



Agenda Item:

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## COUNCIL COMMUNICATION City Manager's Office

### GENERAL INFORMATION

Agenda Date: 06/07/04  
No.: 04-272  
Agenda Item Type: Resolution  
No.:

Communication

Roll Call

Submitted by: Larry Hulse, Community Development Director

### SUBJECT—

Recommendation regarding the acquisition of properties through the Polk County Tax Certificate Auction in response to the May 17, 2004 City Council Meeting.

### SYNOPSIS—

Conditional authorization to the City Manager to send affidavits to the Polk County Treasurer requesting assignment of tax certificates on 1800 7<sup>th</sup> Street, 922 24<sup>th</sup> Street, 814 29<sup>th</sup> Street, and 1543 9<sup>th</sup> Street and 800 24<sup>th</sup> Street to the City on the condition that a nonprofit or for profit developer be identified and an agreement outlining the rehabilitation plan, financing, and sale to owner-occupant be signed.

### FISCAL IMPACT—

CDBG funds from the owner-occupied rehabilitation fund code will be used for any upfront acquisition costs. The nonprofit, individual, or for-profit corporation acquiring the tax certificate will reimburse those funds. In the future, Council may be asked to waive city clean-up and public nuisance fees on the properties.

### RECOMMENDATION—

Approval

### BACKGROUND—

At its May 17, 2004 meeting, representatives of the Woodland Heights and River Bend Neighborhoods asked that Council request assignment of tax certificates from the Polk County

2004 tax certificate auction under State Code 446.19A. Council requested that staff review the requests and report at its June 7, 2004 meeting.

Polk County annually holds a tax certificate auction for properties delinquent on taxes. State Code 446.19A allows counties and cities to withhold abandoned properties from tax sale under certain conditions in order to rehabilitate the structures for housing. To obtain the tax certificate pursuant to State Code 446.19A, the City Council must send an affidavit to the Polk County Treasurer swearing that the conditions can be met. The conditions that govern the withdrawal of a property from the tax sale include:

1. The property is residentially assessed.
2. The existing residential structure can and will be rehabilitated for housing. The City cannot tear down the property and rebuild for another purpose or request vacant land.
3. The structure is considered abandoned, and
4. The property is a public nuisance or is in danger of becoming a public nuisance.

In addition, the act provides that a city may assign the tax sale certificate or sell the certificate. In 2004, the State Legislature amended the statute to eliminate the requirement that preference be given to purchasers who are low income or organizations that assist low or moderate-income families to obtain housing. State law requires the owners of record be served with a notice of the owner's right to redeem the property in a manner described in the statute. The owners of record have a total redemption period of approximately 6 months. The time period for redemption was shortened by the 2004 amendments to the Iowa Code.

Before proceeding to file the attached affidavit with the Polk County Treasurer, staff recommends that a profit or for profit organization be identified who will accept the tax certificate, proceed with redemption, and renovate the structure. An agreement between the city and the developer should be signed that identifies:

- A rehabilitation plan approved by City staff,
- A letter of credit or other financial documents showing that the rehabilitation plan can be accomplished,
- Examples of rehabilitation work completed in the Des Moines area, and
- Agreement to sell to an owner-occupant by deed.

This information should be submitted to City staff by June 14 for review and subsequent signature of the agreement prior to the June 21 tax auction.

### **River Bend – 1800 7<sup>th</sup> Street**

#### **Conditions for Assignment**

1. Residentially Assessed – Yes. This is a two-story, 2100 sq. ft. structure in River Bend.
2. Suitable for Renovation for Housing – Yes. However, subsidy will be required because of condition and size.
3. Public Nuisance – Yes. This property was declared a public nuisance on 3/7/2002. A consent decree has been signed for the property's demolition.
4. Abandoned – Yes. The attorney for the current owner assures city staff and the owner will not redeem the property and it can be considered abandoned.

**Certificate to be assigned to** - Community Housing Development Corporation (CHDC) has indicated it would be willing to take the assignment from the City. CHDC has estimated an after rehabilitation value of \$110,000. It will cost approximately \$147,000 for renovation. The gap is \$35,000 for actual renovation and \$12,000 to abate lead paint. CHDC will request 2005 HOME dollars for the gap. CHDC has successfully renovated several public nuisance structures in the River Bend Neighborhood.

