



Agenda Item:

29A

## COUNCIL COMMUNICATION City Manager's Office

### GENERAL INFORMATION

Agenda Date: 12/6/04

Communication

No.: 04-619

Agenda Item Type: Resolution

Roll Call

No.:

Submitted by: Larry Hulse, Community Development Director

### SUBJECT—

Approve process for acquisition and assignment of Polk County tax sale certificates for June 2005 auction; and, authorize staff to solicit offers for the purchase and renovation of certain properties with outstanding tax sale certificates for approval by the City Council in February of 2005.

### SYNOPSIS—

Two roll calls are presented regarding Polk County tax sale certificates:

1. The first roll call adopts the process set forth in this communication to identify tax delinquent, public nuisance properties and acquire tax sale certificates for such properties at Polk County's annual Tax Certificate Auction. The process includes details of how to request proposals for renovation of such properties, evaluate the proposals, and assign tax certificates to developers/rehabilitators for renovation of properties.
2. The second roll call authorizes staff to solicit offers for purchase and renovation of certain properties with outstanding tax sale certificates for consideration by the City Council at its meeting on February 7, 2005.

### FISCAL IMPACT—

NA

## **RECOMMENDATION—**

- 1. Approval of general process for requesting and assigning tax sale certificates from Polk County Treasurer's Office.**
- 2. Authorize staff to proceed with soliciting proposals to acquire and rehabilitate the specified parcels, for consideration by the City Council on February 7, 2005.**

## **BACKGROUND—**

### **1. Process for June Auction**

At its meeting of September 27, 2004, the City Council directed staff to develop a process for selecting and requesting tax sale certificates from the Polk County Treasurer for properties subject to tax sale or with outstanding tax sale certificates, and for assigning the certificates to a developer/rehabilitator. Under Iowa Code Sec. 446.19A, the County Treasurer's Office may assign a tax sale certificate to the City after the City sends an affidavit verifying that the property is residentially assessed, abandoned and deteriorating in condition, and a public nuisance or in danger of becoming a public nuisance. The Council may also enter into agreements to assign the tax sale certificates to private developers/rehabilitators who agree to complete the process to obtain a tax deed and to rehabilitate the property for residential use.

For each of the six tax certificates requested by the City within the last year, the City has entered into an agreement with a developer/rehabilitator requiring that the renovated property be sold to an owner-occupant as a single family home and that the City be reimbursed for all its out-of-pocket costs. Those properties are currently in the redemption process and staff will provide a full report on the success of the tax certificates prior to the June auction.

The next tax certificate auction conducted by the Polk County Treasurer's Office will be in June of 2005. The annual auction is the best time for the City to request the assignment of tax sale certificates because there are no out-of-pocket costs involved. At the auction, the City registers as a bidder and the County automatically assigns the certificates on properties that the City has requested and verified meets the conditions required by Iowa Code Sec. 446.19A.

Prior to the June auction, staff recommends that the following process be followed:

**February 2005** – Send neighborhood organizations a letter containing a timeframe for the tax certificate auction and an explanation of how neighborhoods can be involved in deciding which tax sale certificates should be pulled from the tax auction and assigned to the City of Des Moines.

**March 2005** - Staff will assemble a list of potential developers/rehabilitators. Staff will put a notice on the city's web site and send a mailing to individuals and companies involved in rehabilitation/renovation of properties to determine interest in participating in the process of renovating properties. Staff will also ask neighborhood associations to identify persons interested in rehabilitating a dwelling in their neighborhood.

**Early May 2005** – City staff provides Polk County Treasurer's staff with a list of public nuisance properties. The Treasurer's staff will cross-reference the public nuisance list with

the list of tax delinquent properties. Staff will classify properties that are both public nuisances and tax delinquent by neighborhood boundaries and will work with neighborhood organizations to determine if rehabilitation of the dwelling is appropriate and feasible.

**Mid-May 2005** – Staff sends out the list of proposed properties to any developers/rehabilitators believed to have an interest in rehabilitating structures for sale to owner-occupants and to any parties identified by the neighborhood organizations as being interested in rehabilitating a dwelling for their own residence. On a case-by-case basis a property may be considered for rental use because of its size and the restrictions on subsidy dollars. Staff will also post a notice on the City's web site identifying tax parcels that contain a dwelling that has been determined to be a public nuisance, and that might become available for assignment of a tax certificate.

