

CITY OF NEWARK

DEPARTMENT OF ECONOMIC AND HOUSING DEVELOPMENT



LAND DISPOSITION POLICY

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Property Disposition Policy

City of Newark

Department of Economic and Housing Development

1. Statement of Policy

The purpose of this Property Disposition Policy is to use the sale of City-owned properties as a catalyst for the revitalization of Newark neighborhoods and the creation of jobs for Newark residents.

2. Initial Property Designation

The Department of Economic and Housing Development will establish a Property Disposition Working Group (PDWG) to be chaired by the Deputy Mayor and staffed internally. This group will have the following responsibilities:

- Review of the property inventory and classification of properties into categories for holding or disposition;
- Preparation of RFPs and Rolling Sales Postings;
- Preparation of guidelines for disposition of city-owned property;
- Applying additional conditions or requirements to individual properties as needed;
- Review of proposals for acquisition of city-owned property;
- Establishment of minimum bid prices, where applicable.

This group will inventory and classify properties in one of six (6) ways:

- (1) Retain property for future disposition;
- (2) Designate property for conveyance for specific public or non-profit use (such as public facilities, charter schools, community gardens and parks, special needs housing);
- (3) Designate for sale through RFP process;
- (4) Designate for sale through Rolling Sale process;
- (5) Designate to specific redevelopment project;
- (6) Designate for sale through Auction.

3. Disposition Process

When the City does not choose to retain property for either future disposition or for a specific use, that property will go through one of the following disposition processes. These processes are consistent with the Local Redevelopment and Housing Law (N.J.S.A. 40A:12-1 et. seq.) and will be implemented to effectuate the rehabilitation and improvement of properties in conjunction with an adopted ward redevelopment plan. Ten percent (10%) of all land sale proceeds will be deposited into the City of Newark Affordable Housing Trust Fund.

(I) General Principles

In the absence of compelling community benefits, properties will be sold for fair-market value. However, the PDWG may determine that a property may be sold for less than fair-market value when the proposed use of the property provides significant, visible community benefits. Such community benefits include, but are not limited to:

- Development of deed restricted affordable and/or workforce housing in residential projects.
- Anticipated high level of job generation or retention created by end user in non-residential projects.
- Commitment to use of MWBE and/or local contractors, sub-contractors, and suppliers. For guidelines about qualifications for MWBE status, please see Appendix I.
- Commitment to hiring of Newark residents, including ex-offenders, and/or minorities during the development process, and commitment to first source local hiring by end user of property (for non-residential projects).
- Commitment to union labor.
- Advanced energy efficiency and environmentally sustainable building principles and practices.

Purchasers must meet certain threshold criteria set by the City and agree to adhere to development standards and conditions established by the City. The following will be required of all potential purchasers:

- Purchasers must have a favorable history of development if they have previously purchased City-owned property. The buyer may not own undeveloped or under-developed parcels of land or buildings previously purchased from the City of Newark, unless that land or building is actively being developed pursuant to a schedule approved by the City. For LLC's, partnerships and/or corporations, no member of the LLC, partnership, or corporation may own such undeveloped land.
- If an LLC, partnership and/or corporation is the proposed buyer, the LLC, partnership and/or corporation and each member thereof must be in good standing in its location of incorporation/creation.
- The proposed project must enhance the urban fabric of the neighborhood.
- The proposed project must be compatible with relevant and recognized neighborhood, ward and citywide plans. In addition, projects must adhere to design guidelines, outlined in Appendix II.
- The purchaser must have experience proportionate to the size and complexity of the proposed project.
- Each newly constructed residential unit must be Energy Star certified
- The potential purchaser must have no current outstanding housing code violations in the City of Newark. For LLC's, partnerships and/or corporations, current housing code violations must not be associated with any of the members of the LLC, partnership, or corporation.
- Potential purchasers must not have a history of persistent housing code violations in the City of Newark. For LLC's, partnerships and/or corporations, a history of housing code violations must not be associated with any of the members of the LLC, partnership, or corporation.
- The potential purchaser must not be in tax arrears on any real estate owned in the City of Newark (unless such arrearage is the subject of appeal and, in the sole discretion of the City, the purchaser is likely to prevail) or have owned property that has been foreclosed by the City for failure to pay taxes or fees within the last five (5) years.

Before conveyance of City of Newark land, the proposed purchaser must provide the following, if applicable:

- 30% complete construction drawings for the renovation or construction of the Property;
- A timeline for development, identifying predevelopment, construction and sales/rental milestones;
- A fully executed construction contract for the complete renovation or construction of the Property in accordance with the approved construction drawings and timeline;
- Demonstrated personal financial capacity or loan commitments in amounts sufficient to complete the renovation or construction of the Property in accordance with the construction drawings and timeline.
- Favorable design review by the City of Newark Planning Division staff;
- Site plan approval by the City of Newark Planning Board; and
- Board of Adjustment approval of requested zoning variance (if applicable);
- Landmarks and Historic Preservation Commission approval (if applicable).

