Mayor and Council
Executive Session and Work Session
December 10, 2019
Agenda

"The City of Hagerstown will promote a diverse, business-friendly, and sustainable community with clean, safe, and strong neighborhoods."
"The City of Hagerstown shall be the model provider of the most efficient and highest quality customer services to be known as the municipal location of choice for all"

"We must use time wisely and forever realize that the time is always ripe to do right." - Nelson Mandela

EXECUTIVE SESSION

3:00 PM 1. Executive Session

4:00 PM WORK SESSION

1. Proclamation: Historic Houses of Worship Tour – *Pat Kelley, Representative of Hagerstown Religious Council*

4:05 PM 2. Preliminary Agenda Review

4:15 PM 3. FY19 Comprehensive Annual Financial Report (CAFR) – *Michelle Hepburn, Director of Finance*

4:35 PM 4. Proposed Community Development Block Grant (CDBG) Action Plan Amendment for Reallocation of FY20 CDBG Funds – *Jonathan Kerns, Community Development Manager, and Rodney Tissue, City Engineer*

4:45 PM 5. Update and Next Steps for Vacant/Abandoned/Cyclical Tax Sale Properties Initiative – *Jonathan Kerns, Community Development Manager*

CITY ADMINISTRATOR'S COMMENTS

MAYOR AND COUNCIL COMMENTS

ADJOURN

REQUIRED MOTION
MAYOR AND CITY COUNCIL
HAGERSTOWN, MARYLAND

Topic:
Executive Session

Mayor and City Council Action Required:

Discussion:

Financial Impact:

Recommendation:

Motion:

Action Dates:

REQUIRED MOTION
MAYOR AND CITY COUNCIL
HAGERSTOWN, MARYLAND

Topic:
Proclamation: Historic Houses of Worship Tour – *Pat Kelley, Representative of Hagerstown Religious Council*

Mayor and City Council Action Required:

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Action Dates:

REQUIRED MOTION
MAYOR AND CITY COUNCIL
HAGERSTOWN, MARYLAND

Topic:
Preliminary Agenda Review

Mayor and City Council Action Required:

Discussion:

Financial Impact:

Recommendation:

Motion:

Action Dates:

REQUIRED MOTION
MAYOR AND CITY COUNCIL
HAGERSTOWN, MARYLAND

Topic:
FY19 Comprehensive Annual Financial Report (CAFR) – *Michelle Hepburn, Director of Finance*

Mayor and City Council Action Required:

Discussion:

Financial Impact:

Recommendation:

Motion:

Action Dates:

ATTACHMENTS:

File Name	Description
Memo_for_FY_19_CAFR_Presentation.docx.pdf	FY19 Memo for CAFR and Audit
FY19_City_of_Hagerstown_Audit_Presentation.pdf	FY19 Audit Presentation

CITY OF HAGERSTOWN, MARYLAND

Finance Department

TO:	Mayor & Council Members Scott Nicewarner, City Administrator
FROM:	Michelle Hepburn, Director of Finance
SUBJECT:	FY19 Comprehensive Annual Financial Report (CAFR)
DATE:	December 10, 2019

The Finance Department will be joined by our independent auditing firm, SB & Company, LLC to present the City's Comprehensive Annual Financial Report (CAFR) for FY19. The presentation will provide an overview of SB & Company, LLC's comments and recommendations for our FY19 financial statements audit.

The preparation of this report would not have been possible without the dedicated efforts of the entire Finance Department.

The copies of the FY19 CAFR were distributed in early November and you can find a copy of the FY19 CAFR electronically on the City's website (www.hagerstownmd.org).

City Hall • One East Franklin Street • Hagerstown, MD 21740

301-766-4160

FAX 301-733-1205

SB & COMPANY, LLC

KNOWLEDGE · QUALITY · CLIENT SERVICE

Presentation to the City Council

December 10, 2019

AGENDA

1. Introductions
2. Executive Summary
3. Audit Approach
4. Audit Results
5. Required Communications
6. Meeting Your Expectations

Introductions

INTRODUCTIONS

SB & Company, LLC

- William Seymour, Client Service Partner
- Chris Lehman, Engagement Partner

Executive Summary

SCOPE OF SERVICES

- Audit of the June 30, 2019, financial statements
- Performance of Uniform Guidance Single Audit
- Review of Uniform Financial Report
- Review of Data Collection form
- Available for year-round consultation

SUMMARY OF THE RESULTS

- Issued an unmodified opinion on the financial statements
- Discovered no instances of fraud
- Discovered no material weakness in internal controls
- Received full cooperation from management
- Results:

	2019	2018	2017
Changes in Net Position	**$ 4,794,879**	$ 4,462,180	$ 1,637,942
Net Position	**$ 199,634,199**	$ 194,839,320	$ 221,243,515

- Audit journal entries
  - No Audit journal entries noted

Audit Approach

FORCAM Audit Approach

Focus on Risk, Controls, and Account Misstatement

Assessment of Control Environment

Area	Points to Consider	Our Assessment
Control Environment	▪ Key executive integrity, ethical, and behavior ▪ Control consciousness and operating style ▪ Commitment to competence ▪ Board's participation in governance and oversight ▪ Organizational structure, responsibility, and authority ▪ HR policies and procedures	Effective
Risk Assessment	▪ Mechanisms to anticipate, identify, and react to significant events ▪ Processes and procedures to identify changes in GAAP, business practices, and internal control	Effective
Information & Communication	▪ Adequate performance reports produced from information systems ▪ Information systems are connected with business strategy ▪ Commitment of HR and finance to develop, test, and monitor IT systems and programs ▪ Business continuity and disaster recovery for IT ▪ Established communication channels for employees to fulfill responsibilities ▪ Adequate communication across organization	Effective
Control Activities	▪ Existence of necessary policies and procedures ▪ Clear financial objectives with active monitoring ▪ Logical segregation of duties ▪ Periodic comparisons of book-to-actual and physical count-to-books ▪ Adequate safeguards of documents, records, and assets ▪ Assess controls in place	Effective
Monitoring	▪ Periodic evaluations of internal controls ▪ Implementation of improvement recommendations	Effective

Evaluation of Key Processes

Process	Function	A	B	C	D	Our Assessment
Treasury	• Cash Management • Investment Monitoring • Investment Policy • Investment Accounting • Investment Valuation • Reconciliation	✓	✓	✓	✓	Effective
Estimation	• Methodology • Information • Calculation	✓	✓	✓		Effective
Financial Reporting	• Accounting Principles and Disclosure • Closing the Books • Report Preparation • General Ledger and Journal Entry Processing • Verification and Review of Results	✓	✓	✓		Effective
Expenditures	• Purchasing • Receiving • Accounts Payable and Cash Disbursement	✓	✓	✓	✓	Effective

