

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	December 8, 2014
	Agenda Item No.	39
	Roll Call No.	<u>14-1860</u>
	Communication No.	<u>14-574</u>
	Submitted by:	Phillip Delafield, Community Development Director

AGENDA HEADING:

Resolution Approving Agreement for Conveyance of a Tax Sale Certificate for the Property at 671 37th Street to NFC Properties, LLC for rehabilitation of housing.

SYNOPSIS:

On June 9, 2014, by Roll Call No. 14-0864, the City Council approved a request to the Polk County Treasurer for assignment of the 2013 Tax Sale Certificate for the abandoned property at 671 37th Street. Staff was directed to distribute a Request for Proposal (RFP) to interested developers for rehabilitation and sale of the property. Staff sent an RFP on August 19, 2014 and received no proposals by the deadline.

Staff has met with representatives of the Neighborhood Finance Corporation (NFC) and they have requested to be assigned the tax sale certificate in order to take ownership of the property through NFC Properties, LLC for rehabilitation and sale to a homebuyer. The NFC and NFC Properties, LLC is located at 1912 6th Avenue, Des Moines, IA. 50314. The Executive Director of the NFC and NFC Properties, LLC is Stephanie Preusch. The City has successfully worked with NFC Properties, LLC on other housing rehabilitation projects.

FISCAL IMPACT: NONE

ADDITIONAL INFORMATION:

Iowa Code 446.19A permits cities to acquire tax sale certificates for abandoned property assessed as residential without paying the taxes then due, to obtain the assignment of outstanding tax sale certificates by payment to the holder in the amount then due to redeem the certificate, and to give notice of expiration of the redemption period upon an expedited schedule for the purpose of acquisition and rehabilitation of abandoned dwellings. The City may also assign the tax sale certificate to another entity to serve these steps and acquire and rehabilitate the house.

In June of 2014, the North of Grand Neighborhood Association sent a communication asking that the City request the tax sale certificate for the vacant and abandoned property at 671 37th Street. The property had a 2013 tax sale certificate which had not been redeemed and neighbors expressed concern that the house was in danger of becoming a public nuisance. The house is owned by Paul L. Jennett and Geraldine P. Jennett who have not been seen by neighbors in the two (2) years.

Staff distributed a Request for Proposal (RFP) to single family developers on August 19, 2014. Staff received calls from several developers concerned about the condition of the house and/or hesitant to submit a bid because of its location within an historic district and/or without viewing the interior of the house. Staff received no proposals by the September 22, 2014 deadline.

The NFC Properties, LLC received a copy of the proposal but communicated to City staff their reluctance to submit a proposal because of the unknowns concerning the renovation. Because of the lending ability of the NFC in the neighborhood, City staff sat down with NFC staff to further discuss the project. The NFC wants to be involved in the North of Grand Neighborhood but cannot afford to lose money on the rehabilitation.

The ability to commit federal HUD funds to the rehabilitation, either Neighborhood Stabilization Program (NSP) Program Income or Community Development Block Grant Funds (CDBG), has been discussed with the NFC. No commitment of funds is made by the transfer of the certificate. The NFC is not obtaining tax deed with the intention of applying for HUD funds. If the NFC Properties, LLC is able to take tax deed, and the costs of the rehabilitation are more than the after-rehabilitation appraisal, the City may consider a commitment of federal funds after the completion of an environmental review, but the request or commitment of funds is not a foregone conclusion.

The environmental review process is required for all HUD assisted projects to ensure that the proposed project does not negatively impact the surrounding environment and that the property site itself will not have an adverse environmental or health effect of end users. The Environmental clearance must be obtained prior to any commitment of funds or the undertaking of any choice-limiting actions. In addition, a historic review cannot be conducted until full inspection can be made of the property conclusion.

The owners of the house at 671 37th Street, Paul L. Jennett and Geraldine P. Jennett, also owned an abandoned house located at 1332 41st Street. On October 21, 2013 by Roll Call No. 13-1645, the City Council requested the tax sale certificate for 1332 41st Street from the Polk County Treasurer and directed an RFP to be distributed to interested developers. On December 23, 2013 by Roll Call No. 13-1973, the tax sale certificate for 1332 41st Street was Thirteen Thirty 2, LLC (Leslie Gearhart and Todd McBride). The house is currently being rehabilitated and will be sold to an owner occupant.

Since the house at 1332 41st Street was not redeemed by the Jannets, staff believes there is a good chance the house at 671 37th Street will not be redeemed. Unfortunately, the house on 37th Street is in worse condition and there is not the same level of interest among developers. Because of its strong relationship with the NOG Neighborhood Association, the NFC Properties, LLC is willing to take a risk on the property.

The President of NFC Properties, LLC, has executed an agreement with the City of Des Moines that at such time as the tax sale certificate is assigned, they shall promptly seek to convert the tax sale certificate to a tax deed by giving the notice of expiration of the right of redemption as required by Iowa Code and that they acknowledge that the intent is to rehabilitate the house for sale to an owner occupant. The City has also been reimbursed for the cost of the 2013 tax sale certificate.



PREVIOUS COUNCIL ACTION(S):

Date: June 9, 2014

Roll Call Number: [14-0864](#)

Action: [Request](#) to Polk County Treasurer for the 2013 Tax Sale Certificate on the abandoned property at 671 37th Street and directing the City Manager to send a request for proposal to interested developers for rehabilitation and sale of the property. Moved by Hensley to adopt. Motion Carried 7-0.

Date: October 21, 2013

Roll Call Number: [13-1645](#)

Action: [Request](#) to Polk County Treasurer to request Tax Sale Certificate for the abandoned property located at 1332 41st Street and City Manager to send request for proposal to developers for rehabilitation and sale of the property. ([Council Communication No. 13-521](#)) Moved by Moore to adopt; refer to the City Manager to include Center on Sustainable Communities (COSC) with the agencies contacted regarding the projects. Motion Carried 7-0.

Date: December 23, 2013

Roll Call Number: [13-1973](#)

Action: [Agreement](#) for conveyance of a tax sale certificate for 1332 41st Street to Leslie Gearhart and Todd McBride for rehabilitation of housing. ([Council Communication No. 13-604](#)) Moved by Mahaffey to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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