

City of Bryan
Chapter 380 Agreement
Infill Redevelopment Program

City Council Second Regular Meeting - Agenda Item 6.A.
Bryan Commerce and Development – Agenda Item 3.B.
March 5, 2019

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INFILL REDEVELOPMENT PROGRAM

Introduce a plan to utilize underserved vacant infill lots in the City of Bryan to spur infill development:

- Proposing a Chapter 380 Program that is managed through Bryan Commerce and Development (BCD).
- BCD was set up as a local government corporation to buy and sell property.
- Use the tax foreclosure process to obtain lots that could be sold to builders for infill development.

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Why infill development?

- less expensive lots – today's high infrastructure costs are not figured into the price of the lots.
- Vacant infill lots would offer the best option for workforce housing.
- Helps with neighborhood revitalization and increases the tax base.
 - Ad valorem on a \$8000 BCAD lot is \$50 per year
 - \$1000 per year when you add a house with a combined value of \$159,000.
- The use of the vacant infill lots would result in less COB general maintenance - mowing and clean-up.

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Quick History

- Staff has been talking with builders, realtors, developers, and other infill stake holders to find out what would spur infill development:

Key points learned:

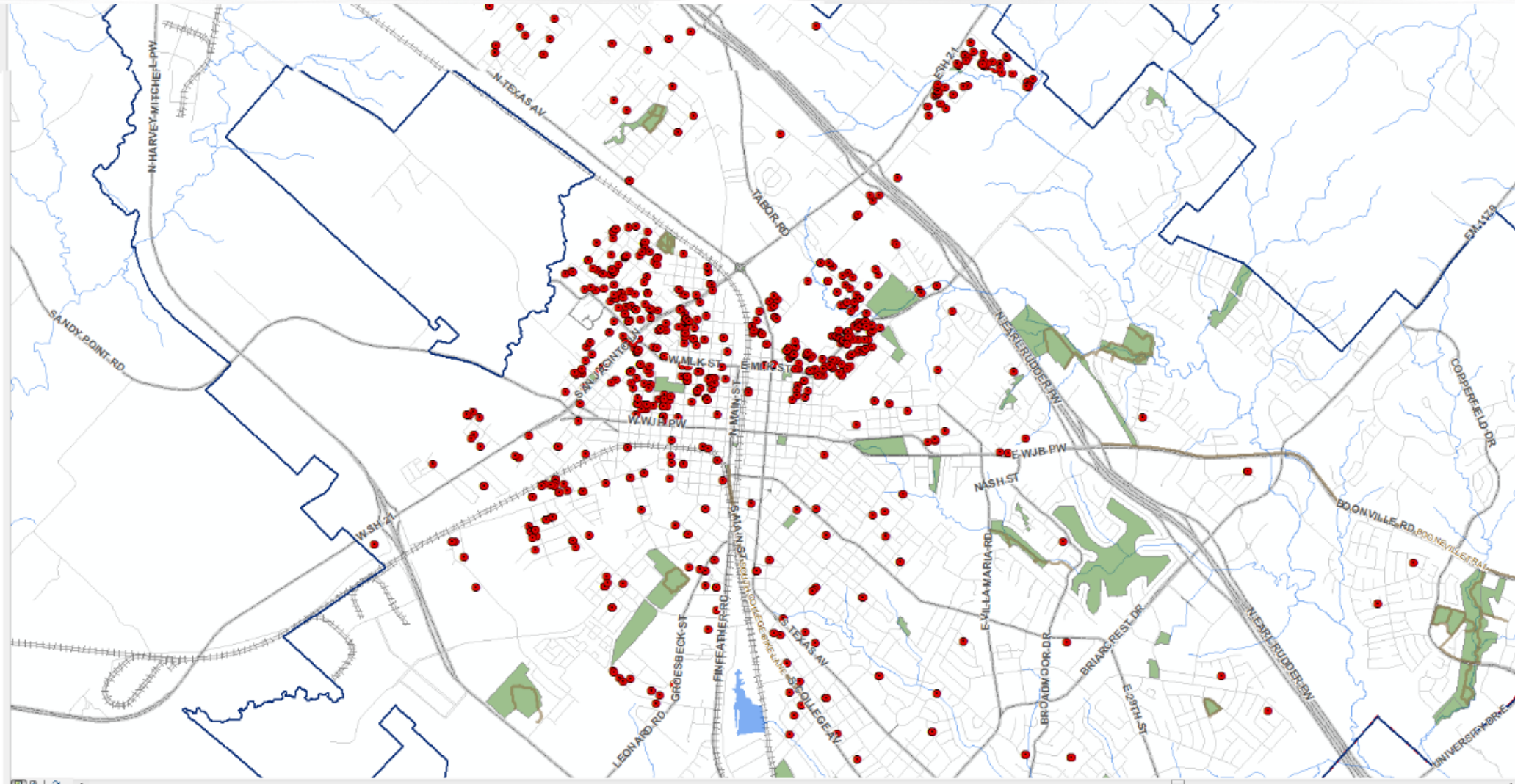
- #1 Problem is getting a clear title on an infill lot. Critical for financing!
- Lot prices need to be at or below appraised value.
- Builders would prefer lots to be grouped together.
 - Easier to get comparables (comps) for appraisals.
 - More economical to build multiple homes at the same time in the same vicinity.

