

**City of Philadelphia**

**POLICIES FOR THE SALE AND REUSE OF CITY OWNED PROPERTY**

**Approved By Philadelphia City Council on December 11, 2014**

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## Overview and General Information

In the interest of providing predictability and transparency to the sale and reuse of City-owned property, the City has adopted this policy document. This policy will provide guidance to those city agencies disposing of surplus property as well as information to individuals and organizations considering the acquisition of City-owned property.

### Guiding Principles

The goals of this policy and the disposition of City-owned land are to:

- Encourage the development and reuse of vacant properties consistent with the City of Philadelphia’s Comprehensive Plan (Philadelphia2035), and other City-approved and accepted plans
- Eliminate blight and revitalize neighborhoods
- Strengthen the City’s tax base
- Sell properties at fair market value if the proposed use is a strictly private one
- Support City goals by conveying properties at a discount if the proposed use will provide significant community benefits
- Convey land through a predictable, timely and transparent process
- Encourage timely development and discourage real estate speculation

City agencies will consider these goals when making decisions regarding the disposition of City-owned land.

### Applicability

These policies apply to the real property inventories of the Philadelphia Land Bank, the Philadelphia Redevelopment Authority, the Philadelphia Housing Development Corporation, and the City of Philadelphia’s Department of Public Property. (For ease of use these agencies

are collectively referred to as “The City” throughout this document.) Each agency is responsible for its own decision-making and adherence to this policy during the disposition process.

All applications for property will be made through the Philadelphia Redevelopment Authority (PRA) until the Philadelphia Land Bank is established and has a functioning process to accept applications.

The City may elect not to convey a requested property. Under such circumstances, the City will provide a reason for this decision in writing.

### **Qualified Purchasers & Bids**

All purchasers of City-owned property must fulfill their commitments to the City and to their neighbors, which includes paying property taxes and maintaining properties in accordance with all municipal codes and ordinances.

A Qualified Purchaser is defined as an individual or organization who

- Does not owe back taxes to the City<sup>1</sup>, or is in a current payment agreement.
- Is current with all other City-related obligations (i.e. PGW, Water Department) or is in a current payment agreement.
- Does not own, or have an interest in, any property that is subject to any significant unremediated violation of City codes and ordinances.
- Has not owned a property that was involved in a completed Philadelphia tax foreclosure proceeding within the previous five years

All purchasers must submit disclosures as required by the City. Failure to submit disclosures or to provide accurate information in the form requested will result in the denial of the application.

A Qualified Purchaser has submitted a Qualified Bid if the application adequately describes the purchaser’s plans for the property and the applicant has demonstrated financial and operational capacity. The detail required of the applicant will be different depending on the proposed use. For example, the use description and capacity required will be different for the purchase of a side yard as compared to a large commercial or residential development.

A Qualified Bid for the purchase of a vacant structure requires demonstration of adequate available resources, in an amount that may be set by the City, based on the condition of the property and its repair needs.

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<sup>1</sup> Except where a property was acquired from a public agency and the back taxes date from before acquisition.

### **Appropriate & Timely Development of Properties**

The City expects that properties will be developed in an appropriate and timely manner according to a written agreement. Generally, Construction should commence within six months from the date of conveyance and should be complete as defined by agreement. To ensure that these expectations are met, the City will place conditions on land it conveys to achieve the agreed upon outcome and will monitor these agreements until construction is complete. Proposed uses must be consistent with the City of Philadelphia's Comprehensive Plan (Philadelphia2035) and other City-approved and accepted plans, and all new owners are required to comply with all City, state and federal codes, regulations and statutes.

### **Site Control: Options, Property Reservations and Holds**

The City recognizes that developers often require legally recognizable site control as part of the development process. The City may execute contingent agreements of sale, property reservation letters or option agreements to allow developers to pursue financing and other approvals necessary for development.