A	Understand the Process
C	Walk-through

B	What Can Go Wrong?
D	Test of Controls/Substantive

Evaluation of Key Processes (continued)

Process	Function	A	B	C	D	Our Assessment
Payroll	• Attendance Reporting • Payroll Accounting and Processing • Payroll Disbursements	✓	✓	✓	✓	Effective
Revenue	• Billing • Cash Receipts • Revenue Recognition • Cutoff	✓	✓	✓	✓	Effective
Fixed Assets	• Physical Custody • Asset and Construction in Process Accounting • Report Preparation	✓	✓	✓	✓	Effective

A	Understand the Process
C	Walk-through

B	What Can Go Wrong?
D	Test of Controls/Substantive

Audit Results

FINANCIAL STATEMENT HIGHLIGHTS

	Governmental Activities			Business-type Activities		
	2019	**2018**	**2017**	**2019**	**2018**	**2017**
Current and other assets	**$ 36,100,964**	$ 30,416,839	$ 31,813,088	**$ 44,549,690**	$ 44,889,474	$ 43,055,246
Capital assets	**84,100,043**	84,153,136	85,329,222	**201,017,529**	196,221,106	199,299,441
Total assets	**120,201,007**	114,569,975	117,142,310	**245,567,219**	241,110,580	242,354,687
Deferred outflows	**5,439,875**	4,631,507	3,330,318	**1,944,490**	1,640,604	2,243,526
Long-term liabilities outstanding	**82,329,480**	81,162,201	61,457,472	**60,975,530**	62,588,442	60,740,922
Other liabilities	**11,012,353**	8,658,162	8,206,723	**16,068,554**	12,463,024	12,924,575
Total liabilities	**93,341,833**	89,820,363	69,664,195	**77,044,084**	75,051,466	73,665,497
Deferred inflows	**2,423,082**	1,370,807	269,540	**709,393**	870,710	228,094
Net position						
Net investment in capital assets	**66,784,135**	66,650,974	66,954,557	**154,076,731**	146,353,536	145,943,803
Restricted	**11,549,646**	9,650,397	9,737,523	**-**	-	-
Unrestricted	**(48,457,814)**	(48,291,059)	(26,153,187)	**15,681,501**	20,475,472	24,760,819
Total Net Position	**$ 29,875,967**	$ 28,010,312	$ 50,538,893	**$ 169,758,232**	$ 166,829,008	$ 170,704,622

FINANCIAL STATEMENT HIGHLIGHTS (CONTINUED)

	Governmental Activities			Business-type Activities		
	2019	2018	2017	2019	2018	2017
REVENUES						
Charges for current services	**$ 9,038,555**	$ 8,760,431	$ 8,083,947	**$ 52,589,568**	$ 51,159,561	$ 49,083,641
Operating grants and contributions	**3,061,406**	1,554,570	1,783,552	**750,196**	5,616	44,502
Capital grants and contributions	**845,126**	1,236,493	1,315,570	**2,568,732**	1,449,023	2,136,516
Property taxes	**32,047,754**	29,674,582	28,882,713	**-**	-	-
Income and other taxes	**5,735,651**	5,057,155	5,317,337	**-**	-	-
Miscellaneous	**932,282**	426,095	348,555	**409,075**	265,658	201,269
Total Revenues	**$ 51,660,774**	$ 46,709,326	$ 45,731,674	**$ 56,317,571**	$ 52,879,858	$ 51,465,928
EXPENSES						
General government	**$ 10,613,252**	$ 8,627,247	$ 9,562,623	**$ -**	$ -	$ -
Public safety	**24,243,025**	25,773,111	24,950,023	**-**	-	-
Highways and streets	**3,258,426**	2,791,282	2,650,626	**-**	-	-
Waste, collection and disposal	**2,562,226**	2,293,396	2,021,510	**-**	-	-
Culture and recreation	**3,090,190**	3,005,649	2,948,143	**-**	-	-
Economic and community development	**4,757,014**	3,204,744	3,393,612	**-**	-	-
Interest on long-term debt	**615,223**	622,454	628,301	**-**	-	-
Utilities and other proprietary funds	**-**	-	-	**54,044,110**	48,809,122	49,404,822
Total Expenses	**$ 49,139,356**	$ 46,317,883	$ 46,154,838	**$ 54,044,110**	$ 48,809,122	$ 49,404,822

SINGLE AUDIT RESULTS

Major Program		Expenditures
Community Development Block Grant (CFDA #14.218)	$	1,369,308
Total Expenditures of all Federal Awards	$	1,665,312
Percentage of Coverage of Audited Federal Grants		82%
No Single Audit findings		

The Single Audit, which encompasses both financial and compliance components, is required for entities that expend $750,000 or more of federal assistance received for its operations. It provides assurance to the US Federal government as to the management and use of such assistance.

Required Communications

REQUIRED COMMUNICATIONS

Auditor's Responsibilities Under Generally Accepted Auditing Standards (GAAS)	The financial statements are the responsibility of management. Our audit was designed in accordance with auditing standards generally accepted in the United States of America, and provide for reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. We were engaged to perform our audit in accordance with the standards of the accounting principles generally accepted in the United States of America.	
Significant Accounting Policies	Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by management are described in the notes to the financial statements.	
Auditor's Judgments About the Quality of Accounting Principles	We discuss our judgments about the quality, not just the acceptability, of accounting principles selected by management, the consistency of their application, and the clarity and completeness of the financial statements, which include related disclosures.	*We have reviewed the significant accounting policies adopted by the City and have determined that these policies are acceptable accounting policies.*
Audit Adjustments	We are required to inform the City's oversight body about adjustments arising from the audit (whether recorded or not) that could in our judgment either individually or in the aggregate have a significant effect on the entity's financial reporting process. We also are required to inform the City's oversight body about unadjusted audit differences that were determined by management to be individually and in the aggregate, immaterial.	*There were no recorded or unadjusted audit adjustments for the City's audit.*

Required Communications

(continued)

Fraud and Illegal Acts	We are required to report to the City's oversight body any fraud and illegal acts involving senior management and fraud and illegal acts (whether caused by senior management or other employees) that cause a material misstatement of the financial statements.	*Our procedures identified no instances of fraud or illegal acts.*
Material Weaknesses in Internal Control	We are required to communicate all significant deficiencies in the City's systems of internal controls, whether or not they are also material weaknesses.	*We have not identified any material weaknesses in internal controls.*
Other Information in Documents Containing Audited Financial Statements	None.	
Disagreements with Management on Financial Accounting and Reporting Matters	None.	

