

Council Communication

Office of the City Manager



Date

February 20, 2006

Agenda Item No. 52
Roll Call No. 06-
Communication No. 06-104

Departments: **Park and Recreation**
Engineering

AGENDA HEADING:

Continue public hearing to approve the conveyance of City-owned property at 5712 Winona Avenue to R. M. Madden Construction, Inc., for \$25,231.00.

RECOMMENDATION:

Recommend approval for the sale of 5712 Winona Avenue for \$25,231.00 to R. M. Madden Construction, Inc. (Rick Madden, Vice President, 5909 Grand Avenue, Des Moines, Iowa, 50312).

FISCAL IMPACT:

Amount: \$25,231.00 (Revenue)

Funding Source: The proceeds from the sale of this property will be deposited into the Federal Emergency Management Agency (FEMA) Flood Proceeds Account. Project: DRCD 2000001.

ADDITIONAL INFORMATION:

On April 13, 1994, this property was purchased as part of the FEMA 1993 Flood Mitigation Buyout Project – Frisbee Park Area. Following the purchase of properties for this project, flood control improvements were constructed allowing for redevelopment of the Frisbee Park area. On November 15, 1999, FEMA approval was received to sell all land that was acquired in the Frisbee Park area for redevelopment. In order to extinguish FEMA's interest, all proceeds must be used to acquire additional flood prone properties within the City of Des Moines. If the lots are not sold at fair market value, the City could be liable for reimbursing FEMA the difference between the actual sale price and the fair market value.

City Council Communication 00-083, dated March 6, 2000, summarized the process used to dispose of the Frisbee Park lots. There is no record indicating FEMA had a preference to sell any of the land to adjoining property owners, but the City's process included giving the adjoining property owners the first opportunity to purchase lots at fair market value. Several property owners took advantage of this opportunity and purchased adjoining lots. Attached is a copy of the letter that was mailed to all Frisbee Park property owners on May 4, 2000 for the purpose of announcing this option.

City Council Communication 00-377, dated August 21, 2000, provided an update on the status of selling the Frisbee Park lots. This property, located at 5712 Winona Avenue, did not receive any requests for purchase.

In an effort to extinguish FEMA's interest in the remaining Frisbee Park lots, City staff proceeded with an effort to sell all remaining lots. On November 28, 2005, the appraised value of the property was estimated to be \$23,500.00. On November 29, 2005, bid letters were mailed to adjacent property owners, infill-housing developers and all other interested buyers of record (see the attached bid list for names and addresses) and indicated the fair market value. The bid period expired on December 31, 2005.

On December 28, 2005, Linda L. Kenney and Larry Crane, adjoining property owners since November 29, 1999, came to City Hall to make an offer on this property. At that time, they mentioned that the assessed value on the property was \$6,500.00, and they considered that to be the value. They were advised by staff that the assessed value was not necessarily the fair market value, and if they wanted the property they should bid the highest amount they were willing to pay because all bids were final. They submitted an offer of \$6,500.00. Subsequent to the bidding process, Mr. Crane requested that they be allowed to change their bid. He was notified that the bidding process only provided for one bid submission per bidder.

On December 30, 2005, LAB Investment Company, Inc. (Steven Lipovac, 328 5th Street, West Des Moines, Iowa, 50265) submitted an offer for \$20,301.00 and R. M. Madden Construction, Inc. submitted an offer for \$25,231.00.

On January 3, 2006, Rick Madden of R. M. Madden Construction, Inc. was contacted and informed that his was the high bid on this property. On January 5, 2006, letters were mailed to adjoining property owner Linda L. Kenney (5710 Winona Avenue) and LAB Investment Company, Inc., to inform them that R. M. Madden, Inc. had submitted the high bid of \$25,231.00 and that the required public hearing to consider the sale of the property by the City Council would be scheduled for February 6, 2006.

On February 6, 2006, by Roll Call No. 06-294, Council continued the hearing to February 20, 2006 in order to receive additional information from staff regarding the concerns Mr. Crane and Ms. Kenney expressed at the public hearing.

City staff met with Linda L. Kenney and Larry Crane after the February 6, 2006 hearing and they were given R.M. Madden's contact information. They were also told if they had an offer greater than R.M. Madden's, they could present it to Council at the hearing scheduled for February 20, 2006.

The existing Council policy only gives preference to adjoining property owners for conveyance of residentially zoned vacated street and alley right-of-way that measures less than 50 feet in width. The fair market value for these types of conveyances is set at a nominal value. The City also gives preference to adjoining property owners for commercially zoned vacated alley and street right-of-way, unless a development is proposed, for a consideration that is equal to fair market value. Council policy requires that all other excess city property, such as the residentially zoned buildable lots in Frisbee Park, be sold at fair market value.

The bid process is the most cost effective way to determine fair market value for the sale of buildable lots. Although the current council policy does not give preference to adjoining property owners for buildable lots, City staff include all adjoining property owners in the bid process, along with all other interested buyers. Since state law requires the City to sell property at fair market value, the highest bid is normally recommended to the City Council for approval. Controversial end uses of the property, or end uses that would generate the highest taxable value, may also be given consideration.

PREVIOUS COUNCIL ACTION(S):

Date: January 23, 2006

Roll Call Number: 06-157

Action: Set date of hearing on the proposed sale of the property for February 6, 2006.

Date: February 6, 2006

Roll Call Number: 06-294

Action: Continued the public hearing to the February 20, 2006 Council Meeting.

BOARD/COMMISSION ACTION(S):

Date: N/A

Roll Call Number:

Action:

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Approval and acceptance of documents.