

Re: UPSET PRICE ON THE SALE OF MUNICIPALLY-OWNED PROPERTY

On February 21, 1977, Council referred the following resolution to staff for a report:

"That all municipal property for sale be sold at an upset price."

The Land Agent's comments on this matter are as follows:

"With reference to the above-noted matter, I would advise that it is my contention that the absence of an upset price on the sale of property ensures that the Municipality gets the greatest financial return for the sale of their property.

During the time when it was the practice to set an upset price, it had a tendency to cluster the bids and the bidders will use this as a floor for their bids rather than making a bid based on their own calculation.

In the setting of an upset price for each lot, considerable more inspection would have to be done to determine the advantages and detractions of each parcel to come up with a realistic figure. This is done at the present time in a general way but staff is not available to carry out the examination which would be required.

There is another factor involved which is standard in an appraisal where an allowance is made to allow for the fluctuation in the market. This could be up to 10%. Generally, the figure I have used in the past is calculated to reflect a 5% tolerance. In appraisal, it is my opinion this is as close as it is possible to get.

I am not inflexible with regard to the practice being changed and using an upset figure in our advertising. However, I feel there are slightly more advantages to advertising without it than there would be with it."

As a general rule, the Municipal Manager agrees with the position taken by the Land Agent on this particular matter. There may, however, be exceptions when we would want to consider upset prices for the sale of municipally-owned property, and these should be considered on their merits at the time.

RECOMMENDATION:

1. THAT the Land Agent be directed as a general practice to continue the current practice of offering municipally-owned property for sale without an upset price, recognizing that there may be specific instances when the use of an upset price is desirable and would be recommended to Council.

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