


## COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	<b>23-332</b>	Meeting:	<b>July 17, 2023</b>
	Agenda Item:	<b>63</b>	Roll Call:	<b>23-1035</b>
	Submitted by:	<b>Chris Johansen, Neighborhood Services Department Director</b>		

### AGENDA HEADING:

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

### SYNOPSIS:

The City has requested and been issued the tax sale deed of 1012 SE 10th Street and has an agreement with NFC Properties, LLC (NFC), successor in interest to Neighborhood Finance Corporation, to redevelop it for housing. This action is to hold the hearing and consider sale of the property to NFC Properties, LLC.

### FISCAL IMPACT:

Amount: The maximum revenue anticipated is \$19,600

Funding Source: NS046000/521035

### ADDITIONAL INFORMATION:

- In 2019 the City entered into a preliminary development agreement with NFC Properties, LLC (NFC), successor in interest to Neighborhood Finance Corporation, 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 \$19,600 and would likely be spread over the next three fiscal years as homes are built and resold.
- NFC has provided the Neighborhood Services Department with a draft budget for the redevelopment of the property. In preparation for the resale of the property, NFC will provide the City with an updated budget 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 lot 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 lot included within this hearing is part of a total of seven (7) tax sale parcels that the City is collaboratively working on with NFC.
- This property was part of the tax sale and had been vacant and tax delinquent for multiple years. Redevelopment of this property remediates a blighted lot that has had weed, junk and debris issues for multiple years. In addition, redevelopment of this property supports infill of the neighborhood and an increase in housing stock. Until a home is built on the lot, NFC will be the owner of and provide maintenance of the property.
- The Fair Market Value of \$19,600 was identified by the City Real Estate Department and utilized in the drafted agreement.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: June 26, 2023

Roll Call Number: [23-0897](#)

Action: [On](#) conveyance of 1012 SE 10th Street to Neighborhood Finance Corporation for redevelopment of housing, (7-17-23). Moved by Gatto to adopt. Second by Voss. Motion Carried 6-1. Absent: Sheumaker.

#### **BOARD/COMMISSION ACTION(S): NONE**

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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