


COUNCIL COMMUNICATION

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|  CITY OF DES MOINES OFFICE OF THE CITY MANAGER | Number: | 23-551 | Meeting: | December 18, 2023 |
| | Agenda Item: | 39 | Roll Call: | 23-1772 |
| | Submitted by: | Chris Johansen, Neighborhood Services Department Director | | |

AGENDA HEADING:

Authorizing City acquisition of certain properties by tax sale certificate assignment and approving further City assignment of such certificates and associated agreements for the development and/or rehabilitation of housing.

SYNOPSIS:

Approval to request requiring the assignment of nine (9) unredeemed tax sale certificates on five (5) parcels to the City. Acquisition of properties through the tax sale is one (1) of several tools that the City has successfully used to build and/or renovate housing. The City may take tax deed itself or assign to another entity to take tax deed.

FISCAL IMPACT:

Amount: Expenditure of less than \$20,000 to require certificate assignment to the City and income of the same amount upon re-assignment to development partners. Net impact \$0.

Funding Source: Neighborhood Services Budget, Page 141, Special Revenue, Non-Grant S060 NS046000

ADDITIONAL INFORMATION:

- Iowa Code Section 446.19A permits cities to acquire tax sale certificates for vacant lots and vacant and abandoned structures assessed as residential property by requiring the assignment of privately held, unredeemed certificates to the City in exchange for the certificate value and interest due.
- This roll call item would authorize the City to issue payment and require the assignment of nine (9) certificates to the City.
- In addition, this action approves development agreements with three nonprofit partners, Invest DSM, Neighborhood Finance Corporation (NFC Properties LLC or NFC), and Greater Des Moines Habitat for Humanity (GDMHH). The development agreements ensure redevelopment for use of housing in exchange for the City assigning the certificates to the nonprofit partners.

- When the City assigns the certificates to the identified development partners, the City will recoup its initial expenses and be paid for the certificate because the City was required to pay up front for these certificates through the required assignment process.
- The costs due on the certificates increase each month by a two percent (2%) interest rate. Because it is necessary to give the tax sale certificate holders time to turnover the certificate and the Treasurer’s office processing time, City staff anticipate that the City may need to pay January and possibly February interest. For all nine (9) certificates, the amount should not exceed \$20,000.
- If the taxes are paid by prior to the expiration of the right of redemption, the certificate holder is reimbursed for the costs due as part of the redemption process. While the City holds the certificate, if it is redeemed prior to assignment to a development partner, the City would be reimbursed for the costs due on the certificate.
- Three (3) parcels are adjacent to each other and within a special investment district. Of those special investment district parcels, one (1) has a vacant structure. All other requested certificates are vacant lots. Three (3) of the properties have multiple open tax sale certificates against the properties. Unredeemed certificates must be addressed to clear the title.
- The following certificates are proposed fore required assignment:

| Tax Sale | Certificate | Geoparcel | Property Address | Description | Partner |
|-----------------|--------------------|------------------|-------------------------|--------------------|----------------|
| 6/22/2021 | 2021-0459 | 782433107014 | 1209 Bundy Street | Vacant lot | GDMHH |
| 6/21/2023 | 2023-07028 | 792434377002 | 1339 12th Street | Vacant lot | NFC |
| 7/18/2022 | 2022-1633 | 792434377002 | 1339 12th Street | Vacant lot | NFC |
| 6/28/2022 | 2022-0425 | 782406108007 | 1015 42nd Street | Vacant structure | Invest DSM |
| 6/28/2022 | 2022-1408 | 782406108011 | 782406108011 | Vacant lot | Invest DSM |
| 6/22/2021 | 2021-1045 | 782406108011 | 782406108011 | Vacant lot | Invest DSM |
| 6/21/2023 | 2023-1233 | 782406108012 | 782406108012 | Vacant lot | Invest DSM |
| 6/28/2022 | 2022-0916 | 782406108012 | 782406108012 | Vacant lot | Invest DSM |
| 6/22/2021 | 2021-1079 | 782406108012 | 782406108012 | Vacant lot | Invest DSM |

- It is anticipated that multiple of these properties may have City liens from prior public nuisance action that may or may not persist after the tax sale process. All three (3) nonprofits are aware that if they need assistance in addressing a City judgement lien, they need to apply for lien waivers through the Judgment Lien and Special Assessments Release Policy approved in August of 2023.
- GDMHH, NFC, and Invest DSM will enter into an agreement with the City for the redemption process, which includes redevelopment of the properties for residential use.
- Payments will be made using: NS046000, Object Code 527700. Proceeds will be deposited into: NS046000-496010.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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