

**OFFICE OF INSPECTOR GENERAL
CITY OF JACKSONVILLE**



**REPORT OF
MANAGEMENT REVIEW**

**CITY OF JACKSONVILLE SURPLUS PROPERTY
DONATION PROGRAM**

**MATTHEW J. LASCELL
INSPECTOR GENERAL**

SEPTEMBER 6, 2023

DATE ISSUED

"Enhancing Public Trust in Government Through Independent and Responsible Oversight"



OFFICE OF INSPECTOR GENERAL CITY OF JACKSONVILLE

CASE NUMBER: 2023-0043

Matthew J. Lascell
Inspector General

“Enhancing Public Trust in Government Through Independent and Responsible Oversight”

EXECUTIVE SUMMARY

In July 2023, the Office of Inspector General (OIG) conducted a review of the Surplus Property Donation Program per Ordinance Number 2019-290-E as mandated by sections 125.379 and 166.0451, Florida Statutes, and Section 122.423, Ordinance Code.

While reviewing Ordinance Number 2019-290-E, the OIG discovered the City of Jacksonville (COJ) listed 189 properties that were eligible to be surplus. The surplus properties could be disposed of by sale or donation.

The Neighborhoods Department informed the OIG only 174 vacant subject parcels had fully completed the donation process within the donation period. The 174 vacant subject parcels were donated to 62 grantees. Applicants were limited to requesting the donation of five separate vacant subject parcels from the Affordable Housing Inventory List. After the donation period, vacant subject parcels remaining on the list could be sold via auction or competitive bid by the Real Estate Division.

The grantees were expected to adhere to the Surplus Property Donation Program Application guidelines and Quitclaim Deed restrictions. However, there was no written agreement between the COJ and the grantees.

Based on the information provided by the Neighborhoods Department, the OIG initiated a Management Review to determine if the 62 grantees adhered to the Surplus Property Donation Program Application guidelines and Quitclaim Deed restrictions.

The Management Review intended to determine compliance with the appropriate policies and procedures. As a result of this review, and in conjunction with the Neighborhoods Department and Office of General Counsel, these discrepancies are being remedied.

BACKGROUND

According to COJ Ordinance Number 2019-290-E, the purpose of the ordinance was to comply with Sections 125.379 and 166.0451, Florida Statutes, and Section 122.423, Ordinance Code, by approving and adopting an inventory list of all real property within COJ to which the city held fee simple title that was appropriate for use as potential affordable housing. The Real Estate Division could then sell or donate the vacant subject parcels for use as affordable housing.

According to the Surplus Property Donation Program Application, the vacant subject parcels were conveyed with a restriction that required the parcel's development as permanent affordable housing within two years after the donation, as evidenced by receipt of a *certificate of occupancy*.

ISSUE, GOVERNING DIRECTIVES, AND FINDINGS

Issue:

Whether the Surplus Property Donation Program Application guidelines and Quitclaim Deed restrictions were adhered to by grantees within the two years.

Governing Directives:

Surplus Property Donation Program Application

Quit Claim Deed Restrictions

Finding:

Upon review of the records that were provided to the OIG, the following issues were identified:

1. The OIG found that **59** of the **62** grantees failed to create affordable housing as required in the deed on **160** vacant subject parcels.
2. Based on the information provided to the OIG, **23** grantees violated the deed restrictions by selling **66** undeveloped vacant subject parcels to a 3rd party, totaling **\$557,582.00**
3. The OIG discovered **54** vacant subject parcels had liens and taxes owed or due, totaling **\$60,559.00**
4. The review revealed out of the **174** vacant subject parcels, **six** were reverted to the COJ before the two-year deadline, and **1** was reverted to the COJ after the two-year deadline. These reversions were not based upon actions taken by the Neighborhoods Department.
5. Neighborhoods Department personnel advised the OIG the grantees were not held to deed guidelines due to the COVID-19 pandemic. However, Neighborhoods did not advise the grantees their obligations were suspended.
6. The City has not self-initiated reversion actions for undeveloped parcels between the time City offices re-opened and the date of this report.

Per the Surplus Property Donation Program Application, grantees had to initial the disclaimers electronically as listed.

SURPLUS PROPERTY DONATION PROGRAM APPLICATION**II. DISCLAIMER SECTION:**

- “The Properties will be conveyed with a restriction that requires the development of the parcel as permanent affordable housing within two years after the donation, as evidenced by receipt of a certificate of occupancy. “Affordable housing” is housing affordable by a person or family whose then-current family income does not exceed 140% of the then-current area median gross income for the City of Jacksonville, Duval County, Florida Standard Metropolitan Statistical Area as determined by the Secretary of the United States Department of the Treasury, to be verified by the Housing and Community Development Division at each conveyance of the property.”
- “The City of Jacksonville shall not convey property to a person or entity who is delinquent on the payment of City liens or real estate taxes.”
- “Requested Surplus Property Information (maximum of five properties)”

QUITCLAIM DEED RESTRICTION

- “Subject to the requirement that the property be developed as permanent affordable housing within two years after this donation as evidenced by receipt of a certificate of occupancy. “Affordable housing” is that housing affordable by a person or family whose then-current family income does not exceed 140% of the then-current area median gross income for the City of Jacksonville, Duval County, Florida Standard Metropolitan Statistical Area as determined by the Secretary of the United States Department of the Treasury, to be verified by the Housing and Community Development Division at each conveyance of the property. Failure to comply with the restrictions will cause the property to revert to the City of Jacksonville by Special Warranty Deed at no cost to the City of Jacksonville. These restrictions touch and concern the land and run with the title to the property.”