**Council Action** – Conditionally authorize the City Manager to send affidavit to Polk County Treasurer requesting assignment of 2004 tax certificate. Certificate then to be assigned to CHDC after signing an agreement outlining the rehabilitation plan, financing, and sale to owner-occupant. Because this property has an existing consent degree, Council will also need to approve a stay of demolition.

**Alternate Scenario** - The 2003 Certificate holder can pay the taxes on the property prior to the June 21 auction and the property would then not be included in the tax auction. Under that scenario, the City can still request assignment of the 2003 tax certificate, but CHDC must redeem under the prior language in Iowa Code §446.19A that requires a redemption period of approximately nine months and that the house must be used for low to moderate income housing. The city would also be required to pay the taxes and interest that are owed on the Certificate, which will be between \$3,000 to \$4,000. CHDC would repay the City for that upfront expense.

**City Fees** – This property has over \$1798 in City fees for board-ups and clean-ups. Council may consider waiving these fees if the nonprofit is successful in obtaining ownership of the property.

### **River Bend – 1543 9<sup>th</sup> Street**

#### **Conditions for Assignment**

1. Residentially Assessed – Yes. This is a two-story 1075 sq. ft. structure in River Bend.
2. Suitable for Renovation for Housing – Yes. Property is located in a National Register of Historic Places District.
3. Public Nuisance – Yes. This property was declared a public nuisance. A consent degree has been signed for the property's demolition.
4. Abandoned – Yes. Individual, Linda Gortz of the River Bend Neighborhood have been attempting to purchase the property from 2221 Carpenter Avenue, LLC, John Davis Registered Agent.

**Certificate to be assigned to:** Linda Gortz, an individual within the River Bend Neighborhood has expressed interest in the house. Organization or person taking the assignment must submit the following to Community Development staff by June 14, 2004: a feasible rehabilitation plan, a letter of credit or other financial documents showing that the rehabilitation plan can be accomplished, examples of rehabilitation work completed in the Des Moines area, and an agreement to sell to an owner-occupant by deed.

**Council Action** – Conditionally authorize the City Manager to send affidavit to Polk County Treasurer requesting assignment of the 2002 or the 2004 tax certificate, and to pay the

redemption costs if a developer is identified who can provide proof of ability to rehabilitate. This property will be offered on the 2004 tax sale because the 2003 tax certificate holder has not paid all delinquent taxes and attached them to his sale. However, there is a 2002 tax certificate on the property. The 2002 tax certificate has a current redemption value of approximately \$850. Staff and the individual redeeming will need to evaluate the best scenario. The City Council can request assignment of the 2002 certificate from Polk County if the City pays all redemption costs. The City, or the party to whom the City assigns the certificate, can then begin redemption of the property under State Law 446.19, as it existed prior to the 2004 amendments. Because this property has an existing consent degree, Council will also need to approve a stay of demolition

**City Fees** – This property has city fees for board-ups and clean-ups. Council may consider waiving these fees if a nonprofit is successful in obtaining ownership of the property.

### **Woodland Heights – 737 20<sup>th</sup> Street**

Polk County reports that the parcel will not be offered at tax sale because of bankruptcy. The parcel has a 2002 tax sale, but the automatic stay of bankruptcy will prevent the certificate holder from filing an affidavit to obtain deed as long as the bankruptcy is still open. City staff is in communication with the bankruptcy trustee and is following what is happening with this property. The property may come back to City Council at such time as the bankruptcy is final for assignment of the 2002 tax sale under State Code 446.19. The bankruptcy trustee may dispose of this property to a private individual through private sale.

### **Woodland Heights - 922 24<sup>th</sup> Street**

#### **Conditions for Assignment**

1. Residentially Assessed – Yes. This is a 1272 sq. ft. single-family house.
2. Suitable for Renovation for Housing – Yes.
3. Public Nuisance – Yes. This property was declared a public nuisance by City Council on 10/20/03
4. Abandoned – Yes. The most recent occupant of the property has died. His heirs have not stepped forward to take ownership of the property.

**Certificate to be assigned to:** Not yet identified. Organization or person taking the assignment must submit the following to Community Development staff by June 14, 2004: a feasible rehabilitation plan, a letter of credit or other financial documents showing that the rehabilitation plan can be accomplished, examples of rehabilitation work completed in the Des Moines area, and an agreement to sell to an owner-occupant by deed.