Agreements or contracts for this purpose must meet the following conditions:

- The applicant must be a Qualified Purchaser
- The agreement or contract must be limited to one year or less and may be renewed solely at the City's discretion
- The applicant may not use or move into the property without the City's authorization
- An option fee will be due upon execution (not-for-profits and city-supported projects may be exempt from a fee)
- The contract terms will be public information
- The applicant must demonstrate support of the District Council Member

### **Public Information**

In addition to standard property transaction records that are available to the public, the City will maintain and make available for public review and inspection an inventory of real property owned by the City and a record of all real property conveyed to other parties, including the price for which the property was conveyed, the party to whom the property was conveyed, and the use for which the property was acquired. This information will be posted on the Land Bank's website at [www.philadelphialandbank.org](http://www.philadelphialandbank.org).

## **Real Estate Review Committee**

The Real Estate Review Committee is the means by which the City will review applicant requests related to pricing and non-conforming proposed property uses. The committee will make a recommendation to the agency that owns the requested property. Any final decision will be made by the agency and, when required by law, City Council.

The Committee is comprised of representatives of the following agencies: Office of Housing and Community Development, Philadelphia Redevelopment Authority, Department of Public Property, Philadelphia Housing Development Corporation, Philadelphia City Planning Commission, the Philadelphia Land Bank, and the Mayor's Integrity Office. Each agency has one vote for the purpose of making a recommendation.

Applicants will be notified when their request is scheduled for the Committee, and given the opportunity to submit information and documents to be considered by the Committee.

The City will consult with the land-holding agency and the appropriate City Council district office before an application is presented to the Real Estate Review Committee.

The recommendation of the Real Estate Review Committee will be documented in the records of each agency's formal decision process.

## **Ethics**

### **Home Rule Charter and Philadelphia Code requirements**

The City of Philadelphia is committed to ethical and transparent processes for the disposition of vacant land. All real estate transactions are governed by City and State laws and rules that generally prohibit, among other things, conflicts of interest, the disclosure of confidential information, and the representation of a person or organization by a City official or employee in a transaction with the City.

### **Financial Assistance**

Any grant, loan, tax incentive, bond financing subsidy (for land purchase or otherwise), or other form of assistance that is realized by or provided to a person in the amount of \$50,000 or more through the authority or approval of the City is by law considered Financial Assistance under Chapter 17-1400 of the Philadelphia Code. Financial Assistance recipients must meet eligibility requirements by disclosing their political contributions. Financial Assistance includes the transfer of City property for less than market value. Recipients of Financial Assistance must comply with campaign contribution limits and must disclose campaign contributions for five years after receiving Financial Assistance. They must also disclose solicitations for any reason from any City official.

For more information on these requirements, please see [www.phila.gov/integrityworks](http://www.phila.gov/integrityworks). Any person inside or outside of City government with a concern that the disposition or administration of City property is unethical or violates the City's Financial Assistance requirements should contact the City's Chief Integrity Officer at (215) 686-2178 or Inspector General at (215) 686-1770.

### **Legal Issues**

In accordance with Section 16-207 of The Philadelphia Code, certain properties 10,000 square feet or larger will be subject to a public notice posting on the property that will include pertinent information concerning the potential sale and potential buyer.

### **City Council Approval**

As required by law, the sales of property owned by the City of Philadelphia, the Philadelphia Redevelopment Authority, and the Philadelphia Land Bank will be approved by Philadelphia City Council.

### **Public Notice of Land Bank Board Actions**

The Philadelphia Land Bank will provide public notice of proposed transactions before those transactions are considered at its board meeting. This notice, as required by the ordinance that authorized the creation of the Land Bank, includes the physical posting of a notice at each property, electronic notice to Registered Civic Organizations, and publication of proposed decisions on the Land Bank's website. All of these notices will be provided at least ten days before any action is taken.

## **Property Sales**

The City uses several processes to sell property.

### **General Sales**

The City will publish its property inventory on the City website [www.PhillyLandWorks.org](http://www.PhillyLandWorks.org) or [www.philadelphialandbank.org](http://www.philadelphialandbank.org), generally with a listing price. Individual requests for properties will be accepted and reviewed on an ongoing basis.

