

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date	August 24, 2009
	Agenda Item No. 17 Roll Call No. 09- Communication No. 09-593 Submitted by: Larry Hulse, Community Development Director	

AGENDA HEADING:

Authorizing the City Manager to determine the Fair Market Value and enter into negotiations to acquire the Southern Meadows Apartments at 2800 SE 8th Street, Des Moines, Iowa 50315.

SYNOPSIS:

The City of Des Moines was awarded \$3.9 million in NSP funds from the Iowa Department of Economic Development (IDED). The City is interested in acquiring the Southern Meadows Apartments at 2800 SE 8th Street and redeveloping the site. This action will allow the Real Estate Division to begin negotiations for the acquisition of the property. Final approval will require an additional council action.

FISCAL IMPACT:

Amount: Property Acquisition \$560,000-\$580,000
Site Redevelopment Costs \$1.1-\$1.3 million

Funding Source: CDBG Neighborhood Stabilization Program (NSP), Project CDBG2008900.

ADDITIONAL INFORMATION:

At the June 8th meeting (Roll Call No. 09-996), the City Council approved the contract with the IDED to allocate \$3.9 million of Neighborhood Stabilization Funds. The plan calls for the City to work with a coalition of housing agencies to purchase and redevelop approximately 90 foreclosed and abandoned housing units over the next four years.

As part of the NSP plan, staff expressed an interest in finding larger-scale redevelopment projects that could benefit from this program which were unlikely to occur without a subsidy.

One such site is the Southern Meadows Apartments (2800 SE 8th Street), a 34-unit apartment building owned by the Iowa Finance Authority (IFA). IFA took ownership of the property in December 2008, after receiving a deed-in-lieu-of foreclosure. See the attached Southern Meadows Site Map for the location of the property.

The property is currently in poor condition. Seven of the units are uninhabitable and the remaining 24 units are in need of major repairs. A physical needs assessment was completed in March 2009, which shows approximately \$333,000 in repairs needed over the next 12 months, and an additional \$1.5 million in repairs needed over the life of the building.

This program provides an opportunity to redevelop the Southern Meadows site. The building was appraised by IFA in December 2008 for \$570,000. NSP regulations mandate that properties acquired using NSP funds be done at a maximum of 99% of the current appraised value. In this case, that would be \$565,290. However, prior to any offers being made for the property, NSP guidelines dictate another appraisal be completed on the site. At this time it is anticipated that the fair market value for the property will be similar to the December 2008 appraisal.

The Southern Meadows Apartments have a history of problematic management. Indianola at Eighth Inc. originally attempted to rehabilitate the property in the mid-1990's. The City allocated \$101,592 of 1995 HOME funds for the Southern Meadows Apartments. Of that sum, \$46,706 was to be repaid. Prior to the property being foreclosed on, the City had received approximately \$5,000. Indianola at Eighth Inc. never completed the project. They were foreclosed on by West Bank and the construction bonds were used to complete the construction. West Bank arranged for the sale of the property to Marv Tomason a.k.a. Southern Meadows Associates L.L.C. in 2003. At that time, West Bank was the first lien holder, while IFA, held the second lien position. IFA's interest in the property comes from a loan given in 1995. The Southern Meadows site is not a tax credit project.

Since that time, the property has suffered from sub-standard rehabilitation work and has fallen into disrepair. In 2008, Southern Meadows Associates L.L.C. fell behind on the mortgage. IFA bought West Bank out of the project, and IFA received the property via deed in lieu of foreclosure in December 2008. At that time, the City released its liens on the property. Currently, the City has no financial stake in the property.

NSP funds would be used to acquire the apartments, relocate the current residents and prepare the site for redevelopment. As a part of this process, staff plans to prepare a redevelopment concept plan to showcase the potential for this site. Once that process is complete, the City will dispose of the land via a formal request for proposals (RFP) process.

Staff has prepared several preliminary re-development scenarios. There is some flexibility within the plans to preserve or demolish the original structure. Staff has also examined acquiring the two vacant residential lots to the west of the site and the abandoned public nuisance buildings to the south. A redeveloped site could provide approximately 26-38 housing units. The majority of these units will be row houses along the perimeter of the site. If the original structure is maintained, it will be downsized from the current 10 units to 6-8 units. All redevelopment scenarios include the demolition of the 1950's addition to the building.

The table on the following page shows the estimated redevelopment costs for the site. All of these costs will be paid for using NSP funds. Twenty units are currently occupied in the building. These residents will be relocated in accordance with the Uniform Relocation Act (URA). Because portions of the site have not been developed, it is likely an archeological survey will need to be completed. Other costs include demolition, the acquisition of the additional land, maintenance of the site and the redevelopment concept plan.

Estimated Southern Meadows Site Development Costs

	Total \$
Acquisition	
Southern Meadows Site*	565,290
Side lot	30,000
Commercial lot	10,000
Relocation	300,000
Demolition	
Addition Demolition	100,000
Building Separation	15,000
Concrete	20,000
Commercial Buildings**	25,000
Maintenance	10,000
Archeological Survey (historic clearance)	30,000
Redevelopment Concept Plan	10,000
Totals	1,115,290

* Acquisition Price based on 99% of December 2008 appraisal of \$571,000 in accordance with NSP Regulations

** One of the old commercial buildings was a gas station that may require additional environmental clearance

There are several unresolved issues. The northeast corner of the site contains an underground MidAmerican gas regulator. Development plans will need to work around the gas regulator, or consider relocating it at a cost of approximately \$100,000. In addition, the site has varied topography with a steep drop off between the original building and the addition. The site will require grading and water retention systems. Water and drainage issues may limit development plans.

The original Southern Meadows Apartment structure dates back to 1919 when the Salvation Army purchased the land and constructed the Booth Memorial Hospital for unwed mothers. Though exact numbers are not known, the hospital served several thousand women throughout the state and region, providing medical services and educational opportunities that they otherwise would not have received. In the early 1970s demand dropped and Booth Hospital phased out their services and moved to the Salvation Army’s current location on 6th Street. From 1974 through 1989 Iowa Christian College occupied the building. The structure remained empty from 1990 until 1996 when it was converted into apartments.

To proceed with this project, the City will order an appraisal. If the appraisal differs significantly, the City will reevaluate the development project. Assuming the appraisal does not differ significantly from IFA's December 2008 appraisal; the city will enter into negotiations and conduct an environmental review. This project will return to Council for final approval prior to the acquisition of the property.

PREVIOUS COUNCIL ACTION(S):

Date: June 8, 2009

Roll Call Number: 09-996

Action: Neighborhood Stabilization Program Contract with the Iowa Department of Economic Development (IDED). Moved by Vlassis to adopt. Motion Carried 7-0.

Date: February 23, 2009

Roll Call Number: 09-341

Action: On the City's plan to spend CDBG Neighborhood Stabilization Program Funds. (Council Communication No. 09-105) Moved by Coleman to adopt. Motion carried 7-0.

Date: December 8, 2008

Roll Call Number: 08-2159

Action: Authorizing the City Manager to develop and submit a plan to the State of Iowa to spend the allocated \$3,900,000 Neighborhood Stabilization Program funds to provide emergency assistance redeveloping abandoned and foreclosed homes. (Council Communication No. 08-732) Moved by Hensley to adopt; refer to the City Manager to provide details about this program at a workshop. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

The negotiated purchase agreement will need to be approved by Council.

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