

**CITY OF MADISON HEIGHTS  
ELECTRONIC COUNCIL AGENDA REQUEST FORM**

SUBMITTED TO: City Council

SUBMITTED BY: Melissa R. Marsh, City Manager DATE: 06/17/22

FOR CONSIDERATION AT THE COUNCIL MEETING OF: 06/27/22

**ACTION REQUESTED**

PRESENTATION _____	FUTURE PUBLIC HEARING _____
PUBLIC HEARING – SPECIAL APPROVAL _____	BID AWARDS / PURCHASES <u>✓</u>
PUBLIC HEARING – OTHER _____	ORDINANCE - FIRST _____
COMMUNICATION _____	ORDINANCE - SECOND _____
REPORT _____	OLD BUSINESS _____

**DESCRIPTION OF ITEM**

Request to approve contract with development companies to purchase and redevelop available properties and purchase and sell properties.

**IF ORDINANCE, CITE TITLE/CHAPTER SECTIONS**

**POLICY CONSIDERATION**

See attached report.

**FINANCIAL IMPACT**

No Impact _____	Fee Waiver Proposed _____
Budgeted Fund Name(s) _____	Department Name _____
Appropriated in Acct. No. _____	Budget Amount _____
Amount Available in Acct. <u>0</u>	
Second Account Number _____	Budget Amount _____
Amount Available in 2 <sup>nd</sup> Acct. <u>0</u>	Revenue Generated <u>\$35,000</u>
Other Comments No cost to the City for the purchase of properties, developer will be immediately purchasing available properties, and our costs will be offset by an administration fee.	

**REVIEW CHECKLIST**

DEPARTMENT	<u>Melissa R. Marsh, City Manager</u>	DATE	<u>06/17/22</u>
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DEPARTMENT	_____	DATE	_____
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CITY MANAGER	<u>Melissa R. Marsh, City Manager</u>	DATE	<u>06/17/22</u>
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**To:** Honorable Mayor and City Council

**From:** Melissa Marsh, City Manager

**Date:** June 15, 2022

**Subject:** Parcel Redevelopment Program - 2022

As part of the Adopted FY 2019 Goal Plan, staff proposed and City Council adopted Goal U: ***Implement a Tax Foreclosure Purchase/Sale/Redevelopment Program which would result in the immediate clean-up of property exteriors as well as ongoing maintenance; guaranteed code-compliant renovations to foreclosed properties in a prompt fashion; sale of residential properties to owner occupants; and immediate tax base benefit from renovated structures as well as use of these properties for future appraisal comparable; and a reduction of potential future single-family rental and vacant properties.***

#### **Redevelopment Contractor Process**

In July 2018, City Council approved the first year of this Tax Foreclosure Redevelopment program and awarded 14 foreclosed properties to two vendors, FPJ Investments LLC and HP Snap. These vendors were chosen from a detailed request for qualifications process. The progress of this program and the vendors were monitored throughout the year. Overall this program was a success for the City, neighborhoods. Creating investment and homeownership where typically we would have landlords or vacant properties. We saw properties cleaned up, updated with modern energy efficient appliances and equipment such as hot water heaters and furnaces, and the foreclosed homes were sold to occupant owners.

In June of 2019, this program was extended with the sale of (2) foreclosed properties, with a RFP award to HP SNAP Investments. The focus of the program continued to be on: immediate clean-up of the exterior of the property as well as ongoing maintenance; guaranteed code-compliant renovations to foreclosed properties in a prompt fashion; and sale of residential properties to owner occupants. Again this program was evaluated as successful for the City and neighborhoods.

In 2020, Oakland County placed a hold on this foreclosure process due to COVID for two years. In March we received notice that the foreclosures are resuming again throughout Oakland County for 2022. Therefore, again this year we released a RFP that included minimum guaranteed investment, average investment, proposed administrative fees, proposed timeline and plan for disposition of vacant properties. We received three responses to this RFP with the best and most complete offer being from HP Snap Investments.

HP Investments have included a minimum guaranteed investment of \$50,000 and a minimum average investment of \$60,000 for the houses included on the foreclosure list. In addition they

have offered \$5,000 - \$10,000 administrative fee for each parcel covering any expense incurred by the City for managing this program. The City has a very positive experience working with HP Investments during the previous two rounds of this parcel redevelopment program.