If the City receives more than one Qualified Bid for a property, the City may provide first preference to any applicant that provides for a public purpose (see below). If no public purpose is proposed, the City will determine the most qualified applicant or may use a Competitive Sales approach to obtain the best offer for the property.

Purchasers may submit counter-offers through a Counter Offer Bid Form, available online at [www.philadelphialandbank.org](http://www.philadelphialandbank.org). When a purchaser offers less than the asking price for a property, the City may negotiate a final sales price. The City's Real Estate Review Committee must approve the final sales price.

### **Competitive Sales**

Competitive Sales such as broker listings, the use of the Multiple Listing Service, web sites or other recognized method of advertising may be used to encourage broad participation in the sale of selected properties.

Asking prices may be established using an Automated Valuation Model (AVM; see page 11 for more information), a competitive market analysis or an appraisal.

Properties will be placed on the market long enough to allow for broad engagement by potential buyers.

The City retains its rights to approve or reject the best Qualified Offer based on clear criteria, including price.

Competitive Sales may be used where the property's AVM is \$50,000 or more or where there are multiple applicants for a single parcel.

### **Direct Sales**

The City may determine that certain properties will be sold to a specific party. This decision and its rationale will be reviewed by the Real Estate Review Committee. The price will be determined by an appraisal.

## **Requests for Proposals/Qualifications**

If the City has a specific planned use for a parcel, a Request for Proposals (RFP) or Request for Qualifications (RFQ) may be issued to identify and select a potential developer. This format allows the City to explain the planned use and any restrictions that might be placed on the developer or successive owners of the property. An RFP/RFQ may be issued by any appropriate city agency and may be developed in consultation with City Council, the City Planning Commission or other stakeholders, as appropriate. It will be advertised to encourage broad participation. Selection criteria will be included in the RFP/RFQ and may include factors such as developer capacity and proposed development outcomes as well as the price. The price established through this process will be considered the market value of the property. The issuance of an RFP/RFQ does not obligate the City to select a developer or a purchaser.

## **Side and Rear Yards**

When the proposed property use is as a side or rear yard, additional criteria apply and there are additional steps in the process.

First, an applicant must be the owner of an adjacent property and be using that property as a primary residence. The property to be acquired must share a common boundary at either the side or back of the applicant's property, and it may not be larger than 3,000 square feet. The block on which the applicant and the property are located should generally be predominantly occupied.

An applicant may acquire up to two adjacent lots, as long as one of those lots shares a common boundary with the applicant's primary residence.

The City reserves the right not to convey properties that are part of larger assemblages.

Once an application for property for a side or rear yard is submitted, the City will give notice to other property owners whose property shares a common boundary with the proposed yard. Those property owners will have the opportunity to submit an application for the side or rear yard property. If more than one adjacent property owner is interested in purchasing the property, the City may sell the property to the highest bidder, subdivide the lot (if the applicants and the City Planning Commission agree and if the applicants take full responsibility for the subdivision), or develop an alternate solution in consultation with various stakeholders.

In certain circumstances a side or rear yard may be purchased at a discounted price. Please see the "Pricing" section for more information.

## **Discontinued Programs**

Although no new property sales will be initiated under the terms of discontinued programs (such as the "dollar house" program), property may be conveyed under the terms of discontinued programs to those applicants who applied for and were awarded property under previous program guidelines, and who can demonstrate continuous effort and completion of

their obligations under the original program terms. Applicants will be subject to the Ethics provisions of these policies. Individual cases will be considered by the Real Estate Review Committee.

## **Pricing**

### **Listing Price**

The City will publish list prices for all properties priced under \$50,000. The City may use an appraisal to establish the price of any property.. For vacant structures, the cost of repair may be considered in determining price.

### **Discounted Pricing**

The City may choose to support certain projects that serve a public purpose by conveying a property at a discounted price. If a property is identified for one of the following uses, the City will evaluate the proposal and property request to determine if the proposed project provides significant, visible community benefits that would merit city support in the form of the reduction in price.

