


Policy Title:	Real Property Transactions Policy		
	OFFICE OF THE CHIEF FINANCIAL OFFICER	Category	DWSD Assets
		Administrative Policy #	200-FIN-DWSD Real Property Transactions
		Revision #	N/A
		Review Frequency	As Needed – no less frequently than triennially
Administrative Division	Finance Asset Management	Reviewed By	Chief Financial Officer, Chief Operating Officer, General Counsel
BOWC Approval		Last Reviewed/Update Date	
Implementation Date		Resolution #	

1. AUTHORITY

1.1. The City of Detroit Water and Sewerage Department (DWSD) operated under federal court oversight from May 6, 1977, to March 27, 2013, pursuant to legal action by the U.S. Environmental Protection Agency - *United States of America vs. City of Detroit, et al.*, United States District Court, Eastern District of Michigan, Case No. 77-71100. On November 24, 2010, the case was assigned to the Honorable Sean F. Cox, who entered numerous orders affecting DWSD operations, governance, and policy. Specifically, two orders relate to DWSD’s procurement of goods, services, and real estate transactions which remain in effect.

On November 4, 2011, the Court entered an order adopting recommendations from a Root Cause Committee which, in part, allow the DWSD to enact a policy for the purchase and sale of real property that is separate from City of Detroit ordinances related to procurements. The Board of Water Commissioners must approve the DWSD policy.

1.2. On June 12, 2015, the City of Detroit and the Great Lakes Water Authority (“Authority”) entered into a Regional Sewage Disposal System Lease and a Regional Water Supply System Lease. Paragraph 5.8(a) of each lease states the Authority has the right to sell or dispose of any of the real property that constitutes part of the leased water or sewage system facilities if the Authority determines that the property is no longer needed or useful to operate the system and will not impair the operating efficiency of the facilities or reduce the ability of the Authority to satisfy rate covenants in the Master Bond Ordinance. The City is required to cooperate with the Authority in selling property. Schedule A to the respective Leases identifies leased water/sewer facilities under the Authority’s control.

1.3. Paragraph 5.8(b) of each Lease states if the City sells property that is part of the local water or sewer systems that was initially purchased in whole or in part with common-to-all funds, then the proceeds are paid to the Authority.

1.4. Paragraph 5.8(c) of each Lease requires the Authority or City to use best efforts to sell property at market value.

2. OBJECTIVE

- 2.1. To ensure the Detroit Water and Sewerage Department expends funds for real property purchases in a responsible manner.
- 2.2. To ensure disposal of surplus property that is part of the regional or local water or sewer system and under DWSD's jurisdiction or ownership follows the terms of the Regional Water Supply System and Sewage Disposal System Leases and is sold for the appropriate market value.

3. PURPOSE

- 3.1. The purpose of this policy is to educate the public at large as well as City employees on the legal and contractual requirements that must be met to approve DWSD or the Authority's purchase or sale of real property that is part of the regional or local water or sewer system to which the DWSD or Board of Water Commissioners holds title or the City holds title and has assigned to DWSD's jurisdiction because it was or will be purchased with ratepayer funds.
- 3.2. The purpose of this policy is to ensure DWSD sells and purchases property for fair market value.

4. DEFINITIONS

BOWC means City of Detroit Board of Water Commissioners.

Procurement Administrator or Procurement Manager means the individual with primary direct responsibility for the DWSD business unit that is primarily responsible for purchasing and procurement.

Solicitation means a formal written invitation to purchase real property.

5. SCOPE

- 5.1. This policy applies to all DWSD employees and members of the BOWC.
- 5.2. This policy applies to all persons wishing to do engage in real estate transactions with the City of Detroit, DWSD and/or Authority.

6. RESPONSIBILITIES

6.1. Executive Management

- 6.1.1. All members of Executive Management should be familiar with, understand, and act in full compliance with this policy.

6.2. Finance Asset Manager

- 6.2.1. Maintains inventory of all real property titled to DWSD and/or BOWC, as well as parcels titled to City of Detroit that are assigned to DWSD's jurisdiction.

6.3. Chief Operating Officer and Facilities Manager

- 6.3.1. Reviews inventory of all real property and makes recommendations whether property should be deemed surplus.
- 6.3.2. Coordinates real property appraisals and solicitations with General Counsel and Procurement Administrator.