### **Foreclosure Details 2022**

Last week, in accordance with MCL 211.78M(1), the City received the statutory first right of refusal to purchase the properties that were tax foreclosed by Oakland County Circuit Court on February 16, 2022, and by the Oakland County Treasurer under Public Act 123 of 1999, as amended. The City is obligated to inform Oakland County of our intent to purchase the property or properties no later than June 17, 2022.

This year the City of Madison Heights has seven (7) parcels with a redemption period that ended March 31, 2022:

Parcel	Address	Assessed Value
25-12-280-021	1600 Oakland Drive	\$25,110
25-12-280-022	1600 Oakland Drive	\$14,170
25-12-280-023	1600 Oakland Drive	\$12,100
25-13-301-021	27741 Groveland Street	\$60,190
25-14-401-022	27847 Hampden Street	\$49,280
25-23-481-007	71 W Dallas Ave	\$43,190
25-24-102-007	26628 Groveland Street	\$71,830

Due to statutory changes in 2020, the property purchase amount is dependent upon if a former owner or lienholder files a claim for excess proceeds as follows:

- If a claim is filed on a property, the purchase amount will be double the 2022 state equalized value (SEV).
- If a claim is not filed on a property by July 1, 2022, the purchase amount will be the minimum bid which includes delinquent taxes, interest and fees along with any maintenance cost incurred by the Oakland County Treasurer's Office.

### **Recommendation**

In order to implement this program, two actions are necessary. First, staff is recommending that the City Council approve HP Snap Investments as the developer to the Parcel Redevelopment Program.

Second, staff is recommending that the City purchase the properties being offered and immediately sell them for the purchase price to the Developer chosen for redevelopment.

Two motions are being recommended:

1. Based on the proposal submitted in response to this year's RFP, and the proven track record during the past two rounds of the parcel redevelopment program, staff and I recommend awarding the Parcel Redevelopment program to HP Snap Investment for the purchased properties with an option to extend next year if tax foreclosure properties are available, pending final legal review of the contract and authorizing the City Manager to sign all related documents.
2. Authorize the City to purchase from Oakland County the following parcels for the minimum bid which includes delinquent taxes, interest and fees along with any maintenance cost incurred by the Oakland County Treasurer's Office and to sell these parcels to HP Snap in accordance with the Parcel Redevelopment Program.

## **AGREEMENT FOR PURCHASE OF REAL ESTATE**

The Purchaser, HP Snap Investment, LLC a Michigan limited liability company, whose address is 24300 Joy Road, Redford, MI 48239, (the "Purchaser") hereby offers and agrees to purchase, and the Seller, City of Madison Heights, a Michigan municipal corporation, whose address is 300 West 13 Mile Road, Madison Heights, Michigan 48071, (the "Seller") hereby agrees to sell real estate and other intangibles related to the following real estate located in City of Madison Heights, County of Oakland, State of Michigan, upon the following terms and conditions set forth in this Agreement for Purchase of Real Estate, hereafter the "Agreement."

### **I. PROPERTY DESCRIPTION**

- 1.1 Properties located in the City of Madison Heights, Michigan and commonly referenced as follows:

Address	Parcel ID
1600 OAKLAND DR	25-12-280-021
1600 OAKLAND DR	25-12-280-022
1600 OAKLAND DR	25-12-280-023
27741 GROVELAND ST	25-13-301-021
27847 HAMPDEN ST	25-14-401-022
71 W DALLAS AVE	25-23-481-007
26628 GROVELAND ST	25-24-102-007

together with all buildings, structures, rights, easements, and appurtenances pertaining thereto and all improvements, trees, bushes, landscaping and foliage thereon, if any;; any right, title and interest of Seller in any rights of way, all of Seller's rights to connect with and to utilize any private or public utility facilities now or hereafter serving the Property, to the extent transferable, all licenses, permits, certificates of occupancy and other governmental approvals with respect to the Property, and all development and similar agreements relating to governmental units or utility services with respect to the Property; and subject to the existing building and use restrictions, easements, and zoning ordinances. The land which is part of the Property has a legal description as set forth on Exhibit A, attached hereto and incorporate herein by reference.

### **II. PURCHASE PRICE**

- 2.1 Purchaser agrees to pay delinquent taxes, interest and fees along with any maintenance cost incurred by the Oakland County Treasurer's Office, in consideration for which Seller will provide a QUIT CLAM deed subject to existing building and use restrictions and easements and rights of way of record.