REQUIRED COMMUNICATIONS
(CONTINUED)

Serious Difficulties Encountered in Performing the Audit	None.
Major Issues Discussed with Management Prior to Acceptance	None.
Management Representations	We received certain written representations from management as part of the completion of the audit.
Consultation with Other Accountants	To our knowledge, there were no consultations with other accountants since our appointment as the City's independent public accountants.
Independence	As part of our client acceptance process, we go through a process to ensure we are independent of the City. We are independent of the City.

Required Communications (continued)

Our Responsibility Related to Fraud

- Comply and perform the audit to obtain reasonable assurance that there is no material misstatement caused by error or fraud;
- Comply with GAAS AU-C 240 “Consideration of Fraud in a Financial Statement Audit”;
- Approach all audits with an understanding that fraud could occur in any entity, at any time, by anyone; and
- Perform mandatory procedures required by GAAS and our firm policies.

Examples of Procedures Performed

- Discuss thoughts and ideas in areas where the financial statements might be susceptible to material misstatement due to fraud;
- Understand pressures on the financial statement results;
- Understand the tone and culture of the organization;
- Look for unusual or unexpected transactions, relationships, or procedures;
- Discussions with individuals outside of finance;
- Evaluate key processes and controls; and
- Consider information gathered throughout the audit.

RESPONSIBILITY FOR MITIGATING FRAUD

Management:

- CFO/Controller: controls to deter and detect fraud
- General Counsel/Compliance: monitoring

External Auditor:

- Evaluate management programs and controls to deter and detect fraud for identified risks
- Reasonable assurance that financial statements are free of material misstatement due to fraudulent financial reporting or misappropriation of assets
- Compliance with fraud standard (SAS 99)
  - Conversations with finance and operations personnel
  - Disaggregated analytics
  - Surprise audit procedures
  - Journal entry testing

Audit Committee:

- Evaluate management identification of fraud risk
- Evaluate implementation of fraud controls
- Reinforce “tone at the top”
- Conduct special investigations

Required Communications – Fraud

Opportunity	• Generally provided through weaknesses in internal control • Tone at the top is important • We assess controls and tone at the top
Pressure	• Pressure can be imposed due to economic troubles, personal vices and unrealistic deadlines and performance goals • There are increased pressures due to economy and minimal salary increases
Rationalization	• Individuals develop a justification for their fraudulent activities • Increased rationalization due to minimal salary increases and less personnel

Meeting Your Expectations

SBC's Service Pledge to You

We will consistently deliver a **Quality Product** and **Quality Service** so that we have the opportunity to establish a **Quality Relationship** with you, allowing us to provide you with **Quality Knowledge** for your continual success. Only after we have provided you with the knowledge that enables your business to grow and prosper, we have ***hit the bullseye!***

Our commitment to you is the execution of our **Bullseye Philosophy.** We execute this philosophy for every client, on every engagement, *every time*.

ENGAGEMENT TEAM CONTACT INFORMATION

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Client Service Partner

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SB & COMPANY, LLC

KNOWLEDGE • QUALITY • CLIENT SERVICE

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Philadelphia, PA 19102
215.665.5749

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Suite 410
Richmond, VA 23230
804.441.6000

South Florida Office:
4000 Hollywood
Suite 555-S
Hollywood, FL 33021
954.843.3477

REQUIRED MOTION
MAYOR AND CITY COUNCIL
HAGERSTOWN, MARYLAND

Topic:

Proposed Community Development Block Grant (CDBG) Action Plan Amendment for Reallocation of FY20 CDBG Funds – *Jonathan Kerns, Community Development Manager, and Rodney Tissue, City Engineer*

Mayor and City Council Action Required:

Staff request Mayor & City Council approval to amend the Community Development Block Grant (CDBG) FY20 Action Plan. The amendment is required for recommended reallocation of available CDBG funding budgeted for current fiscal year projects that remain in the conceptual phase and/or current fiscal year projects that will not move forward. The proposed amendment will reallocate CDBG funding to three projects: Medal of Honor Triangle Improvements, City Park Upper Parking Lot Reconstruction, and Mitchell Avenue Underpass Improvements.

Discussion:

Due to CDBG regulatory requirements related to timely expenditure of CDBG funds, staff perform periodic reviews of the CDBG budget each fiscal year to determine if funding from existing CDBG activities should be reallocated. This often occurs when a CDBG project or activity has been underutilized, completed under budget, and/or delayed within the planning phase. If funds are available from such activities, CDBG regulations typically require an amendment to reallocate the remaining CDBG funds to different activities. After a recent review of the CDBG budget, it is recommended that a total of $300,000 in FY20 CDBG funding be reallocated to different CDBG projects. $200,000 of CDBG funding is available from the Neighborhood Parks line item due to the proposed Splash Pad project timeline being shifted into the next fiscal year. $100,000 of CDBG funding is available from the Public Facilities Loan line item as it is now projected that no eligible public facility loans will occur in the current fiscal year.

Next Steps

Amending the CDBG Action Plan involves routine processes typically handled by staff. The amendment for this current case will also require Mayor & City Council approval since multiple activities are receiving reallocated funding in excess of $25,000.

The CDBG amendment for these reallocations is scheduled for Mayor & City Council approval during the December 17th Regular Session. Staff will be available to answer any questions or concerns on recommended reallocations described above.

Financial Impact:

Proposed Reallocation of FY2020 CDBG Funding

A breakdown of the available Neighborhood Parks funding and Public Facilities Loan funding, along with proposed uses of reallocated funding, is shown below.

CDBG Neighborhood Parks Currently Available Budget - $355,000

This funding was allocated for the following projects:

· $30,000 for ADA compliant walking paths in Hager Park – Project on schedule for early 2020

· $125,000 for City Park upper lot reconstruction/accessibility improvements – Project on schedule for early 2020

· $200,000 for a Splash Pad Park – Project remains in planning phase and projected timeline for location, concept design, and groundbreaking has shifted to next fiscal year 2021

CDBG Public Facility Loans Currently Available Budget - $100,000

Funding was allocated for *potential* loans to be made available for non-profit organizations needing construction and/or rehabilitation funding. No eligible public facility loans are expected this fiscal year.