**Council Action** – Conditionally authorize the City Manager to send affidavit to Polk County Treasurer requesting assignment of 2002 tax certificate, and to pay the redemption costs if a developer is identified who can provide proof of ability to rehabilitate. This property will not be offered on the 2004 tax sale because the 2003 tax certificate holder has paid all delinquent taxes and attached them to his sale. However, there is a 2002 tax certificate on the property. The 2002 tax certificate has a current redemption value of \$833 and is owned by Christine Frank. The City Council can request assignment of the

2002 certificate from Polk County if the City pays all redemption costs. The City, or the party to whom the City assigns the certificate, can then begin redemption of the property under State Law 446.19, as it existed prior to the 2004 amendments.

**City Fees** – This property has over \$2500 in city fees for board-ups and clean-ups. Council may consider waiving these fees if a nonprofit is successful in obtaining ownership of the property.

### **Woodland Heights - 814 29<sup>th</sup> Street**

#### **Conditions for Assignment**

1. Residentially Assessed – Yes. This is a 1393 sq. ft. single-family house.
2. Suitable for Renovation for Housing –Yes
3. Public Nuisance – In process, Garage has been declared a public nuisance
4. Abandoned - Yes

**Certificate to be assigned to** – Not yet identified. Organization or person taking the assignment must submit the following by June 14, 2004: a rehabilitation plan approved by City staff, a letter of credit or other financial documents showing that the rehabilitation plan can be accomplished, examples of rehabilitation work completed in the Des Moines area, and an agreement to sell to an owner-occupant by deed.

**Council Action** – Conditionally authorize the City Manager to send affidavit to Polk County Treasurer requesting assignment of 2004 tax certificate if a developer is identified who can provide proof of ability to rehabilitate meeting the conditions outlined above.

**Alternate Scenario** - If the 2003 certificate holder pays the taxes on the property prior to the June 21 auction, then the property would not be included in the tax auction. Under that scenario, the City can still request assignment of the 2003 tax certificate but must redeem under the prior language of State Code 446.19A that requires a redemption period of approximately nine months and that the house must be used for low to moderate income housing. The City would also be required to pay the taxes and interest that are owed on the Certificate which will be approximately \$2297.

**City Fees** – This property has over \$1600 in city fees for board-ups and clean-ups. Council may consider waiving these fees if a nonprofit is successful in obtaining ownership of the property.

### **Woodland Heights - 800 24<sup>th</sup> Street**

#### **Conditions for Assignment**

1. Residentially Assessed – Yes. This is an 800 sq. ft. single-family house.
2. Suitable for Renovation for Housing – Yes.
3. Public Nuisance – In process
4. Abandoned – Yes. The most recent occupant of the property has died.

**Certificate to be assigned to** – Not yet identified. Organization or person taking the assignment must submit the following to Community Development staff by June 14, 2004: a feasible rehabilitation plan, a letter of credit or other financial documents showing

that the rehabilitation plan can be accomplished, examples of rehabilitation work completed in the Des Moines area, and an agreement to sell to an owner-occupant by deed.

**Council Action** – Conditionally authorize the City Manager to send affidavit to Polk County Treasurer requesting assignment of 2004 tax certificate if a developer is identified who can provide proof of ability to rehabilitate meeting the conditions outlined above.

**Alternate Scenario** - If the 2003 certificate holder pays the taxes on the property prior to the June 21 auction, then the property would not be included in the tax auction. Under that scenario, the City can still request assignment of the 2003 tax certificate but must redeem under the prior language of State Code 446.19A that requires a redemption period of approximately nine months and that the house must be used for low to moderate income housing. The city must also pay the taxes and interest that are owed on the Certificate which will be \$3204.

**City Fees** – This property has over \$2000 in city fees for board-ups and clean-ups. Council may consider waiving these fees if a nonprofit is successful in obtaining ownership of the property. There are additional special assessments for sewer and water hook-ups.

**Des Moines Public Schools – Home Remodeling Program**

The Home Remodeling Program of the Des Moines Schools is trying to purchase a home for their program. City staff is working with them and may find a house that works for the needs of their student and the surrounding neighborhood that can be acquired under Section 446.19A. No house has been identified to date.