### III. TITLE

- 3.1 Title Insurance. The Purchaser may obtain, at Purchaser's expense, a commitment (the "Title Commitment") leading to an owner's policy of title insurance with standard exceptions (the "Title Insurance") from a title company selected by Purchaser (the "Title Company"). The Title Commitment shall be updated immediately prior to the Closing and shall show no objectionable matters, or defects except as provided in paragraph 3.3 below, other than those which may be permitted by Purchaser. All costs associated with the Title Commitment and Title Insurance, including such actions required to correct any flaws in title as a result of the Tax Foreclosure, shall be the sole responsibility of the Purchaser. The Purchaser shall also pay all recording fees.
- 3.2 Objections To Condition of Title. If objection to the title is made by the Purchaser except for provided in paragraph 3.3 herein, then Seller shall have until the Closing, or any extensions in writing to the Closing, to procure a cure for the defects. In the event the Seller is unable through the exercise of its good faith efforts to procure a cure for the claimed defects to the Purchaser's satisfaction within the time herein set forth, then, Purchaser may (i) take title to the Property despite the existence of objectionable matters, or (ii) terminate the Agreement, in which case, notwithstanding anything herein to the contrary, all sums deposited by Purchaser shall be immediately refunded to Purchaser and this Agreement shall be deemed null and void and of no further force and effect.
- 3.3 Tax Foreclosure Transfer. Purchaser acknowledges that Seller obtained the Property through a State/County tax foreclosure (the "Tax Foreclosure") quit claim deed and the Seller makes no representations or warranties as to the condition or title of the Property. Notwithstanding anything to the contrary in this Agreement, Purchaser accepts any flaws or defects in the title to the Property as a result of the Tax Foreclosure.
- 3.4 Quiet Title Action. Purchaser acknowledges that in order to obtain Title Insurance, Purchaser may be required, at Purchaser's sole cost and expense, to institute legal proceeds to quiet title in the name of Purchaser (hereinafter, the "Quiet Title Action"). If a Quiet Title Action is required, the Parties acknowledge such event will have no effect on this Agreement.

### IV. POSSESSION, INSPECTIONS, CERTIFICATIONS AND DISCLOSURES

- 4.1 Possession. As a result of obtaining the Property through Tax Foreclosure, Seller has no knowledge as to whether the Property is occupied by tenants, previous owners or any other occupant (the "Occupants") that may be in possession of the Property. Seller makes no representation as to the occupancy or possession of the Property. Purchaser recognizes that some properties may be occupied and purchaser is solely responsible for the continued

occupancy/relocation/eviction of any occupants. Purchaser agrees that it may not take any action to obtain possession of the property, including service of notice to quit, until after the closing date determined by the Seller.

- 4.2 Government Certifications. The Purchaser shall obtain, at its expense, all required inspections and required repairs, if any to obtain approval from any government agency or municipality. The Purchaser acknowledges and agrees that it is purchasing the Property in an AS IS/ WHERE IS condition, including but not limited to environmental conditions and/or contamination (if any), in, on or about the Property, including the groundwater of the Property and hereby releases and indemnifies the Seller, its officers, employees and agents, from any liability whatsoever arising from any condition and/or contamination in, on or about the Property. Further, the Seller makes no express or implied representations or warranties as to the Property's condition.

## **V. CLOSING**

- 5.1 Method of Closing. The sale will be consummated by cash for the total Purchase Price and any administrative fees or costs that are the purchasers responsibility. Administrative fees and cost include:
- a. Administrative Fee: \$5,000 per property to cover the related costs for the City.
  - b. Sewer and Water charges: Buyer is responsible for all outstanding utility charges, included water and sewer.
  - c. Property taxes: Buyer to pay all outstanding taxes and keep future taxes current, including any special assessments and related charges
  - d. Miscellaneous Receivables: Buyer is responsible for any monies due to the City for any and all charged to these parcels listed including but not limited to mowing, snow removal, brush chipping or debris clean-up/out.
- 5.2 Assessments. Buyer shall discharge in full all public authority charges confirmed by said municipality or taxing unit(s) special assessments, water, sewer, paving charges, etc. which are currently due and payable. Buyer is responsible for other assessments.

## **VI. MISCELLANEOUS**

- 6.1 Maintenance of Property. Timeline are set below for tasks to be completed by the Purchaser. Timelines begin when property transfers from the Seller to the Purchaser:
- a. *Within one week* - the purchaser shall rekey and secure all property, if vacant. Make contact with tenants to discuss their options including relocation. Order landscape clean-up which include cleaning all gutters and yard debris, cutting lawn and removal of any dead trees or shrubs.
  - b. *Within six weeks* - Permits shall be pulled for all renovations and work shall be started.