Recommended Reallocation of $300,000 CDBG Funds

· Reallocate $125,000 of CDBG funding to an existing CDBG funded project - City Park upper lot reconstruction/accessibility improvements. This will result in a fully CDBG-funded project budget of $250,000 to construct a 44-space paved, striped, landscaped and lit parking area. This reallocation will also allow $125,000 of State Aid funding (originally allocated to the City Park Parking lot project) to be shifted to the Wesel Blvd expansion/widening project.

· Reallocate $150,000 of CDBG funding to a new CDBG funded project– Mitchell Avenue underpass signal and improvements. This will result in a total CDBG project budget of $150,000 to install a traffic signal at each side of this railroad overpass to eliminate the need to “sound horn” when entering the overpass. The work would also include lighting upgrades and possibly painting the overpass walls. This improvement was requested by area residents during previous meetings of the West End Neighborhoods 1st group.

· Reallocate an additional $25,000 of CDBG funding to an existing CDBG funded project – Medal of Honor Triangle improvements. This will result in a total CDBG project budget of $95,000 to relocate and upgrade plaques and signs, provide small seating bench, provide small plaza area, and update and improve the landscaping and add seasonal color.

All three of these projects are expected to break ground in spring or early summer of 2020.

Recommendation:

Motion:

Action Dates:

ATTACHMENTS:

File Name	**Description**
121019_CDBG_Reallocation_FY20.pdf	Memo CDBG Reallocation

CITY OF HAGERSTOWN, MARYLAND
Department of Community and Economic Development

To: Scott Nicewarner, City Administrator

From: Jonathan Kerns, Community Development Manager
Rodney Tissue, City Engineer

Date: December 4, 2019

RE: Proposed CDBG Action Plan Amendment for Reallocation of FY20 CDBG Funds

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Mayor & Council Action Requested:

Staff request Mayor & City Council approval to amend the Community Development Block Grant (CDBG) FY20 Action Plan. The amendment is required for recommended reallocation of available CDBG funding budgeted for current fiscal year projects that remain in the conceptual phase and/or current fiscal year projects that will not move forward. The proposed amendment will reallocate CDBG funding to three projects: Medal of Honor Triangle Improvements, City Park Upper Parking Lot Reconstruction, and Mitchell Avenue Underpass Improvements.

Background

Due to CDBG regulatory requirements related to timely expenditure of CDBG funds, staff perform periodic reviews of the CDBG budget each fiscal year to determine if funding from existing CDBG activities should be reallocated. This often occurs when a CDBG project or activity has been underutilized, completed under budget, and/or delayed within the planning phase. If funds are available from such activities, CDBG regulations typically require an amendment to reallocate the remaining CDBG funds to different activities.

After a recent review of the CDBG budget, it is recommended that a total of $300,000 in FY20 CDBG funding be reallocated to different CDBG projects. $200,000 of CDBG funding is available from the Neighborhood Parks line item due to the proposed Splash Pad project timeline being shifted into the next fiscal year. $100,000 of CDBG funding is available from the Public Facilities Loan line item as it is now projected that no eligible public facility loans will occur in the current fiscal year.

Proposed Reallocation of FY2020 CDBG Funding

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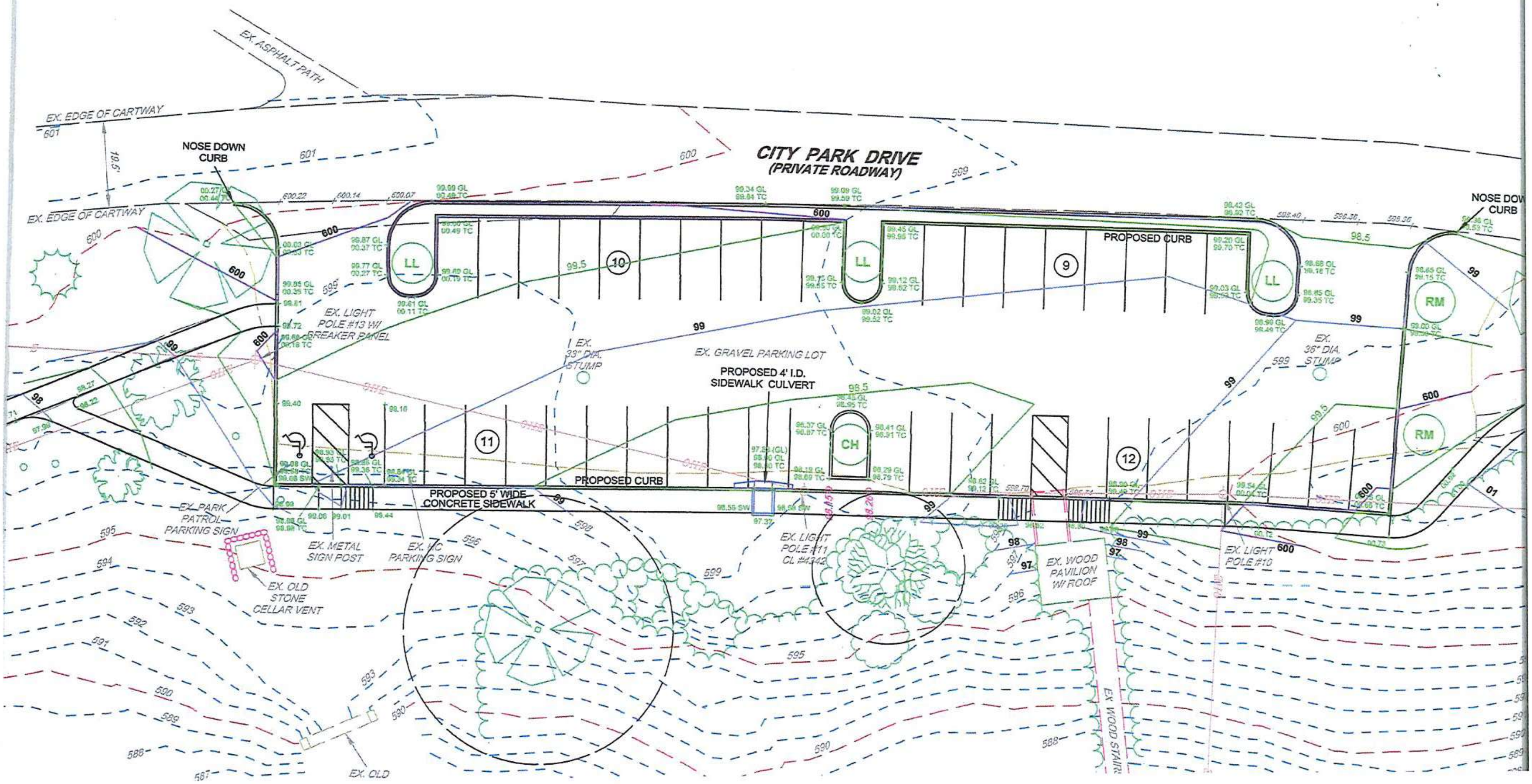
All three of these projects are expected to break ground in spring or early summer of 2020.