The selected bidder will have no more than ninety (90) days following City Council approval and final notice of selection to provide the above information, unless otherwise agreed to by the City. Failure to provide adequate information within this timeframe will result in forfeiture of the bidder's non-refundable deposit and the property will return to the land disposition process. The City may consider whether delays resulting from site plan or zoning variance approval warrant an extension of time, if in the City's sole judgment the delays could not be avoided.

Properties made available for sale by the City are generally properties that have been acquired through tax foreclosure. Properties may be redeemed prior to resale or may be otherwise unavailable for conveyance. The City reserves the right to remove properties from the list at any time prior to closing.

Developers that purchase properties from the City must adhere to development timelines as submitted by the developer and accepted by the City. City property conveyed must not be used for "land banking" or land speculation. The City will aggressively enforce development timelines and failure to meet milestones will subject the properties to reversion back to the City.

(II) Sale through Request for Proposal (RFP) process

The RFP process may be used for disposition of industrial or commercial properties with dimensions greater than thirty-five feet by one-hundred feet (35' x 100'), properties suitable for multifamily residential development of more than twelve (12) units, or any other property the PDWG identifies as being unique or particularly important. In addition, the City may utilize the RFP process for targeted neighborhood areas where there is a high concentration of vacant property and/or potential for focused neighborhood revitalization efforts. RFP's will be advertised through local newspapers, posted on the City website, and available at the City's Division of Property Management.

Each RFP will include requirements and objectives for the property's future use and development. All proposals must include:

- Project concept designs;
- Summary of development program;
- Development team organization;
- Development methodology; and
- Detailed proof of developers' financial capacity and experience necessary to complete their proposed project;
- A timetable for development, and financial projections for the project, including Sources and Uses, and an operating pro-forma.

Once the deadline for submitting proposals has passed, the PDWG will convene to review the proposals. Various criteria will be weighed to evaluate proposals, including, but not limited to, the following:

- Type of proposed development;
- Quality of proposed development;
- Extent of ownership of adjacent sites and quality of urban design;
- Timing of the development;
- Financial feasibility of the proposed project;
- Demonstrated capacity of developer to complete proposed development;
- Proposed purchase price; and
- Some or all of community benefit criteria as laid out in subsection 3(I), including the creation of deed restricted affordable and/or workforce housing.

(III) Sale through Rolling Sale process

The majority of properties will be sold through the Rolling Sale process, including properties suitable for multifamily residential development of twelve (12) units or less and industrial or commercial properties with dimensions no greater than thirty-five feet by one-hundred feet (35' x 100'). Most vacant properties sold through Rolling Sale will be offered in clusters of between five (5) and ten (10) properties. The City will accept proposals for a single property within a cluster though will favor proposals for redevelopment of full clusters. Structures for rehabilitation will generally be offered individually.

For residential projects, a minimum of twenty percent (20%) of units developed must be deed-restricted affordable to low or moderate-income households. In the alternative, the City may specify that for certain clusters of properties 100% of homes constructed are to be sold as "workforce housing" at prices that are based on the actual cost of construction (including a restricted developer fee) and are to be sold for no more than an amount that is affordable to a family with income less than 120% of Area Median Income. For such clusters that are limited to the construction of workforce housing, the City may fix the sale price of the land.

In the Rolling Sale process, unlike in the RFP process, developers will not be required to provide detailed financials or detailed designs until after their proposal has been chosen.

Properties identified by the Property Disposition Working Group will be posted in at least one local newspaper, on the City's website, and at the Division of Housing and Real Estate/Property Management Office. These postings will provide general City-mandated restrictions and requirements for the property's future use and development. Certain properties may have specific requirements attached, based on the unique character of the property or other City plans and goals. Properties will be posted for a minimum of three (3) weeks.

Following the submission period, the PDWG will convene to review the proposals. The same policy criteria used to select a proposal from the RFP process will be employed in selecting rolling sales proposals. The bid cycle will be repeated quarterly or depending on need.

