



Legislation Text

File #: ID 2018-429, **Version:** 1

TO: Mayor and City Commission

FROM: Samuel A. May, City Manager

DATE: August 29, 2018

RESOLUTION - APPROVING THE SALE OF 1012 EAST RIVER DRIVE, MARGATE 3RD ADD 44-48 B LOT 16 BLK 5; PROVIDING FOR EXECUTION OF THE REAL ESTATE CONTRACT AND ASSOCIATED DOCUMENTS; PROVIDING FOR AN EFFECTIVE DATE.

BACKGROUND: On December 19, 2013, a Special Warranty Deed was executed for the purchase of this property by the City as part of the Neighborhood Stabilization Program. It was necessary for the City to expend funds for maintenance of the property pending completion of the investigation of the City's grant program. The investigation and subsequent Housing and Urban Development (HUD) Office of Inspector General (OIG) audit has determined the expenditures at this property did not follow NSP regulations and the City would be required to repay all expenses for this property from the General Fund. Not including related real estate sale and closing costs, the City has expended \$288,461.75 in grant funds and \$61,203 in general funds for a total of \$349,664.75 in expenditures on this property including the original purchase price of \$67,221.

The NSP program requires that the City resell a property to an NSP eligible buyer for at least 10% below market value. Since the original purchase of the property, the real estate market has seen an increase in residential property values. A January 2018 appraisal indicated an appraised value of \$285,000; however, the appraisal stated that the "Property was considered to be in a new condition since the property was recently completed. No physical, functional or external obsolescence was noted in the review of the improvements. It is assumed that the property was completed with permits and that all of the permits have been closed and an occupancy permit has been issued." In contrast to the foregoing, the contractor abandoned the job, there are deficiencies with the construction, the permits are not closed and an occupancy permit has not been issued.

This real estate contract provides for as-is sale of the property for \$195,000 and a 6% real estate commission.

By selling this property to a non-NSP eligible buyer, it is allowing the City to recover some of the initial expenditures, utilize it towards the \$288,461.75 that will need to be repaid to HUD, and avoid the additional costs to complete the renovation of the property.

RECOMMENDATION: For approval.

FISCAL IMPACT: As detailed above.

CONTACT PERSON: Samuel A. May, City Manager