The following programs qualify for discounted pricing:

#### **Affordable Housing**

Developments that provide affordable housing as defined under local or federal guidelines may acquire property for a discount. Affordable housing projects do not have to be directly subsidized by the City, state or federal government to qualify for discounted pricing.

#### **Economic Development Projects**

Developments that advance the City's economic development goals as articulated in the City's Comprehensive Plan (Philadelphia 2035) and other City-approved and accepted plans may be eligible for discounted pricing. Eligible projects include but are not limited to:

- Leveraging of previous public investments in infrastructure, job creation, and economic development
- Projects with the potential to spur additional private investment in underperforming commercial corridors, neighborhood centers, and areas of regional economic significance as identified in the City's Comprehensive Plan (Philadelphia2035) and other City-approved and accepted plans
- Projects that return industrial land to productive use in areas identified as appropriate for industrial development

- Projects that share costs or make investments related to significant public improvements, including but not limited to the upgrading of public utilities and the rehabilitation or provision of new public infrastructure
- Projects that meet other criteria as recommended by the Commerce Department

### Community Development Projects

Developments that propose significant incremental community benefits may be eligible for discounted pricing. Community benefits may include:

- Support for existing community facilities or provision of space for new community facilities such as libraries, recreation centers, health centers, computing centers, and playgrounds
- Significant improvements to community infrastructure including the greening of schoolyards or recreation center yards or other publicly-owned parcels to achieve stormwater management, public recreation, or community gardening goals
- Creation of new infrastructure or support for existing infrastructure to improve safety and mobility for children, seniors, and other pedestrians, including sidewalk improvements, pedestrian plazas, traffic medians, or easements for trails
- Urban agriculture – the growing of fruits, herbs, and vegetables – may be accompanied by complementary activities, such as processing and distributing food, collecting and reusing food waste and rainwater, and educating, organizing, and employing local residents

(Because the City recognizes the special needs and requirements of Urban Agriculture activities, the PRA and the Land Bank will work with the Philadelphia Department of Parks and Recreation to manage urban agriculture on public land and a separate policy will be issued for these purposes.)

- Religious Institutions are not eligible for discounted pricing, however, non-profit organizations affiliated with religious institutions may be eligible for discounted pricing if their proposed use is a publicly accessible community facility.

### Side and Rear Yards

For properties priced at \$25,000 or less that are proposed to be used as side or rear yards, up to \$15,000 of the value may be deferred or forgiven.

### Discounted Pricing and Self-amortizing Mortgages

For properties conveyed at a discounted price to be used for community development purposes or side yards, a self-amortizing mortgage for the difference between the value and the

discounted price will be executed by the purchaser to ensure that if the property is resold to another party within 10 years, the buyer will not unduly benefit from the discounted price agreed to by the City. The Real Estate Review Committee may recommend self-amortizing mortgages for other projects that meet public purposes.

The characteristics of the self-amortizing mortgage are:

- The length of the mortgage will be 10 years from the date of conveyance
- The value of the mortgage is the amount of the price reduction agreed to by the City
- The purchaser does not need to make any payments on the mortgage if the property is used in conformance with the originally agreed upon terms for the 10-year period
- The amount of the obligation will decrease by 10% every year for 10 years (for example, after one year the amount remaining on a \$10,000 mortgage will be \$9,000, after two years it will be \$8,000, and so on)
- Upon completion of the 10-year time frame the City will satisfy the mortgage
- If the purchaser wants to sell the property before the 10-year expiration date of the mortgage, the City must receive the remaining amount owed on the mortgage before the mortgage will be satisfied
- The City will determine the market value of the property on which the mortgage is placed
- This mortgage may be assumed by heirs to the original purchaser

### **Price Differences between PhillyLandWorks and Other Agencies**

The City uses an Automated Valuation Model (AVM) to determine the listing price of most properties available for sale. This AVM differs from the Office of Property Assessment's Assessed Value (sometimes called the Actual Value Initiative or AVI). The models have two different purposes and use two different methodologies.

The City's listing prices for the sale of property are prices for land and land only. Because nearly all structures on city-owned surplus property must be demolished or significantly renovated for proper reuse, the value of those structures is not accounted for in the model. OPA's model, however, includes values for structures.

