


COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	23-114	Meeting:	March 6, 2023
	Agenda Item:	45	Roll Call:	23-0323
	Submitted by:	Chris Johansen, Neighborhood Services Department Director		

AGENDA HEADING:

On conveyance of City-owned property to NFC Properties, LLC (NFC) for redevelopment of housing.

SYNOPSIS:

The City has requested and been issued the tax sale deeds of 409 E Granger Avenue, 801 Shaw Street, 2737 Hickman Road, and 2811 Payne Road and has an agreement with NFC, successor in interest to Neighborhood Finance Corporation, to redevelop all of these parcels for housing. This action it to hold the hearing and consider sale of the property to NFC.

FISCAL IMPACT:

Amount: The maximum revenue anticipated is \$93,800.

Funding Source: NS046000 / 521035

ADDITIONAL INFORMATION:

- In 2019 the City entered into a preliminary development agreement with NFC, successor in interest to Neighborhood Finance Corporation, as a condition of participation in the annual tax sale. In preparation for the disposition process, an additional development agreement has been drafted and will be provided with the hold hearing materials. Within the agreement is a balloon mortgage in which the total principal will be due at time of resale and after they have built homes on the lots.
- The sale of these parcels includes a balloon mortgage for either the Fair Market Value (FMV) or the FMV minus the development gap, whichever is lesser with a minimum of \$1. If there is no development gap at time of resale, the total FMV will be paid. The maximum revenue anticipated is \$93,800 and would likely be spread over the next three (3) fiscal years as homes are built and resold.
- NFC has provided the Neighborhood Services Department with draft budgets for the redevelopment of the properties. In preparation for the resale of the properties, NFC will provide the City with updated budgets showing income and expenses so the gap can be identified in comparison with the agreed upon FMV rates. Infill redevelopment is often complex and at times expenses rise as development in condensed locations can be more cost effective for other

builders. Agreeing to a balloon mortgage allows NFC to ensure that development fees of 15% are within the budget of the project.

- NFC will be building housing on all vacant lots identified. There is a restrictive covenant within the original development agreement that housing must be built; however, there is not a requirement of affordability or low-income housing. The four (4) lots included within this hearing are part of a total of seven (7) tax sale parcels that the City is collaboratively working on with NFC. Multiple properties are within the Special Investment Districts. NFC is working directly with Invest DSM to identify ways to collaborate or to have efforts with these future homes fit the Invest DSM and Plan DSM priorities.
- All the properties being conveyed were part of the tax sale and had been vacant and tax delinquent for multiple years. Redevelopment of these properties remediates multiple blighted lots that have had weed, junk, and debris issues for multiple years. In addition, redevelopment of these properties supports infill of neighborhoods and an increase in housing stock. Until homes are built on the lots, NFC will be the owner of and provide maintenance of the properties.
- The following FMVs were identified by the City Real Estate Division and are utilized in the drafted agreements.

<u>Address</u>	<u>Fair Market Value</u>
409 E Granger Avenue	\$11,700
801 Shaw Street	\$23,100
2737 Hickman Road	\$35,000
2811 Payne Road	\$24,000
TOTAL	\$93,800

PREVIOUS COUNCIL ACTION(S):

Date: February 20, 2023

Roll Call Number: [23-0218](#)

Action: [On](#) conveyance of City-owned property to Neighborhood Finance Corporation for redevelopment of housing, (3-6-23). Moved by Gatto to adopt. Second by Voss. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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