(IV) Sale for Specific Redevelopment Projects

The City may retain and assemble certain properties for redevelopment projects. These properties may be sold on a negotiated basis to a developer under the following special conditions:

- The developer has in the development pipeline a project that preexists the current Land Disposition policy; or
- The developer is exceptionally qualified to carry out the project, based on criteria such as financial strength and demonstrated experience in executing successful development projects, or the developer demonstrates other compelling circumstances and is approved by the impartial review panel described below; and
- The developer must own or have under contract at least 40% of the proposed development area and must submit a concept plan and development program showing the intent of the redevelopment;

(V) Sale through Auction

Auction sales will generally be limited to an auction of unbuildable parcels within otherwise fully or largely developed areas. These parcels will be sold by special auction to contiguous property owners. Owners seeking contiguous lots must demonstrate that their property is currently occupied, current in taxes and free of significant code violations, and must submit a proposal describing how they will use the contiguous lot, and adhere to landscaping, fencing, sidewalk and other standards established by the city. Parcels that are in themselves unbuildable but are located in close proximity to other vacant or underutilized parcels, or that are likely to be buildable through variance, will not as a rule be sold to contiguous owners, but may be reserved by the City.

4. Impartial External Review Panel

The PDWG will forward its recommendations to an impartial external review panel to be designated by the Deputy Mayor. The panel will provide oversight regarding the fulfillment of the disposition procedures and protocols.

5. Third-party Intermediary

The City may elect to utilize the assistance of a third-party intermediary selected by the City to ensure compliance with the terms, conditions, design standards, and development timelines of any development proposals submitted to the city. The intermediary may establish fees to be charged to the project to cover services performed. The intermediary may take title on behalf of the city, prior to full conveyance to the developer and completion of all developer requirements.

6. Appraisal (where applicable)

Appraisals will generally not be required for properties sold through rolling sales, but may be used in certain instances. Appraisals will be used to establish price for Contiguous Owner sales. Appraisers will be selected by the City, and the cost of the appraisal will be added to the purchase price.

7. Occupied Buildings

Buyers proposing to rehabilitate an existing occupied residential structure must make best efforts to avoid permanent displacement of tenants. If displacement is necessary for rehabilitation to take place, the buyer may be responsible for providing relocation assistance.

8. Holding and interim use

The City may decide to hold onto certain properties for an indeterminate amount of time. This will typically be done with properties having the potential to be part of a future, larger assemblage. Where appropriate, the City will make such properties available for interim uses.

Proposals for these interim uses should contain the following information:

- The qualifications and interest of the applicant. The applicant may be a non-profit entity, either acting directly or acting as sponsor for a neighborhood, block group, or group of residents. A resident or locally based business may also apply, on its own behalf or as a sponsor;
- The proposed use or uses of the property; and
- A plan for the improvement and maintenance of the property, including identification of the financial resources needed to carry out the plan.

Interim use agreements for nonprofit purposes shall generally be leases for a nominal sum. Agreements for businesses or for-profit use shall be based on appraised value or market-based comparable rents. The lease shall provide, and the lessee shall formally acknowledge, that the lease is for an interim use and that the City may at its sole discretion choose not to renew the lease and may terminate during the lease term on reasonable notice.

Appendix I

Minority or Women Owned Business Enterprise (“MWBE”) Guidelines

Businesses that are certified as a Minority or Woman-Owned Business Enterprise by one of the below-identified governmental agencies will be considered an MWBE for the purpose of the City of Newark’s land disposition policy:

- New Jersey Transit
- New Jersey Department of Transportation
- New Jersey Department of Commerce
- New Jersey Department of Economic Development
- Port Authority of New York and New Jersey

Appendix II Residential Design Guidelines

1. Unless otherwise indicated, all properties sold through the rolling sale and Request for Proposals processes are subject to site plan review and approval by the Newark Central Planning Board.
2. All projects shall be reviewed by Newark planning staff and shall be subject to comments regarding design.
3. All new construction shall comply with the provisions of the Newark Master Plan and the Newark Ward Redevelopment Plan as well as the provisions in this rolling sale or Request for Proposals.
4. Project shall meet the Mandatory Minimum Design and Construction Standards for Home Construction, dated March 2005 (and as may be revised from time to time and subject to Division of Planning and Community Development staff review.)
5. All new construction projects shall reference and comply with the proposed "Transforming the Bayonne Box into a New House for Newark: Infill Housing Design Standards." These standards shall become amendments to the Newark Zoning Ordinance and the Newark Ward Redevelopment Plans.
6. Landscaping with urban resistant species must be provided for all properties. Street trees must be planted at intervals of 30-40 feet depending on the species planted. Ornamental tree species that do not reach more than 30 feet in height at maturity shall not be used in tree pits.
7. Additional Standards:
 - a. All commercial structures and mixed use structures with ground floor retail shall have a zero lot line setback and shall not have front yard parking.
 - b. All rehabilitation shall be sensitive to the original architecture of the structure. For properties to be rehabilitated, the percentage of window glazing should not be reduced.
 - c. For all retail structures, the façade shall be 70% clear glazing at the street facing first floor façade.
 - d. For all retail structures, 70% of a proposed security gates shall be transparent open mesh.
8. The City reserves the right to impose additional design guidelines. Such guidelines will be provided to potential purchasers of City-owned land as soon as is practicable.