Additionally, the City's listing prices for the sale of property are based on the likely use of the property in the future. OPA's model is based on the current use of the parcel.

Because the models were designed for different purposes, they should not be compared. One does not directly relate to the other.

## **Urban Agriculture**

The City supports the use of vacant land for urban agriculture that improves the quality of life in the City's neighborhoods.

### **Individual Gardens**

Definition: An individual garden is a property for which an individual or household is given temporary access to garden and maintain for their personal use. The intent is to provide an interim use for the land to eliminate blight and improve safety until development is possible. The City expects that the majority of individual gardens will be temporary, and the land will still be available for development.

Terms: The Individual Garden Agreement (IGA) will last for one year, and may begin and end at any time throughout the year. IGAs are time-limited agreements that both the City and gardener may terminate at any time, with or without cause, upon prior written notice to the other party. The City will use reasonable efforts to avoid terminating the urban garden agreement between April 1 and November 1. The City will provide as much notice as possible if a license is to be terminated.

Pricing: IGAs are available at nominal cost.

Renewal: IGAs may be renewed annually at the request of the applicant and at the discretion of the City.

Additional requirements: The City expects that individual gardens will be maintained throughout the term of the IGA. Maintenance standards will be provided in writing to all applicants.

### ***Acceptable Uses***

The gardener may enter and use the property only for the following non-commercial, gardening purposes:

- To grow food, flowers, ornamental plants, and other landscaping.
- To compost in rodent-resistant containers.
- Certain construction improvements as allowed by the City and agreed to in writing.

### **Community Gardens and Open Space**

Definition: A community garden is defined as one or more properties managed and maintained by a group of individuals to grow and harvest food crops or non-food crops (such as flowers) for personal or group consumption, for donation, or for sale that is incidental in nature. A community garden area may be divided into separate garden plots or orchard areas for

cultivation by one or more individuals or may be farmed collectively by members of the group. A community garden may include common areas (such as hand tool storage sheds) maintained and used by the group. Community gardens may be used for recreational purposes, and improvements to facilitate such purposes may be allowed on a case by case basis upon review by the City and with community support.

Terms: Community gardens and community-managed Open Spaces are eligible for Community Garden licenses or leases of up to five years in length, subject to renewal. Leases and licenses of longer than one year, lease and license renewals, and purchase options are available at the discretion of the land-holding agency and subject to the approval of City Council. The City shall provide as much notice as possible if a license will be terminated or a lease not renewed.

Pricing: Community Garden licenses and leases are available at nominal cost in recognition of the beneficial community impact.

Additional Requirements for Community Gardens:

- Sponsorship by a local organization
- Secure and maintain insurance acceptable to the City
- Provide maintenance plan and description of community benefits / programming

Acceptable Uses: The gardeners may enter and use the property only for the following non-commercial, gardening purposes:

- To grow food, flowers, ornamental plants, and other landscaping.
- To compost in rodent-resistant containers.
- Certain construction improvements as allowed by the City and agreed to in writing

### **Market and Community-Supported Farms**

Definition: A market farm is defined as an area managed and maintained by an individual or group of individuals to grow and harvest food crops or non-food crops (such as flowers) for sale or distribution that is not incidental in nature.

Terms: Lease terms are variable and will be established by the City on an individual basis.

Pricing: Market and Community-supported Farm Leases may be available for nominal or reduced price at the discretion of the land-holding agency.

Additional Requirements for Market and Community-Supported Farms:

- Secure and maintain insurance acceptable to the City
- Submit a business plan / feasibility study
- Provide a letter of support from the relevant district councilperson

- Any additional constructed improvements must meet the terms of the City of Philadelphia's Zoning Code and must be approved by the City in writing.

Acceptable Uses: Market farms may include both for-profit and nonprofit enterprises.

**Other Uses**

The City reserves the right to license the use of property for a temporary use such as a community event, pop-up activity, farmers market or other such use. The terms of such a license will be determined on a case by case basis, and may require insurance coverage and other costs.