Next Steps
Amending the CDBG Action Plan involves routine processes typically handled by staff. The amendment for this current case will also require Mayor & City Council approval since multiple activities are receiving reallocated funding in excess of $25,000.

The CDBG amendment for these reallocations is scheduled for Mayor & City Council approval during the December 17th Regular Session. Staff will be available to answer any questions or concerns on recommended reallocations described above.

Attachments: Renderings of proposed conditions of each project

c. Jill Thompson, Director of Community and Economic Development
Michelle Hepburn, Director of Finance



CITY PARK DRIVE
(PRIVATE ROADWAY)
EX. EDGE OF CARTWAY
EX. EDGE OF CARTWAY
19.5'
EX. ASPHALT PATH
NOSE DOWN CURB
NOSE DOWN CURB
PROPOSED CURB
PROPOSED CURB
EX. GRAVEL PARKING LOT
PROPOSED 4' I.D. SIDEWALK CULVERT
PROPOSED 5' WIDE CONCRETE SIDEWALK
EX. 33" DIA. STUMP
EX. 36" DIA. STUMP
EX. LIGHT POLE #13 W/ BREAKER PANEL
EX. LIGHT POLE #11 CL #4242
EX. LIGHT POLE #10
EX. PARK PATROL PARKING SIGN
EX. METAL SIGN POST
EX. HC PARKING SIGN
EX. OLD STONE CELLAR VENT
EX. WOOD PAVILION W/ ROOF
EX. WOOD STAIRS
EX. OLD
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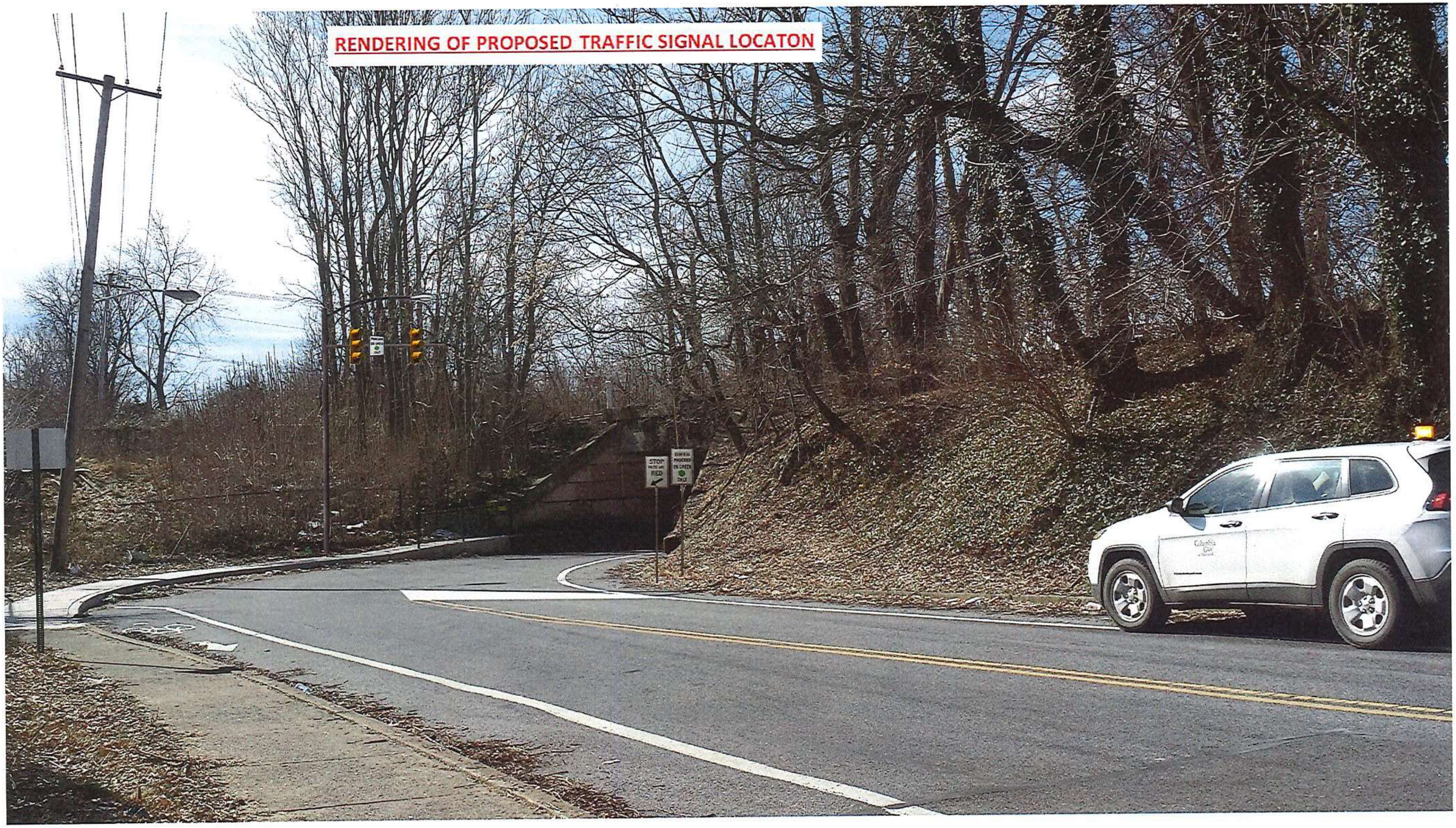

RENDERING OF PROPOSED TRAFFIC SIGNAL LOCATON


RENDERING OF PROPOSED TRAFFIC SIGNAL LOCATON
1917
STOP
HERE ON
RED

CONCEPT PLAN - MEDAL OF HONOR PARK

LEGEND

- A Existing Trees to Remain
- B Existing Focal Evergreen to Remain Until Overgrown & Replacement Needed
- C Existing Accent Trees to be Removed
- D Existing Crosswalk Location
- E Existing Bike Lane
- F Existing Parking
- G Existing Crosswalk Location - Potential to Relocate
- H Existing Plaque/Memorial Locations
- I Lawn Areas
- J Existing Walk
- K New Paver Plaza Area
- L Remove Existing Walk Connection - Relocate Plaques
- M Relocate & Consolidate Plaques/Memorials
- N Shrub/Lower Planting
- O Accent/Seasonal Planting
- P Seating/Bench Feature
- Q Park Signage Opportunities: Wall, Inlaid, Pin Off