Household Size	140% of Area Median Income
1 person	72,100
2 persons	82,320
3 persons	92,680
4 persons	102,900
5 persons	111,160
6 persons	119,420
7 persons	127,680
8 persons	135,940

IDENTIFIED COSTS

Based on the Management Review, the OIG identified **\$60,559.00** in avoidable costs and **\$557,582.00** in lost potential revenue.

RECOMMENDED CORRECTIVE ACTIONS

1. Create a robust, enforceable agreement between grantees and COJ.
2. Ensure grantees can afford property development costs before obtaining vacant subject parcels.
3. Assign personnel to communicate with grantees to ascertain progress before the two-year deadline.
4. Strengthen the Surplus Property Donation Program Application by requiring grantees to obtain approval from The Neighborhoods Department before selling or transferring vacant subject parcels.
5. Ensure that Grantees obtain no more than five vacant subject parcels.
6. Ensure the vacant subject parcels are reverted to COJ promptly.

MANAGEMENT'S RESPONSE

The OIG provided the COJ Neighborhoods Department an opportunity to submit a written explanation or rebuttal to the findings as stated in this management review within ten (10) calendar days. Their response is attached to this report.

INSPECTOR GENERAL STANDARDS

This report/review has been conducted in accordance with ASSOCIATION OF INSPECTOR GENERAL Principles and Quality Standards for Investigations.




ONE CITY. ONE JACKSONVILLE.

City of Jacksonville, Florida

Donna Deegan, Mayor
Neighborhoods Department
Ed Ball Building
214 N. Hogan Street, 7th Floor
Jacksonville, FL 32202

DATE: September 1, 2023

TO: Matthew Lascell, Inspector General
Office of Inspector General

FROM: Chiquita Moore 
Acting Operations Director – Neighborhoods Department

SUBJECT: Draft Report of Investigation
Office of Inspector General Investigation Number 2023-0043

Dear Mr. Lascell,

The Neighborhoods Department along with the Housing and Community Development Division (HCDD) would like to thank you for the thorough investigation and assistance with the above matter. The issues that you have raised, and the recommended corrective actions are issues that we have identified as a gap and have been working to find a solutions and have put mechanisms in place to ensure that the issues will be resolved and that when future issues arise we have a clear solution for.

For a matter of context, HCDD staff tracks and monitors progress of donated properties through the Surplus Property Donation Program using three key indicators in public records. They are as follows:

1. Have Building Permits been pulled on the donated property?
2. Has the property been sold or has the deed been transferred since donation?
3. Does the property have any accumulated Nuisance liens or Taxes owed?

By tracking building permits we know if the project has started, what stages of construction a project is in, the size of the project and the approximate cost. When tracking a change in ownership we can determine if the transaction was arm's length, the sales price at the time of transfer and new ownership information. Lastly, when looking at the nuisance liens or if the taxes are paid we can determine if the property is being maintained and managed properly. Since this past year we have been doing this on a quarterly basis. Prior to that it was carried out semi-annually.

To address all prior donations as it relates to the recommended corrective actions within your report, the HCDD along with the Office of General Counsel (OGC) have come up with several solutions. Starting in June of 2021, HCDD staff began addressing the issue of property reversions with the administration and OGC. As a result, legislation was drafted to address the issues related to granting extensions and property reversion. The legislation was first introduced through Bill #2021-115. Unfortunately, this Bill was withdrawn by Council and was to be addressed within the Special

Committee on Affordable Housing. The Bill has been re-introduced under Bill# 2023-0498 and is currently going through the legislative cycle.

The need to update the ordinance code is critical for several reasons. The first is that under the current code, the only option to enforce the deed restrictions is through a quiet title lawsuit on each individual property. Quiet title law suits are very time consuming, expensive and a drain of City resources. In-lieu of filing a lawsuit, the updated legislation allows the grantee of the donation to pay the assessed value of the property. By doing so, the City of Jacksonville releases the deed restrictions. The second issue that the updated legislation will address is the authority to grant extensions on the 2 year development restriction. This is critical due to the unforeseen delays that can occur in development. The delays that were caused by the Covid-19 pandemic can be addressed. Upon granting extensions we will require the owner of the property to execute extension agreements. These extension agreements will be a lot like a donation agreement and will strengthen the City of Jacksonville's enforcement abilities as well as clarify the terms of the donation moving forward. Once the legislation is enacted, HCDD staff will begin the process of addressing each outstanding parcel.

To address future donations, as it relates to the recommended corrective actions, HCDD staff has implemented several updates and improvements to the program. The first is the creation of Donation Agreements for all future donations. Working with OGC, we are setting up an agreement that would outline, in much more specific detail, the terms of the donation, the expectations for selling donated property, as well as the reporting requirements. These agreements will be in place before the conveyance of any future donated properties. Establishing reporting requirements within the donation agreement will ensure open communication and consistent monitoring of all donated property. The second is to strengthen the deed restrictions within the donation quit claim deed. We are recommending adding a land use restriction agreement (LURA) to the deed. This will clarify the process of conveying the property to any new owner and the affordable housing restrictions that are in place. This will also better notify title companies and closing attorneys of the deed restrictions that run with the property. The third measure we have taken is to limit the number of properties each organization can receive. The pending legislation proposes to limit the number to three parcels along with the stipulation that if the organization received properties in the past and have not developed the properties under the requirements of the program, they cannot receive additional property.

In conclusion, we are of the opinion that by revising the ordinance code which governs this program and implementing the measures detailed, we can effectively address all the corrective actions recommended in your report.

Regards,



Chiquita D. Moore

cc: Kelli O'Leary, Deputy Chief Administrative Officer
Al Ferraro, Director of Neighborhoods