


<h1 style="margin: 0;">Council Communication</h1> <p style="margin: 0;">Office of the City Manager</p> 	Date	May 8, 2006
	<p>Agenda Item No. 54 Roll Call No. 06- Communication No. 06-271 Submitted by: Larry Hulse, Community Development Director</p>	

AGENDA HEADING:

Assignment of Tax Sale Certificates to Keystone Construction, LC, for two vacant lots at 800 24th Street and 651 27th Street.

SYNOPSIS:

Recommend approval to assign tax sale certificates to Keystone Construction, LC (300 1st Avenue South, Altoona, IA 50009, Ben Taylor, President), for two vacant lots (800 24th Street and 651 27th Street) for the development of single family owner-occupied housing if the tax deeds are successfully obtained.

FISCAL IMPACT:

Amount: Total City costs related to the two properties are \$27,590.61. This amount has already been expended as follows:

- \$18,545.85 for demolition costs and court costs.
- \$ 9,044.76 for City costs related to title certificates, publication and certified mail.

Funding Source: Community Development Block Grant (CDBG) funds in the amount of \$18,545.85 were already expended in previous fiscal years for demolition and court costs and are not included in the current budget. Other City expenses were funded through Home Investment Partnership (HOME) funds—New Construction (FY06 Operating Budget, SP036 CDD49900 HOME2005003, page 356). The City will be reimbursed these costs, totaling \$9,044.76, by Keystone Construction, LC.

ADDITIONAL INFORMATION:

During the 2005 Legislative session, Iowa Code §446.19A was amended to permit cities to acquire tax sale certificates for vacant lots assessed as residential property for the purpose of encouraging development of housing. On May 9, 2005, by Roll Call 05-1137, the City Council approved a process to obtain vacant lot tax sale certificates from the Polk County Treasurer.

By three separate Council actions (see below), the City requested the tax sale certificates for twenty-one vacant lots. To date, ten of the tax sale certificates have been redeemed by either the owner of the property or a prior tax sale certificate holder. Of the remaining eleven, six have been authorized by Council for assignment to nonprofit or for profit housing developers on February 20, 2006 by Roll Call No. 06-359 and on March 6, 2006 by Roll Call 06-441. Of those six, the redemption period has expired on

four lots and tax deeds have been issued. This action will assign two of the remaining five tax sale certificates.

The City's Community Development Department has worked closely with the Woodland Heights Neighborhood Association on acquiring public nuisance structures and vacant lots through the Tax Sale Certificate Process. The Woodland Heights Neighborhood Association is anxious to see the lots at 800 24th Street and 651 27th Street developed with market rate housing that is complementary to the existing historic homes within their neighborhood.

The costs of the tax sale certificates for the lots at 800 24th Street and 651 27th Street are significantly more than the costs on previous assignments. The city has demolished a house on each of these properties within the last three years. Each of the lots had previous tax sale certificates based on the value of the house rather than the value of a vacant lot. In order to assure the lots would be developed with housing that complements the historic nature of Woodland Heights, it was necessary for the city to purchase the 2003 and 2004 tax sale certificates that had been previously issued to tax certificate buyers. Not including the city's demolition costs, the cost for obtaining the tax sale certificates, special assessments, additional back taxes, and reimbursing the city for title certificate, publication, and mailing fees is \$3465.02 for 651 27th Street. The cost for obtaining the tax certificates, special assessments, additional back taxes, and reimbursing the city for the title certificate, publication and mailing fees for 800 24th Street is \$8345.31.

Although not a requirement of state law, it was intended that these properties be developed for affordable housing using HOME funds to fill the gap financing between the cost of development and the sale price of the homes. The Woodland Heights Neighborhood has requested that the homes be developed as market rate units with no HOME subsidy contending that there is no longer a construction/appraisal gap in their neighborhood. They have worked with Keystone Construction to submit a developer initiated proposal for the tax sale certificate lots in order to build market rate housing. Keystone Construction has built over 100 homes in Des Moines over the past decade. Many of the homes they have built have used the City's New Construction Program including its HOME subsidy. In addition, they have built several homes in the Woodland Heights Neighborhood.

Keystone Construction believes they can pay all the costs of the tax sale certificates and build market rate housing that complements the architectural style of Woodland Heights if the city's demolition costs are forgiven. Keystone has a buyer for the house proposed to be constructed at 651 27th Street. The demolition costs are \$9199.73 on the lot at 800 24th Street and \$9346.12 on the lot at 651 27th Street.

Keystone Construction will build a two-story four square house with the final design and building materials to be approved by the Woodland Heights Neighborhood Association and the City's Community Development staff. They will utilize materials and design that will complement the historic nature of the Woodland Heights houses but cost more because of the historic district. The lot at 651 27th Street is located within the Woodland Place National Register Historic District and the lot at 800 24th Street is adjacent to the Woodland Place National Register Historic District and the Woodland Cemetery, a site that has been determined eligible for the National Register of Historic Places. Both houses should facilitate neighborhood revitalization.

Woodland Heights is a Charter Neighborhood with an active association that has worked through many infill housing issues over the past few years. They have submitted a letter supporting the Keystone Construction proposal and are also requesting that the City waive the demolition costs for the lots so that extra money can be put into house materials that complement the historic district.

It is possible that the tax sale certificates will be redeemed prior to the assignee being able to take tax deed to the parcel. Keystone Construction L.C. and the Woodland Heights Neighborhood Association are

aware of this possibility. If the owner or another party with an interest in the property does not redeem the tax sale certificate, the assignee will be able to take tax deed in mid-May of 2006.

PREVIOUS COUNCIL ACTION(S):

Date: August 8, 2005

Roll Call Action: 05-1918

Action: Request for 2005 Tax Sale Certificates on various vacant lots and authorizing City Manager to solicit proposals for development of housing on the lots. ([Council Communication No. 05-443](#)) Moved by Brooks to adopt. Motion Carried 7-0.

Date: June 20, 2005

Roll Call Action: 05-1529

Action: Request for 2005 Tax Sale Certificate on vacant lot at 1339 Forest and authorizing City Manager to solicit proposals for development of housing on the lot. ([Council Communication No. 05-363](#)) Moved by Kiernan to adopt. Motion Carried 6-1.

Date: June 6, 2005

Roll Call Action: 05-1399

Action: 2005 Certificates on certain vacant lots, and authorizing City Manager to solicit proposals for purchase of such lots for development of housing. Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

Date:

Roll Call Action:

Action:

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

It is anticipated that staff will request assignment of the remaining three tax sale certificates at future City Council meetings.