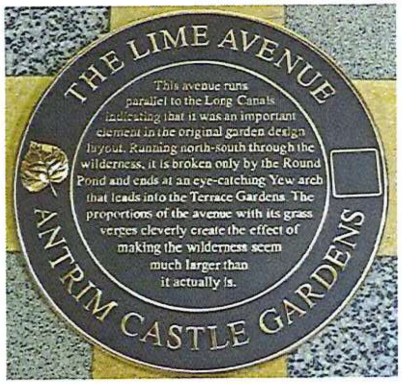
0 10 20 north

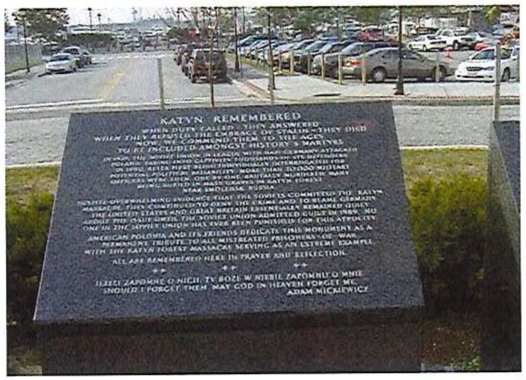
MAHAN RYKIEL ASSOCIATES INC

September 11, 2018

HAGERSTOWN, MARYLAND 1

CONCEPT PLAN - PRECEDENT





MAHAN RYKIEL
ASSOCIATES INC
September 11, 2018

REQUIRED MOTION
MAYOR AND CITY COUNCIL
HAGERSTOWN, MARYLAND

Topic:
Update and Next Steps for Vacant/Abandoned/Cyclical Tax Sale Properties Initiative – *Jonathan Kerns, Community Development Manager*

Mayor and City Council Action Required:

Discussion:
Staff request an opportunity to meet with the Mayor & City Council to provide an update on the proposed initiative to reduce the number of abandoned tax sale properties in the City of Hagerstown. This subject was initially discussed with the Mayor & City Council during a previous work session and also discussed during multiple joint meetings with the Board of County Commissioners.

Proposed Next Steps
The Mayor & City Council have directed City staff to move forward with officially creating a program to repurpose vacant and abandoned cyclical tax sale properties within the City of Hagerstown. City staff have worked closely with legal counsel on this initiative and per Jen Keefer, City Attorney, two legislative actions will be required for implementation of a Tax Sale Property Repurpose Program:
· Amendment to City Code – Adding a chapter in City Code to provide framework for the program
· Adopting an Ordinance- Establishing detailed program policy and procedures
At this time, staff and legal counsel have two working draft documents that require Mayor & Council review and feedback. The first document is the City Code amendment language to create the program framework and the second document is the program policy/procedural details for program execution. Both documents are attached to this memorandum.
The currently active Dorchester County Tax Lien Property Repurpose Program was used as a model for creating these draft documents. A clear distinction with the proposed program for the City of Hagerstown is the process of seeking a new property owner or property end user *prior* to city acquisition of a subject delinquent tax sale property. Highlights of the proposed process include the following:

· City Staff will identify targeted cyclical tax sale property or properties that are vacant/abandoned and <u>subject to multiple tax sales</u> without transfer of ownership
· City Staff and legal counsel will work to ensure targeted properties are not in the process of a sale or foreclosure
· Properties will be categorized as a buildable vacant lot, unbuildable vacant lot, lot with structure that requires demolition, or lot with structure that can be rehabilitated
· Mayor & City Council will be consulted prior to end user selection process
· City seeks adjacent property owners for unbuildable vacant lots

· City seeks housing based non-profit organizations for buildable lots or lots with structures requiring rehabilitation or demolition
· If no housing based non-profit organizations are identified, an RFP process will be utilized to seek developers for buildable lots or lots with structures requiring rehabilitation or demolition
· After identifying an end user that is approved by Mayor & City Council, City forecloses on a subject property and takes necessary steps to resell property to selected end user
· If demolition is required, the City demolishes property immediately while under City ownership and then transfers ownership to selected end user
· Delinquent City Tax amounts would likely need to be reduced or forgiven to make resale/reuse feasible and would be determined on a case-by-case basis
· Washington County taxes to also be reduced or forgiven to assist with program feasibility
· Previous property owner of record would remain liable for uncollected tax amounts and judgment is entered for any remaining delinquent taxes

After obtaining Mayor & City Council feedback on the proposed code amendment language and the proposed policy/procedure language, all necessary documents will be finalized to introduce and approve required legislation during a January Special Session and January Regular Session respectively. Once the legislation is finalized and approved by the Mayor & City Council, Staff would begin program implementation after the legislation becomes effective.

Financial Impact:

Recommendation:

As previously discussed, staff are recommending the program begin on a pilot basis. This would target a small number of vacant/abandoned cyclical tax sale properties with a high probability of successful resale and reuse. Staff will be available during the December 10th work session to discuss these items in greater detail.

Motion:

Action Dates:

ATTACHMENTS:

File Name	Description
121019_Tax_Sale_Memo.pdf	Memo
121019_Tax_Sale_packet.pdf	Program Guidelines
121019_Tax_Sale_Draft_Ordinance.pdf	Draft Ordinance

To: Scott Nicewarner, City Administrator

From: Jonathan Kerns, Community Development Manager

Date: December 5, 2019

RE: Update and Next Steps for Vacant/Abandoned/Cyclical Tax Sale Properties Initiative

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Proposed Next Steps

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As previously discussed, staff are recommending the program begin on a pilot basis. This would target a small number of vacant/abandoned cyclical tax sale properties with a high probability of successful resale and reuse. Staff will be available during the December 10th work session to discuss these items in greater detail.

Attachments: Draft Code Amendment for Tax Sale Program
Draft Policy and Procedures for Tax Sale Program

c. Jill Thompson, Director of Community and Economic Development
Michelle Hepburn, Director of Finance
Paul Fulk, Neighborhood Services Manager
Jen Keefer, City Attorney

City of Hagerstown Chapter xxx
Tax Sale Property Repurpose Program for Vacant and Abandoned Properties

xxx-1. Purpose.
To facilitate the repurposing and revitalization of vacant, abandoned tax sale properties located within the City of Hagerstown. The program will initially be implemented on a pilot basis in order to determine feasibility, cost, and impact of repurposing tax sale properties.

xxx-2. Definitions.
As used in this chapter, the following terms shall have the meanings indicated:
End User
The individual, individuals, or entity that is a party to a Contract of Sale (contingent upon City acquisition of subject property) for a specific property and to whom, pursuant to the terms and conditions of the Contract of Sale, the City intends to convey that specific property if and when the City obtains clear title through the tax sale foreclosure process.