- c. *Within one year* – Order final inspections and obtain C of O's, order final cleaning, Landscaping completed. Houses listed for sale.
  - d. Purchaser and Seller understand that no extensions of the time limits contained herein are expected or agreed to unless specified in writing and signed by both Purchaser and Seller.
- 6.2 Governing Law. This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Michigan.
- 6.3 Venue\Waiver Jury Trial. The parties concur that any dispute concerning the interpretation of this Agreement shall be brought in the applicable state court located in the County of Oakland, Michigan. The parties, to the fullest extent that they may lawfully do so, hereby waive trial by jury in any action or proceeding brought by any party to this Agreement with respect to this Agreement, the Property or any other matter related to this Agreement or Property.
- 6.4 Entire Agreement. This Agreement constitutes the entire, integrated Agreement between the parties, and supersedes all prior written and unwritten negotiations, agreements, proposals and understandings. This Agreement shall not be orally amended, modified, superseded, or cancelled, it being specifically understood that any of the terms, covenants, representations and conditions contained herein may be amended only by written instrument executed by all parties. Purchaser's proposal in its entirety constitutes a part of this agreement.
- 6.5 Binding Effect. The covenants and conditions herein shall bind and inure to the benefits of the executors, administrators, successors and assigns of the respective parties. If the parties herein be more than one or if they be of the feminine gender, or a corporation or other business entity, such words and pronouns and other relative words shall be read as if written in the plural, feminine, and neuter, respectively.
- 6.6 Assignment. This Agreement may not be assigned or transferred by Purchaser without the written consent of the Seller, except to an entity in which the Purchaser is the sole owner. Any lawful Assignee shall agree to be specifically bound by the terms of this Agreement. Upon such lawful assignment, Purchaser shall have no further or other obligations or liabilities hereunder.
- 6.7 Other Terms and Conditions. The Purchasers is to commit to 100% owner occupant sales for all single family homes. Purchaser will spend a minimum of \$50,000 per house/structure with the average renovation cost being no less than \$60,000 per house/structure. Purchaser will secure and stabilize each parcel within one week of closing. Purchaser will build new homes on vacant lots unless otherwise agreed to by the Seller and Purchaser.

Residential properties are required to be sold to owner occupied purchasers with a five year deed restriction for owner occupancy.



6.8 Effective Date. If this Agreement is not signed simultaneously by Seller and Purchaser, it shall be considered to be an offer made by the party first executing it to the other party. In this event, that offer shall expire at midnight on the fifth (5th) calendar day following signature by the offering party. "Effective Date" shall mean the last date upon which this Agreement is accepted and executed by all the parties.

6.9 Notices. All notices, requests, demands or other communications hereunder shall be in writing and deemed given (a) when delivered personally or on the day said communication is deposited in the U.S. mail, by registered or certified mail, return receipt requested, postage prepaid, or (c) on the next business day after notice is sent by facsimile or (d) on the day said communication is deposited with a nationally recognized overnight courier service, addressed and/or sent by facsimile, as the case may be, as follows:

Seller:  
Melissa R. Marsh  
City Manager  
City of Madison Heights  
300 West Thirteen Mile  
Madison Heights, MI 48071  
Contact No. (248) 583-0829

Purchaser:  
HP SNAP Investment, LLC  
24300 Joy Road  
Redford, MI 48239  
Contact No. (313)887-4047

6.10 Survival of Obligations. All of the representations, warranties, and covenants of the parties hereunder shall survive the Closing; provided, however, that no claim for any breach of a representation or warranty hereunder shall be effective unless made in writing on or before the second anniversary of the Closing with respect to which such breach relates.

6.11 Construction and Captions. The parties acknowledge that the parties and their counsel have reviewed and revised this Agreement and that the normal role of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any

exhibits or amendments hereto; and that section headings appearing in this agreement are for convenience of reference only and they are not intended, to any extent or for any purpose, to limit or define the text of any section or any subsection hereof.

6.12 Authority. The Parties represent and warrant that they have the requisite authority to execute this Agreement and to bind the entity or individual signed for and all predecessors and successors to the rights and obligations described or contained in this Agreement.