6.4. General Counsel

6.4.1. Identifies title holder of property selected for sale and funding source for original purchase prior to solicitation and sale.

6.4.1.1. Works cooperatively with the City of Detroit Chief Financial Officer to determine whether title held in the name of City of Detroit is assigned to DWSD's jurisdiction and may be sold.

6.4.2. Coordinates real property appraisals and solicitations with Chief Operating Officer, Facilities Manager and Procurement Administrator.

6.4.3. Reviews solicitation and all transactional documents for real property purchases and sales.

6.4.4. Works cooperatively with the Authority's General Counsel regarding sales of real property that is part of the leased assets under the water and sewer system leases.

6.5. Procurement Administrator

6.5.1. Issues a solicitation for sale of surplus property and determines whether to have an open bid or to set an asking price for the property.

6.5.2. Decides whether to retain the services of a real estate broker to market a property.

6.5.3. Decides whether to request multiple bidders to submit a last and best offer.

6.5.4. Determines, with Chief Operating Officer, whether to close the solicitation and present the highest offer for approval.

7. POLICY

7.1. Determining Surplus Property

7.1.1. Criteria used to evaluate whether to dispose of property includes:

- a. whether property is essential to DWSD local system operations;
- b. whether property should be held for possible future use, including for green infrastructure projects;
- c. whether property should be leased rather than sold;
- d. whether the property has been pledged as a collateral asset.

7.1.2. Surplus property must be appraised prior to solicitation to determine fair market value and to properly evaluate offers.

7.2. Soliciting Property for Sale

7.2.1. To the extent possible, surplus property should be solicited in a manner that facilitates competitive bidding.

7.2.2. DWSD reserves the right to reject any and all bids.

7.3. Approving Real Estate Transactions

7.3.1. DWSD Director approves sales or purchases of land that a licensed appraiser valued at \$500,000 or less.

- 7.3.2. BOWC approves sales or purchases of land that a licensed appraiser valued at more than \$500,000.
- 7.3.3. Detroit City Council approves sales or purchases of land that a licensed appraiser valued at more than \$2,500,000.

7.4. Unsolicited Offers to Purchase Real Property.

- 7.4.1. Unsolicited offers to purchase real property must be appraised by a licensed appraiser prior to subsequent action.
- 7.4.2. If property to be purchased is a leased facility under the Leases, then the unsolicited prospective purchaser must be directed to the Authority's General Counsel.
- 7.4.3. If property to be purchased is not a leased facility, then the Chief Operating Officer and Procurement Administrator confer to determine whether to: place property for sale in a formal solicitation, enter into negotiations with the offeror, or enter into a sales agreement with the offeror subject to appropriate approvals. (See Sec. 7.3)

7.5. Purchasing Property

- 7.5.1. If Chief Operating Officer determines it is in DWSD's best interest to purchase a specific property, the DWSD must obtain a property appraisal before making an offer.
- 7.5.2. Property purchases must follow the same approvals as stated in Section 7.3 above.

7.6. Reasonable and Necessary Accommodations

- 7.6.1. Management may take reasonable and necessary actions to accomplish the intent of this policy.

8. PROCEDURE

8.1. Property Sales

- 8.1.1. Property identified as surplus and a candidate for sale.
- 8.1.2. General Counsel determines title holder and source of funds for initial purchase.
 - 8.1.2.1. If property is leased to the Authority, the Authority handles the transaction.
- 8.1.3. General Counsel and/or Procurement Manager obtain a property appraisal.
- 8.1.4. Procurement Manager and Chief Operating Officer solicit the property for sale or recommend a transaction with an unsolicited offeror.
- 8.1.5. Procurement Manager and Chief Operating Officer determine best offer for property and make recommendation to appropriate approvers based on value stated in property appraisal.
- 8.1.6. Property appraisal must be included with recommendation for sale.

8.2. Property Purchases

- 8.2.1. Property identified as necessary for operation of local water or sewerage system.

- 8.2.2. General Counsel and/or Procurement Manager obtain a property appraisal.
- 8.2.3. General Counsel on behalf of DWSD makes offer to purchase property, contingent upon receiving appropriate approvals.
- 8.2.4. General Counsel and Chief Operating Officer make recommendation to purchase property to appropriate approvers based on value stated in property appraisal.
- 8.2.5. Property appraisal must be included with recommendation for purchase.

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