Qualified Non-profit organization
A 501(c)(3) organization with a mission or purpose that is focused on providing affordable housing options.

Vacant
TBD

xxx-3. Program Eligibility for Subject Properties

A property shall be eligible for the subject program when it meets the following criteria:

- **A.** Subject property must be a vacant structure, a vacant blighted structure, or an abandoned structure as defined by the City Code.
- **B.** Subject property is tax delinquent and has been included in the Washington County Tax Sale process for at least two tax sale cycles with no transfer of ownership.
- **C.** Subject property is not in the process of foreclosure or at risk of foreclosure by a lien holder or tax sale certificate holder.

xxx-4. Categorization of Subject Properties
- A. With assistance from the Planning and Code Administration Department ("PCAD"), Community and Economic Development ("DCED") staff will categorize eligible properties for repurposing as:
  - (1) **Vacant and undevelopable:** vacant parcel not suitable for building construction or development per the City Code;

(2) **Vacant and developable:** vacant parcel suitable for building construction or development;
(3) **Structure in need of rehabilitation:** parcel with vacant structure suitable for rehabilitation; or
(4) **Structure requiring demolition:** parcel with vacant structure beyond repair and requiring demolition.

xxx-5. Vacant and undevelopable end user selection process

A. The City will seek interest from owners of contiguous property offering a potential transfer of property for the sale price of $1.
B. Notification to contiguous property owners will be made via certified letters mailed to address listed on the State Department of Assessments and Taxation (SDAT) website. The mailing will include a Property Acquisition Interest Form for potential end users to complete.
C. Interested property owners must complete the form and return it to the DCED within 30 days from the date of the letter.
D. If all contiguous property owners decline the property offer and/or fail to respond, the above process will be repeated for property owners located within the same street block as the subject property.
E. End users will be ranked in order of receipt of successfully completed Property Acquisition Interest form. If multiple Property Acquisition Interest Forms are received at the same time, the DCED review committee will rank and prioritize forms based upon proximity to the subject property.
F. The City will enter into a Contract of Sale (Contingent upon City acquisition of subject property) with the first owner to successfully complete and return the Property Acquisition Interest form.
G. After execution of Contract of Sale (Contingent upon City acquisition of subject property) with successful applicant, City will begin tax sale foreclosure process on subject property and once under City ownership, property will be transferred to end user per agreed upon terms in contract.
H. If no interested owners seek ownership of subject lot, the City will review possibility of use for green space, storm water management, or other needs.

xxx-6. Vacant and developable end user selection process.

A. **First Option - Sale/Donation to Qualified Non-Profit Organization**

1. The City shall solicit interest from qualified non-profit organizations based on a policy developed and maintained by the DCED.

2. Notification to qualified non-profit housing organizations meeting criteria set forth in City policy shall be made via certified letters.
3. Interested organizations shall submit the completed form to the DCED within 45 days from the date of the letter.
4. If Property Acquisition Interest Forms are received from multiple qualified non-profit organizations during the 45-day application period, the City's DCED review committee will review and rank project proposals based on criteria set forth in City policy.
5. The DCED review committee will present recommended proposal to the Mayor & City Council for approval. If approved by M & C, City will enter into a Contract of Sale (Contingent upon City acquisition of subject property) with selected organization.
6. After execution of Contract of Sale (Contingent upon City acquisition of subject property) with the selected organization, the City will begin tax sale foreclosure process on subject property and once under City ownership, property will be transferred to end user per agreed upon terms in contract.
7. If no organization seeks ownership of subject property or properties, the City would utilize an RFP open to all interested developers and/or will review possibility of use for green space, storm water management, or other needs.

B. **Second Option - RFP to All Interested Developers**

1. The City shall solicit interest from all potential developers through a formal RFP process. The opportunity to acquire the property for redevelopment will be advertised on the City website and in a newspaper with local distribution.
2. The RFP process shall solicit proposals for redevelopment of subject property or properties subject to criteria set forth in a policy developed and maintained by the DCED.
3. All RFPs appropriately completed and timely received shall be reviewed by the DCED review committee.
4. If multiple RFPs are received, the DCED review committee shall review and rank the proposals based on criteria set forth in the City policy.
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7. If no proposals are received for a subject property, City to review possibility of use for green space, storm water management, or other needs.

xxx-7. Structure in need of rehabilitation end user selection process.

A. **First Option–Direct outreach to Qualified Non-Profit Organizations with the understanding the Qualified Non-Profit Organization would agree to rehabilitate the structure.**

1. The City shall solicit interest from qualified non-profit organizations based on a policy developed and maintained by the DCED.
2. Notification to qualified non-profit housing organizations meeting criteria set forth in City policy shall be made via certified letters.
3. Interested organizations shall submit the completed form and return it to the City's DCED within 45 days from the date of the letter.
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6. After execution of Contract of Sale (Contingent upon City acquisition of subject property) with the selected organization, the City will begin tax sale foreclosure process on subject property and once under City ownership, the City will commence with demolition of the existing structure.
7. After demolition of the structure, the property will be transferred to end user per agreed upon terms in contract.
8. If no organization seeks ownership of subject property or properties, the City would utilize an RFP open to all interested developers and/or will review possibility of use for green space, storm water management, or other needs.

B. **Second Option–RFP to all interested developers with the understanding that Developer would agree to rehabilitate the structure.**

1. The City shall seek interest from all potential developers through a formal RFP process. The opportunity to acquire the property for new construction development will be advertised on the city website and local newspaper.
2. The RFP process shall solicit proposals for new building construction on the subject property or properties subject to criteria set forth in a policy developed and maintained by the DCED.
3. All RFPs appropriately completed and timely received shall be reviewed by the DCED review committee.
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7. If no proposals are received for a subject property, City to review possibility of use for green space, storm water management, or other needs.

xxx-8. Structure in need of demolition end user selection process.

A. First Option–Direct outreach to Qualified Non-Profit Organizations with the understanding the City would undertake demolition of existing structure prior to transfer of ownership. Qualified Non-Profit Organization would agree to acquire a vacant, buildable lot.