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Program Strategy

- Use the tax foreclosure process to obtain vacant lots.
- As of 1/24/19
 - 592 properties have 1665 outstanding COB liens that total \$2,086,434 and taxes that total \$921,436.

COB Liens at a Glance



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Program Strategy

- Use the tax foreclosure process to obtain vacant lots.
- As of 1/24/19
 - 592 properties have 1665 outstanding COB liens that total \$2,086,434 and taxes that total \$921,436.
 - 314 properties are vacant and out of the flood plain with 1155 liens totaling \$1,167,308 and taxes totaling \$450,936.
- Lots purchased at tax sale have clean titles after 180 days.

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Why does the City need to get involved?

- Staff looked at lots purchased during 2013-2015 at the tax sale:
 - Twenty nine (29) properties were sold:
 - Only two (2) properties (7%) have new improvements three (3) years after Sheriff's sale.
 - One (1) lot has a mobile home.
 - One (1) lot re-platted into two (2) lots with two (2) habitat homes.
- Lots purchased at the Sheriff's sale are not resulting in new home construction.
- Legally, there is no way in a real estate sale to require a buyer to build a new home. Offering an "incentive" is an effective way through a Chapter 380 Agreement to spur building on infill lots soon after purchase. Reference Agenda Item 6. B.

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What happens at a Sheriff's sale?

- The Sheriff's sale auctions property for taxes/liens owed.
- The process clears the property titles after 180 days on non-homestead properties.
- The Sheriff's sale is handled by law firm, McCreary, Veselka, Bragg & Allen (MVBA) hired by the City, County and School District.
- Anyone with ownership interest in the property can "redeem" the property within 180 days with payment of cost associated with the city's purchase plus a 25% surcharge.
- Properties with a possible Homestead or agricultural exemption has a redemption period of two (2) years and the redemption price during the first year is the "cost" plus 25% and in the second year is cost plus 50%.
- Our focus is not on the homestead or agricultural exempt properties, but on the first with the 180 days right of redemption period.

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Lot selection criteria:

- Sum of taxes and liens (interest, etc.) owed must be greater than 40% of BCAD value or the ad valorem must 5 years delinquent.
- Lot must be vacant, unimproved, and/or otherwise uninhabitable.
- Ad valorem taxes must be delinquent at least 2 of last 3 years.
- No current re-payment programs in place for taxes and liens.
- Lots must be buildable with minimal flood plain.

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If we apply the selection criteria to the 592 properties:

- 129 properties meet the criteria on the surface.

The 129 properties have 817 Liens:

Liens owed:	\$955,751
Taxes owed:	\$343,029
Total of Taxes and Liens	\$1,298,780

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Purchase Process:

- The bid amount on properties will equal the sum of taxes, liens and interest for each property.
- Typically four (4) sales per year (March, June, September, December is resale)
- Checks cut for each property before sale.
- City Manager or designee attends tax sale.
- After tax sale and during the 180 days redemption period,
 - Research title/curative issues/obtain survey/legal description.
 - Market lots with agreement to build new homes within 1 year for owner occupied housing.
 - Community Development can offer down payment assistance to eligible home buyers.

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Program Funding:

- Term of Chapter 380 Agreement between the City and BCD is 5 years.
- Staff is requesting funding of \$300,000 to be appropriated to BCD for the acquisition of properties.
- Taxes (COB's 25%) and liens are paid back to general fund within 30 days after the auction sale.

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Summary

- Use the strategy to utilize vacant infill lots in the City of Bryan to spur infill development.
- Program payback is the gain ad valorem taxes for the life of the improvement.
- Partial recovery of \$955,751 in liens and 25% of the \$343,029 in taxes.
- An example of two (2) lots that are too be auctioned:

Lot 1: BCAD Value: \$ 11,500.00	
Liens: \$11,155	COB receives: \$11,155
<u>Taxes: \$8,130</u>	<u>Taxes @ 25%: \$2,032</u>
Total: \$19,285	Total: \$13,187 – Gen. Fund.
Liens and taxes owed/BCAD Value = 168%	Sale of lot: \$23,000
NET: \$23,000 - \$19,285 = \$3,715	

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Summary- Cont.

- | Lot 2: BCAD Value: \$ 23,810 | |
|---------------------------------------|-----------------------------|
| Liens: \$7,489 | COB receives: \$7,489 |
| <u>Taxes: \$2,160</u> | <u>Taxes @ 25%: \$540</u> |
| Total: \$9,649 | Total: \$8,029 – Gen. Fund. |
| Liens and taxes owed/BCAD value = 41% | Sale of lot: \$25,000 |
| • NET: \$25,000 - \$9,649 = \$15,341 | |

- COB would spent \$28,934 to obtain both properties.
- COB sales of both properties for \$48,000.
- COB Builder Infill Redevelopment Incentive (25%) equal to \$12,000.
- Net after incentive: $-\$28,934 + \$48,000 - \$12,000 = \$7,066$
- Net Liens and taxes: $\$13,187 + \$8,029 = \$21,216$ to General Fund
- That this does not include the additional taxable improvement value added to the tax role long term.

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Questions?