**IN WITNESS WHEREOF**, the parties have executed this First Addendum on the day and year first above written.

**"SELLER"**

**City of Madison Heights, a Michigan  
municipal corporation.**

\_\_\_\_\_  
By: Melissa Marsh, City Manager

\_\_\_\_\_  
By: Cheryl Rottmann, City Clerk

**"PURCHASER"**

**HP SNAP Investment, LLC. a Michigan  
Limited liability company**

\_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

**[NOTARIZATION APPEARS ON NEXT PAGE]**

STATE OF MICHIGAN    )  
  )ss  
COUNTY OF OAKLAND )

On this \_\_\_\_\_ day of \_\_\_\_\_, 2018, before me, a Notary Public in and for said County and State, personally appeared the above-named Melissa Marsh and Cheryl Rottmann, City Manager and City Clerk, respectively, of the City of Madison Heights, a Michigan Municipal Corporation, located at 300 West Thirteen Mile Road, Madison Heights, Michigan 48071, to me known to be the same persons described in and who executed the within instrument on behalf of the City and who then acknowledged the same to be of their free act and deed on behalf of the City.

\_\_\_\_\_  
\_\_\_\_\_, Notary Public  
\_\_\_\_\_ County, Michigan  
My Comm. expires: \_\_\_\_\_  
Acting in: \_\_\_\_\_

STATE OF MICHIGAN    )  
  )ss  
COUNTY OF OAKLAND )

On this \_\_\_\_\_ day of \_\_\_\_\_, 2018, before me, a Notary Public in and for said County and State, personally appeared the above-named \_\_\_\_\_, Managing Member of HP Snap Investment, LLC., a Michigan limited liability company, located at 24300 Joy Road, Redford, Michigan 48239, to me known to be the same person described in and who executed the within instrument on behalf of the City and who then acknowledged the same to be of his or her free act and deed on behalf of the company.

\_\_\_\_\_  
\_\_\_\_\_, Notary Public  
\_\_\_\_\_ County, Michigan  
My Comm. expires: \_\_\_\_\_  
Acting in: \_\_\_\_\_

## EXHIBIT A

### LEGAL DESCRIPTION

Tax ID No.: **25-12-280-021** Common Address: 1600 Oakland Dr  
T1N, R11E, SEC 12, CR44E-2, PART OF NE 1/4 BEG AT PT DIST N 88-39-00 W 399.53 FT & N 00-14-00 E 650.61 FT & N 18-18-06 W 194.86 FT & N 01-21-00 E 75.50 FT FROM E 1/4 COR, TH N 01-21-00 E 129.50 FT, TH S 88-39-00 E 130.00 FT, TH S 01-21-00 W 129.50 FT, TH N 88-39-00 W 130.00 FT TO BEG  
0.39 A

Tax ID No.: **25-12-280-022** Common Address: 1600 Oakland Dr  
T1N, R11E, SEC 12, CR44F-1, PART OF NE 1/4 BEG AT PT DIST N 88-39-00 W 399.53 FT & N 00-14-00 E 650.61 FT & N 18-18-06 W 137.52 FT FROM E 1/4 COR, TH N 18-18-06 W 57.34 FT, TH N 01-21-00 E 75.50 FT, TH S 88-39-00 E 138.69 FT, TH S 01-13-00 W 129.50 FT, TH N 88-39-00 W 97.73 FT TO BEG 0.40 A

Tax ID No.: **25-12-280-023** Common Address: 1600 Oakland Dr  
T1N, R11E, SEC 12, CR44G-2, PART OF NE 1/4 BEG AT PT DIST N 88-39-00 W 399.53 FT & N 00-14-00 E 650.61 FT FROM E 1/4 COR, TH N 18-18-06 W 137.52 FT, TH S 88-39-00 E 98.27 FT, TH S 01-13-00 W 129.50 FT, TH N 88-39-00 W 74.21 FT TO BEG 0.25 A

Tax ID No.: **25-13-301-021** Common Address: 27741 Groveland Street  
T1N, R11E, SEC 13, TUXEDO PARK SUB, LOT 165 & 1/2 VAC ALLEY ADJ TO SAME

Tax ID No.: **25-14-401-022** Common Address: 27847 Hampden Street  
T1N, R11E, SEC 14, BLANCHE VILLAS SUB, LOT 127

Tax ID No.: **25-23-481-007** Common Address: 71 W Dallas Avenue  
T1N, R11E, SEC 23, SLATER PARK SUB, LOT 35

Tax ID No.: **25-24-102-007** Common Address: 26628 Groveland Street  
T1N, R11E, SEC 24, GROVELAND SUB, LOT 149