1. The City shall solicit interest from qualified non-profit organizations based on a policy developed and maintained by the DCED.
2. Notification to qualified non-profit housing organizations meeting criteria set forth in City policy shall be made via certified letters.
3. Interested organizations shall submit the completed form and return it to the City's DCED within 45 days from the date of the letter.
4. If Property Acquisition Interest Forms are received from multiple qualified non-profit organizations during the 45-day application period, the City's DCED review committee will review and rank project proposals based on criteria set forth in City policy.
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7. After demolition of the structure, the property will be transferred to end user per agreed upon terms in contract.
8. If no organization seeks ownership of subject property or properties, the City would utilize an RFP open to all interested developers and/or will review possibility of use for green space, storm water management, or other needs.

B. Second Option–RFP to all interested developers with the understanding the City would undertake demolition of existing structure prior to transfer of ownership. Developer would agree to acquire a vacant, buildable lot.

1. The City shall seek interest from all potential developers through a formal RFP process. The opportunity to acquire the property for new construction development will be advertised on the city website and local newspaper.
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7. After demolition of the structure, the property will be transferred to end user per agreed upon terms in the contract.
8. If no proposals are received for a subject property, City to review possibility of use for green space, storm water management, or other needs.

xxx-9. – Tax sale foreclosure process and delinquent tax litigation.

1. All property sale contracts are contingent upon City foreclosure and acquisition of the subject property.
2. The City shall begin the tax sale foreclosure process once an end user is identified and a Contract of Sale (contingent upon City acquisition of subject property) has been executed.
3. The City will take all necessary legal steps to execute tax sale foreclosure of subject property or properties.
4. The City will pursue necessary legal steps to obtain a judgment against the property owner who is responsible for all delinquent taxes.

xxx-10. End user eligibility.

Notwithstanding other eligibility requirements contained within this chapter or within City policy, no individual or entity shall be eligible for participation in this program if that individual or entity is the record owner of any tax delinquent property, or if that individual or entity is subject to a judgment for delinquent taxes, or if that individual or entity is otherwise not in good standing with the City of Hagerstown regarding City taxes, City utilities, or City Licensing Programs.

[vs. 12.05.2019]

Community & Economic Development
Advancing the Economy, Image and Quality of Life

City of Hagerstown Chapter xxx
Tax Sale Property Repurpose Program for Vacant and Abandoned Properties

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xxx-2. Definitions.
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The individual, individuals, or entity that is a party to a Contract of Sale (contingent upon City acquisition of subject property) for a specific property and to whom, pursuant to the terms and conditions of the Contract of Sale, the City intends to convey that specific property if and when the City obtains clear title through the tax sale foreclosure process.

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Qualified Non-profit organization
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Vacant
TBD

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A property shall be eligible for the subject program when it meets the following criteria:

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Email: dced@hagerstownmd.org www.hagerstownmd.org

(2) **Vacant and developable:** vacant parcel suitable for building construction or development;
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(4) **Structure requiring demolition:** parcel with vacant structure beyond repair and requiring demolition.

xxx-5. Vacant and undevelopable end user selection process

A. The City will seek interest from owners of contiguous property offering a potential transfer of property for the sale price of $1. ~~**Disclaimer** – transfer of subject property to end user is contingent upon City acquisition of subject property.~~
B. Notification to contiguous property owners will be made via certified letters mailed to address listed on the State Department of Assessments and Taxation (SDAT) website. The mailing will include a Property Acquisition Interest Form for potential end users to complete.
C. Interested property owners must complete the form and return it to the DCED within 30 days from the date of the letter.
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xxx-6. Vacant and developable end user selection process.

~~1.~~ **First Option - Sale/Donation to Qualified Non-Profit Organization**~~**s for Affordable Housing Opportunities**~~

A.

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~~A.~~B. **Second Option - RFP to All Interested Developers**

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xxx-7. Structure in need of rehabilitation end user selection process.

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1. The City shall solicit interest from ~~housing based~~qualified non-profit organizations based on a policy developed and maintained by the DCED.
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xxx-8. Structure in need of demolition end user selection process.

A. First Option–Direct outreach to Qualified Non-Profit Organizations with the understanding the City would undertake demolition of existing structure prior to transfer of ownership. Qualified Non-Profit Organization would agree to acquire a vacant, buildable lot.

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7. After demolition of the structure, the property will be transferred to end user per agreed upon terms in contract.
8. If no organization seeks ownership of subject property or properties, the City would utilize an RFP open to all interested developers and/or will review possibility of use for green space, storm water management, or other needs.

B. Second Option–RFP to all interested developers with the understanding the City would undertake demolition of existing structure prior to transfer of ownership. Developer would agree to acquire a vacant, buildable lot.

1. The City shall seek interest from all potential developers through a formal RFP process. The opportunity to acquire the property for new construction development will be advertised on the city website and local newspaper.
2. The RFP process shall solicit proposals for new building construction on the subject property or properties subject to criteria set forth in a policy developed and maintained by the DCED.
3. All RFPs appropriately completed and timely received shall be reviewed by the DCED review committee.
4. If multiple RFPs are received, the DCED review committee shall review and rank the proposals based on criteria set forth in the City policy.
5. The DCED review committee will present recommended proposal to the Mayor & City Council for approval. If approved by M & C, City will enter into a Contract of Sale (Contingent upon City acquisition of subject property) with selected developer.
6. After execution of Contract of Sale (Contingent upon City acquisition of subject property) with the selected developer, the City will begin tax sale foreclosure process on subject property and once under City ownership, property will be transferred to end user per agreed upon terms in contract.
7. After demolition of the structure, the property will be transferred to end user per agreed upon terms in the contract.
8. If no proposals are received for a subject property, City to review possibility of use for green space, storm water management, or other needs.

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xxx-9. – Tax sale foreclosure process and delinquent tax litigation.

1. All property sale contracts are contingent upon City foreclosure and acquisition of the subject property.
2. The City shall begin the tax sale foreclosure process once an end user is identified and a ~~property sale contract~~Contract of Sale (contingent upon City acquisition of subject property) has been executed.
3. The City will take all necessary legal steps to execute tax sale foreclosure of subject property or properties.
4. The City will pursue necessary legal steps to obtain a judgment against the property owner who is responsible for all delinquent taxes.

xxx-10. End user eligibility.

Notwithstanding other eligibility requirements contained within this chapter or within City policy, no individual or entity shall be eligible for participation in this program if that individual or entity is the record owner of any tax delinquent property, or if that individual or entity is subject to a judgment for delinquent taxes, or if that individual or entity is otherwise not in good standing with the City of Hagerstown regarding City taxes, City utilities, or City Licensing Programs.

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