**Late May 2005** – Staff evaluates rehabilitation proposals. Specific criteria for rating proposals such as time frame, financing, rehabilitation/restoration plans, and experience will be used. The importance of restoration experience and knowledge will be important criteria in assigning tax certificates in neighborhoods that are using historic preservation as a revitalization tool. Lastly, neighborhood associations will be notified of which developers/rehabilitators submitted proposals for properties within their neighborhood. If the association chooses to make a recommendation, the neighborhood's preference for assignment to a developer/rehabilitator will be considered. A developer/rehabilitator may submit a proposal for any number of tax certificates.

**June 2005** – At the Council's first meeting in June, the Council may approve any acceptable agreements with developers/rehabilitators for the assignment of tax sale certificates and the rehabilitation of dwellings for residential use, and authorize the City Manager to request assignment of the associated tax sale certificate from Polk County.

Iowa Code Sec. 446.19A provides that the tax sale certificate may be acquired by a city for property containing a dwelling, if it is abandoned and a public nuisance or in danger of becoming a public nuisance. Staff recommends that the City request the assignment of tax sale certificates only for property actually designated a public nuisance, unless there are extenuating circumstances such as a bankruptcy or foreclosure. Prior to the annual auction, neighborhood associations should work closely with Community Development Inspectors assigned to their neighborhoods to ensure that any public nuisance properties are so designated.

Over the next few months, staff will also evaluate where subsidy dollars can be found if a dwelling cannot be renovated for its market value. The Polk County Housing Trust fund is a possible funding source. Renovation of public nuisance properties that blight neighborhoods was a discussion point among Council members and County Supervisors in the recent past. However, acquisition of properties was a difficulty. The amendments to the Iowa Code facilitate City/County cooperation on renovation of abandoned residential properties.

The Neighborhood Finance Corporation (NFC) has submitted a grant request to its affiliated organization, Neighborhood Works, for extra staff to initiate acquisition of property. If funded, the NFC has indicated that they would like to work closely with the City on steps to acquire and renovate property.

State law does allow a city to request a certificate for a property that is assessed as multi-family. In the past, it has been the City’s policy to only assign certificates to developers/rehabilitators that will renovate property for single-family. On a case-by-case basis a property may need to remain rental because of its size and the restrictions on subsidy dollars.

**2. Authorize staff to solicit proposals from developers/rehabilitators for purchase and renovation of certain tax public nuisance properties with outstanding tax sale certificates, for approval by the City Council on February 7, 2005**

It is possible to request a tax sale certificate from the county between tax auctions, although there are some upfront costs that the City must pay to recover the certificate from the tax sale purchaser. The City can use CDBG funds to upfront the costs when there is an agreement with a developer/rehabilitator to reimburse the City for those costs.

Staff has been approached by representatives of the Woodland Heights, River Bend, and Drake Neighborhoods to consider requesting the tax certificates on several public nuisance properties within their neighborhoods. These properties include:

Neighborhood	Address	Certificate	Current Owner	# Of Units	Note
Woodland Heights	651 28th St.	2004	Randy Simonini	1	
Woodland Heights	800 24th St.	2003	Marvin Thompson, deceased Attention: Cathy Thompson	1	May need subsidy/ Heirs will sign consent decree to demolish house
River Bend	1964 Arlington	2004	Earl Nelson	1	Very small house; owner has completed some of renovation
Drake	1008 26th St.	2003	Michael Schumacher	1	
Drake	1147 27th St.	2003	Michael Schumacher	5	May need subsidy/ Currently a contract sale
Drake	1002 40th St.	2003	Jack Stuart	2	

Staff is currently evaluating the acquisition costs of these properties, condition of the buildings, whether subsidy dollars would be needed for the renovation of the properties for low-moderate income persons, and the likelihood that the current owner will simply pay the taxes making any Council action moot.

The current tax certificate owner will have the right to begin the redemption process on the 2003 tax certificate properties at the end of March 2005. Neighborhood residents worry that this will just continue the process of abandonment and urge the Council to request assignment of the tax sale certificates prior to March. Although staff has doubts about the suitability of some of these properties for renovation, the staff is recommending that proposals to renovate the properties be sought because of the impact these properties have on the neighborhoods in which they are located. The City is not at risk for anything more than staff time and mailing costs unless it takes the assignment of a tax sale certificate without an agreement with a developer/rehabilitator to take the certificate and reimburse the City for the acquisition costs. Developers/rehabilitators risk their time in developing estimates and incurring legal costs.

With Council direction, staff will further explore the feasibility of renovating these properties, and will solicit proposals in December from the current list of persons doing renovation/rehabilitation. Any suitable proposals timely received will be presented to the City Council for approval at its meeting on February 7, 2005.