

Request to Sell Residential Properties Acquired Via The Tax Enforcement Act Through Licensed Realtor

ISSUE

The City of Saskatoon (City) currently has 11 residential properties for sale that were obtained through *The Tax Enforcement Act* (TEA). Some of these properties have been available for over-the-counter purchase through Saskatoon Land's website for several years after their initial public sale offering as per the requirements of the TEA. With minimal interest in these properties, the number of TEA properties available for purchase continues to grow. This report requests Committee approval to obtain the services of a Licensed Realtor or Brokerage to market and advertise tax title properties on the Multiple Listing Services (MLS) Realtor.ca website.

RECOMMENDATION

1. That the Administration be authorized to secure a Licensed Realtor for a term of one-year to list and advertise residential properties obtained through *The Tax Enforcement Act* when a property remains unsold after being tendered and made available for sale over-the-counter for 3 months;
2. That the Administration be authorized to pay a commission rate on the sale of the residential tax enforcement properties described in this report as an exception to Council Policy C09-015 – Real Estate Commissions – Sale of City-owned Land; and
3. That the City Solicitors be requested to prepare and/or review the appropriate agreements and that the Real Estate Manager be authorized to execute the agreements.

BACKGROUND

When selling lands obtained through the TEA, the City is required to first offer the properties for sale either by public auction or tender by sealed bid. Should the properties remain unsold via this process, the TEA permits Administration to sell the properties at "the best price available". As such, Saskatoon Land continues to offer the properties for sale over-the-counter and is able to accept reasonable offers. The City currently has 11 tax title properties available to purchase over the counter (see Appendix 1), some of which have been available for purchase for several years.

DISCUSSION/ANALYSIS

The tax title properties the City currently has in inventory are unique from Saskatoon Land's typical inventory of residential lots as they are located primarily in established neighbourhoods. For this type of property, Administration feels engaging the services of a Licensed Realtor and having the agent list the property for sale on the MLS system will increase exposure and help generate sales.

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Section 3.1 of Council Policy C09-015 – Real Estate Commissions – Sale of City-owned Land states that no real estate commission is paid on the sale of residential zoned land; however, the section goes on to state:

“Notwithstanding the foregoing, the City has the right to use alternate commission rates for any specific City-owned properties that are offered to the market and/or engage the services of a Licenced Real Estate Brokerage firm to assist in marketing City-owned land. Alternate commission rates and the engagement of a licenced brokerage firm will be considered and approved by the Standing Policy Committee on Finance.”

Administration intends to issue a Request for Proposals (RFP) to secure a Licensed Realtor, on a one-year contract, which would list the 11 tax title properties for sale. An RFP is seen as preferable to a Request for Quotations (RFQ) in this instance as it allows Saskatoon Land to evaluate responses based on metrics other than their fee for service—which is anticipated to be relatively competitive. The successful agent would list the 11 tax title properties currently in the City’s inventory, as well as any other properties obtained through the TEA within the next year after they pass through the initial public sale offering and remain unsold after being available for over-the-counter purchase for a minimum of three months. The Realtor would bring any offers made on the properties to Saskatoon Land. If the offer is reasonable and accepted by the City, a commission would be paid upon closing of the sale with a purchaser.

Although there is no “standard” commission rate on residential real estate sales, common rates charged are as follows; 6% on the first \$100K of sale price, 4% on the amount from \$100K - \$200K, and 2% on the balance above \$200K. Commissions are often split equally between the seller’s agent and buyer’s agent (i.e., 3%/2%/1% each). As only one of the tax titles properties currently listed for sale is more than \$100K, we are proposing to pay the buyer’s agent 3% of the final sale price of each property. Also, since we are looking for a single agent to list all 11 properties, we propose to structure the RFP in a manner that allows the selling agent to propose what rate they are willing to accept in the sale of each property and anticipate agents may propose lower than “standard” rates for the opportunity to list all 11 properties. As such, the overall rate we would be offering in the sale of each property is currently unknown but in no event would the rate be higher than 6% of the sale price of a property.

FINANCIAL IMPLICATIONS

In the event of a sale, commissions would be paid from the sale proceeds. Currently, the cumulative list price of the 11 properties is \$767,500, thus, at a maximum commission rate of 6%, the total commissions paid if all properties were to sell would be \$46,050 plus applicable taxes.

The sale of TEA properties is advantageous as ongoing maintenance costs (snow clearing, vegetation control, refuse removal, etc.) associated with the property are eliminated and the properties also generate tax revenue for the City upon the transfer of title.

OTHER IMPLICATIONS

There are no privacy, legal, social, or environmental implications identified.

NEXT STEPS

If approved, Saskatoon Land would enter into an exclusive listing agreement with the successful Realtor/Brokerage for each tax title property. Upon expiration of the one-year listing term, any unsold properties would be available to purchase “over-the-counter”, or Administration may desire to list the properties for sale through another publicly procured Licensed Realtor.

APPENDICES

1. Current List of Tax Title Properties for Sale

REPORT APPROVAL

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