.00	\$95.64
523 LAURELAND	65N	5	0.4304	0	R-7.5(A)	\$12,000.00	\$95.64
512 N. LANCASTER	55A	1	0.4189	1	PD 468	\$27,375.00	\$218.18
404 N. LANCASTER	55A	1	0.1521	1	PD 468	\$13,250.00	\$95.64
400 N. LANCASTER	55A	1	0.1521	1	PD 468	\$13,250.00	\$95.64
<b>TOTAL ASSESSED VALUE</b>						<b>\$3,307,851.00</b>	<b>\$26,343.65</b>