


COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	23-003	Meeting:	January 9, 2023
	Agenda Item:	42	Roll Call:	23-0056
	Submitted by:	Chris Johansen, Neighborhood Services Department Director		

AGENDA HEADING:

Hold hearing for conveyance of City-owned property to Neighborhood Finance Corporation (NFC) for redevelopment of housing.

SYNOPSIS:

The City has requested and been issued the tax sale deeds of 445 E Dunham Avenue and 802 Shaw Street and has an agreement with NFC to redevelop these parcels for housing. This action is to set the hearing and consider sale of the property to NFC.

FISCAL IMPACT:

Amount: The maximum revenue anticipated is \$40,200.

Funding Source: FY2023 Operating Budget, Neighborhood Services Department, Special Revenue and Other Funds, LIHTC-Low Income Housing Tax Credit, p. 141 (NS046000 / 521035).

ADDITIONAL INFORMATION:

- In 2019 the City entered into a preliminary development agreement with NFC as a condition of participation in the annual tax sale. In preparation for the disposition process, an additional development agreement has been drafted and will be provided with the hold hearing materials. Within the agreement is a balloon mortgage in which the total principal will be due at time of resale and after they have built homes on the lots.
- The sale of these parcels includes a balloon mortgage for either the Fair Market Value (FMV) or the FMV minus the development gap, whichever is lesser with a minimum of \$1. If there is no development gap at time of resale, the total FMV will be paid. The maximum revenue anticipated is \$40,200 and would likely be spread over the next three (3) fiscal years as homes are built and resold.
- NFC has provided the Neighborhood Services Department with draft budgets for the redevelopment of the properties. In preparation for the resale of the properties, NFC will provide the City with updated budgets showing income and expenses so the gap can be identified in comparison with the agreed upon FMV rates. Infill redevelopment is often complex and at times

expenses rise as development in condensed locations can be more cost effective for other builders. Agreeing to a balloon mortgage allows NFC to ensure that development fees of 15% are within the budget of the project.

- NFC will be building housing on the vacant lots identified. There is a restrictive covenant within the original development agreement that housing must be built, however there is not a requirement of affordability or low-income housing.
- The two (2) lots included within this agreement are part of a total of seven (7) tax sale parcels that the City is collaboratively working on with NFC. Multiple properties are within the Special Investment Districts, including 445 E Dunham. NFC is working directly with Invest DSM to identify ways to collaborate or to have efforts with these future homes fit the Invest DSM and Plan DSM priorities.
- All the properties being conveyed were part of the tax sale and had been vacant and tax delinquent for multiple years. Redevelopment of these properties remediates multiple blighted lots that have had weed, junk and debris issues for multiple years. In addition, redevelopment of these properties supports infill of neighborhoods and an increase in housing stock. Until homes are built on the lots, NFC will be the owner of and provide maintenance of the properties.
- The following Fair Market Values were identified by the City Real Estate Department and are utilized in the drafted agreements.

<u>Address</u>	<u>Fair Market Value</u>
445 E Dunham Avenue	\$20,050
802 Shaw Street	\$20,150
TOTAL	\$40,200

PREVIOUS COUNCIL ACTION(S):

Date: December 12, 2022

Roll Call Number: [22-1880](#)

Action: [On](#) conveyance of City-Owned property to Neighborhood Finance Corporation for redevelopment of housing, (1-9-23). ([Council Communication No. 22-561](#)) Moved by Gatto to adopt. Second by Voss. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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