

**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**00-166**

**SYNOPSIS -**

**AGENDA:**

APRIL 24 , 2000

**SUBJECT:**

RELEASE OF NO-  
DEVELOPMENT  
RESTRICTION FOR  
1529 MAINE  
STREET/CENTRAL  
PLACE

**TYPE:**

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

**SUBMITTED BY:**

RICHARD A. CLARK  
DEPUTY CITY  
MANAGER

The City purchased, with Central Place Tax Increment Financing (TIF) funds, the rights to relocate the residents and demolish the improvements located at 1529 Maine Street as part of the 1993 flood buy-out program. The City did not exercise its option to purchase this property due to potential environmental concerns expressed by the Engineering Department at that time.

However, as part of the City's property option/purchase process, the owners, Jean and Dellsworth Hagen (1541 - 48th Street) executed a no-development covenant on this property in consideration of the \$52,000+ the City expended to purchase, demolish the improvements, and relocate the tenant. This no-development covenant was recorded.

The Hagens let the property go to property tax sale. In 1999, the property was purchased for \$376 by Schaer Investment Company (James Schaer, 2015 - 46th Street).

Mr. Schaer has received an offer to purchase this property for \$9,000 from an adjacent property owner who wants to use the property for employee parking and has conditioned his purchase offer on the City's release of the no-development requirement.

The roll call before the Council will set the fair market value for release of the no-development requirement for Mr. Schaer. At this time, Mr. Schaer has not been agreeable to making a fair market value payment for the release of the no-development requirement.

**FISCAL IMPACT -**

The purpose of the no-development covenant was to limit the ability of someone profiting from the City's expenditure of

funds without the City receiving any reimbursement of its costs.

Staff is recommending the release of the no-development restriction be valued at the current fair market value. The Right-of-Way Division has estimated the fair market value to be \$7,500 (\$1.15/sq. ft.).

#### **RECOMMENDATION -**

**Approve roll call directing release of development restriction for payment of \$7,500.**

#### **BACKGROUND -**

After the 1993 floods, the City initiated the Voluntary Acquisition Program of Residences (VAPOR) program that provided for voluntary acquisition of residential properties in several flooded areas, including Central Place.

The City received funding from several different federal agencies which required the City to include a no-development provision in its offer to purchase the properties. While the Central Place acquisitions were funded with local money (Central Place TIF), the no-development provision was included in the offers to prevent the situation of a speculator profiting.

The proposal before the Council for the release of the no-development requirement is reasonable. It allows the private owner to sell the property for development after making a payment, reflecting its fair market value, to the City which will provide a partial reimbursement of the expenditures the City made in 1994.