

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> June 14, 2010
	<b>Agenda Item No.</b> 39 <b>Roll Call No.</b> [Roll Call] <b>Communication No.</b> <u>10-328</u> <b>Submitted by:</b> Larry Hulse, Community Development Director

**AGENDA HEADING:**

Resolution authorizing the City Manager to remove requested properties from the Polk County Tax Certificate Sale for future development for housing.

**SYNOPSIS:**

Approval to have the City of Des Moines request the 2010 tax sale certificate for the vacant lot at 1147 27<sup>th</sup> Street and the public nuisance structure at 1712 8<sup>th</sup> Street from the June 21, 2010 tax sale. The purpose of the request is to have the properties redeveloped for housing working closely with the Drake and River Bend Neighborhoods respectively. The City will retain the tax sale certificate rather than transferring to another entity at this time. The City must take tax deed for 1147<sup>th</sup> 27<sup>th</sup> Street in order that the taxes and special assessments against this property can be forgiven. The City will work with the River Bend Neighborhood on a redevelopment plan for the 1700 block of 8<sup>th</sup> Street before proceeding to assign the tax sale certificate or take tax deed.

**FISCAL IMPACT:**

Amount: \$30,331 (If successful in taking ownership)

Funding Source: Community Development Block Grants – SP020 CDD049900, page 68 of FY2010 Operating Budget

**ADDITIONAL INFORMATION:**

Polk County issues tax sale certificates for delinquent tax properties at a tax auction every June. Iowa Code 446.19A permit cities to acquire tax sale certificates for abandoned structures and vacant lots assessed as residential property without paying the taxes due, and allows the City to utilize an expedited redemption period, all for the purpose of encouraging the development of housing. To obtain the tax certificate pursuant to State Code 446.19A, the City Council must send an affidavit to the Polk County Treasure that the properties meet the following conditions:

1. The property is a residentially assessed vacant lot or structure,
2. If the tax sale certificate involves an existing structure, it will be rehabilitated for housing. The City cannot tear down the property and rebuild for another purpose.
3. The structure or lot is considered abandoned, and
4. The structure is a public nuisance or is in danger of becoming a public nuisance.

The City of Des Moines has utilized this process in recent years with some success. It has enabled the acquisition of some properties with clouded titles and has enabled affordable housing providers to acquire buildable lots at a cost substantially below market value.

**Vacant lot, 1147 27<sup>th</sup> Street, Drake Neighborhood**

The vacant lot at 1147 27<sup>th</sup> Street is located south of University in the Drake Neighborhood. It measures 48' by 120' and is considered a lot of record so can be built upon. It is zoned R1-60 and has residential properties on both the south and the north. It is currently assessed at \$5,400. The most recent owner of the property was SSW, LLC and previous to that Michael Schumacher.

On September 13, 2004 by Roll Call 04-1978, the City Council acting as the Board of Health declared the structure on this lot a public nuisance and authorized proceeding with court authority to abate the structure. On August 11, 2007, Tim Schumacher, a partner in the ownership entity SSW, LLC, requested the city delay demolition of the property and allow time to clear the title on the property. It was decided to proceed with the demolition and the City tore down the structure in October 2007 using federal CDBG funds.

The lot has been held up in the bankruptcy of SSW, LLC since 2005 and has not been in the tax certificate sale process previously. The property was assessed as a commercial property so the annual taxes are substantial and no taxes have been paid since 2005. Consequently, the taxes and special assessments against this property total \$43,000 and the City costs for demolition and unpaid rental inspections total \$30,128.33. The special assessments include those issued by the Des Moines Waterworks, Public Works Sewer and Solid Waste Fees, and Weed Commissioner.

The County will remove the tax sale certificate from the annual sale and assign the tax certificate to the City. The City will proceed with taking ownership of the lot under 446.19A so that special assessments and taxes will be abated. The tax sale certificate cannot be reassigned to another entity for the past taxes to be abated. If the City is successful in taking ownership, the property may be sold to a developer willing to rebuild a single family house on the lot. A developer will be required to sign a covenant that requires they work closely with the Drake Neighborhood Association to develop the house so that it complements the neighborhood architecture. This process of acquisition will probably take between nine months and a year.

**Public Nuisance Structure, 1712 8<sup>th</sup> Street, River Bend Neighborhood**

This structure was an 8-plex but has been vacant since a fire in August 2007. The lot measures 75' by 128' and is zoned R1-60, but the property has lost its grandfathering rights. The owner is MD Homes, 4226 Lindl Drive, Chandler, AZ 85249-3358. By Roll Call 07-1797 on September 7, 2007 the City Council, acting as the Board of Health, acted to request Court Authority to abate the public nuisance at 1712 8<sup>th</sup> Street.

The City will request only the tax certificate that will be sold in the 2010 sale. This requires no commitment of funding by the City. There is a 2008 certificate purchased by Mooring Tax Company and a 2009 tax sale certificate purchased by OHP Company. Those certificates are not being requested at this time. Either agency may be willing to negotiate on the price of the tax certificates when confronted with the condition of this property. The 2010 certificate will allow the City to keep abreast of the status of the property's ownership.

The City may transfer the ownership of the tax sale certificate to the River Bend Neighborhood Association at some point in the future. The River Bend Association owns three vacant lots that are adjacent to this property to the south. They also are negotiating with Community Housing Development Corporation (CHDC) for the ownership of 1720 8<sup>th</sup> Street that is adjacent to this property to the north. The City can help with the demolition and redevelopment of 1720 8<sup>th</sup> Street through the Neighborhood Stabilization Program (NSP). The River Bend Association could potentially assemble a site of 128' by 600' for rehab and redevelopment through all these actions.

#### **PREVIOUS COUNCIL/BOARD OF HEALTH ACTION(S):**

Date: September 13, 2004

Roll Call Number: 04-

1978<http://www.dmgov.org/Government/CityCouncil/RollCalls/08-1007.pdf>

#### Action:

1. Court authority to abate the public nuisance at the following locations:

(F) 1147 27<sup>th</sup> Street, Titleholder: Michael Schumacher d/b/a SSW, LLC, Contract Buyer: J & C Properties, Mortgage Holder: Commercial Federal Bank, FSB. Moved by Vlassis to adopt. Motion Carried 7-0.

Date: September 7, 2007

Roll Call Number: 07-1797

Action: The Legal Department to file legal action seeking an order from the court to direct abatement of the nuisance structures at the following locations: [1712](#) 8<sup>th</sup> Street, Titleholder: MD Homes LLC. Moved by Vlassis to adopt. Motion Carried 7-0.

#### **BOARD/COMMISSION ACTION(S): NONE**

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Sale of 1147 27<sup>th</sup> Street to developer and approval of restrictive covenants. Possible assignment of 1712 8<sup>th</sup> Street to River Bend Neighborhood Association.

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