

## **CITY OF MCKINNEY LAND DISPOSITION POLICY**

### **PURPOSE**

- To outline the process by which the city may dispose of real properties.
- To outline the process by which interested parties may purchase surplus and/or tax foreclosed properties, including private sale of property to qualified non-profit organizations and affordable housing private builders, in furtherance of the City of McKinney's policy to create affordable housing opportunities for very low-to-moderate-income families.

### **POLICY**

#### **Disposal of Vacant Lots Suitable for Affordable Housing**

Staff will dispose of any surplus vacant lots suitable for affordable housing as follows:

1. The first of every four lots that come through the housing office following foreclosure will be made available for sale to local non-profit builders.
  - a. A representative from each non-profit builder will convene with staff to draw straws. This will determine the order in which the non-profits will receive right to purchase available vacant lots. Should a non-profit entity forego its option to purchase a property, the remaining non-profits can draw again to see which gains the right to purchase that particular property.
  - b. Lots will be sold on an alternating basis to interested non-profits at a purchase price of \$2,500.
2. The next three lots (75% of the annual total) will be sold by sealed bid, online auction, private sale, or lottery (depending on the number of lots available at the time) under standard purchasing procedures. Bidding will be open to non-profit or for-profit builders of affordable housing.
3. Net proceeds, if any, will be used in the Community Housing Fund affordable housing program. (Net proceeds are the amounts remaining after all judgment and court costs [usually about \$1,500] have been paid and each taxing entity has received its pro rata share of taxes owed.

#### **Disposal of Other Properties Not Suitable for Affordable Housing**

Property owned by the City of McKinney, including property acquired by tax foreclosure, that is deemed to be surplus property, and not suitable to be

included in the affordable housing program, may be sold in one of the following three ways:

1. Sale in accordance with Chapter 272 of the Texas Local Government Code by sealed bids where the property can be developed independently.
  - a. The property shall be appraised by a certified independent appraiser to determine fair market value.
  - b. After Council approval of sale, by resolution, notices will be sent to property owners within 200 feet of the property and a "FOR SALE" sign will be placed on the property. The "FOR SALE" sign will indicate the account number of the property.
  - c. The property will be advertised on at least two separate dates in a local newspaper.
  - d. Bid opening will be at least 14 days after the second advertisement is published.
  - e. Bids are to be submitted in writing and are to include the amount of the bid, street location of property, account number of property, name, address and telephone number of the bidder, and the letter is to be signed and dated by the bidder. Bids are to be submitted to the Development Services Department, there to be stamped "Received" and dated.
  - f. The tax assessor-collector will check each bid and verify that the bidder has no delinquent taxes on other properties in Collin County and has a history of timely payments of property taxes.
  - g. The highest bidder will sign a "Conflict of Interest" statement.
  - h. City Council will accept the bid by resolution, and the bidder will submit a cashier's check for the bid amount payable to the City of McKinney.
  - i. Conveyance will be by Special Warranty deed, to be executed by the appointed representative of each taxing entity. The Special Warranty Deed will contain reference to state-mandated redemption periods and the sale will not be concluded until the expiration of the redemption period.
  - j. If the buyer requests a title policy, the buyer shall select the title company, provide any required closing documents, pay all costs associated with closing and arrange for the closing on the property.
  - k. The title company will file the Special Warranty Deed, and any Release of Lien, in the Deed Records of Collin County.
  - l. The taxing entities will delete any balances remaining on tax accounts.
2. Sale to the abutting property owner when the property is so small or irregularly shaped that it cannot be developed independently.
  - a. After City Council approval of sale, by resolution, only offers from abutting owners will be accepted.
  - b. Upon approval, a Special Warranty Deed will be prepared, to be executed by the appointed representative of each taxing entity. The Special Warranty Deed will contain reference to state-mandated

redemption periods and the sale will not be concluded until the expiration of the redemption period.

- c. Upon the sale of tax-foreclosed properties, the proceeds of resale will be distributed by the City in accordance with Section 34.06 of the Texas Property Tax Code, as amended.
- d. If the buyer requests a title policy, the buyer shall select the title company, provide any required closing documents, pay all costs associated with closing and arrange for the closing on the property.
- e. The title company will file the Special Warranty Deed, and any Release of Lien, in the Deed Records of Collin County.
- f. The taxing entities will delete any balances remaining on tax accounts.

### 3. Private Sale.

- a. Property owned by the City of McKinney that is deemed to be surplus property may be sold by private sale.
- b. Upon receipt of a written offer of an amount not less than the lesser of the amount of the judgment or market value, plus costs of sale and resale, the offer will be forwarded for review by each taxing entity for approval.
- c. Upon approval, a Special Warranty Deed will be prepared, to be executed by the appointed representative of each taxing entity. The Special Warranty Deed will contain reference to state-mandated redemption periods and the sale will not be concluded until the expiration of the redemption period.
- d. Upon the sale of tax-foreclosed properties, the proceeds of resale will be distributed by the City in accordance with Section 34.06 of the Texas Property Tax Code, as amended.
- e. If the buyer requests a title policy, the buyer shall select the title company, provide any required closing documents, pay all costs associated with closing and arrange for the closing on the property.
- f. The title company will file the Special Warranty Deed, and any Release of Lien, in the Deed Records of Collin County.
- g. The taxing entities will delete any balances remaining on tax accounts.

## **Definitions**

### 1. Qualified Non-Profit Organization:

- A non-profit organization that develops housing for low income individuals and families as it's primary activity to promote community-based revitalization of the municipality;
- A non-profit corporation described by 26 U.S.C. Section 501(c)(3) that:
  - has been incorporated in this state for at least one year;
  - has a corporate purpose to develop affordable housing that is stated in its articles of incorporation, bylaws, or charter;

- has at least one-fourth of its board of directors residing in the municipality; and
  - engages primarily in the building, repair, rental, or sale of housing for low income individuals and families; or
  - A religious organization that:
    - owns other property located in the municipality that is exempt from taxation under Section 11.20 Tax Code; and
    - has entered into written agreement with the municipality regarding the revitalization of land.
2. Very Low-to-Moderate-Income Individuals and Families:  
An individual or family whose annual income does not exceed 80 percent of the average median income for the area adjusted for family size (AMFI), as determined and annually updated by U.S. Department of Housing and Urban Development.
3. Properties:  
Properties within the corporate limits of the City of McKinney that have been acquired by the City and are considered surplus, or that have been acquired by the City or other taxing unit pursuant to Chapters 33 and 34 of the Texas Property Tax Code, as amended.
4. Affordable Housing:
- Owner occupied housing that:
    - is sold or resold to a very low-to-moderate-income family; and
    - has a purchase price and an estimated appraised value at acquisition that does not exceed 95 percent of the “HUD 203B” maximum mortgage amounts established and published annually by U.S. Department of Housing and Urban Development in Part 203, Title 24 of the Code of Federal Regulations, as amended; or
  - Renter occupied housing for which housing expenses do not exceed U.S. Department of Housing and Urban Development fair market rents, as defined in Part 888, Title 24 of the code of Federal Regulation, as amended.
5. Market Value:  
The appraised value of the property according to the most recent appraisal roll approved by the Appraisal Review Board or the appraised value by an independent appraisal conducted within the last 6 months.