


COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	24-236	Meeting:	June 3, 2024
	Agenda Item:	20	Roll Call:	24-0802
	Submitted by:	Chris Johansen, Neighborhood Services Department Director		

AGENDA HEADING:

Approving request to Polk County Treasurer, and approving agreements with nonprofits for assignment of tax sale certificates for various properties for development and/or rehabilitation of housing.

SYNOPSIS:

Approval to request removal of 12 vacant properties and 20 vacant lots from the upcoming Polk County Treasurer's tax sale auction on June 17, 2024. Acquisition of properties through the annual 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: Approximately \$750 per property for title certificate, notification, and publication.

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

ADDITIONAL INFORMATION:

- The roll call on this agenda related to the tax sale auction includes resolutions for properties included in the 2024 tax sale certificates that will be assigned to Greater Des Moines Habitat for Humanity (GDMHH), Home Opportunities Made Easy, Incorporated (HOME, Inc.), Neighborhood Finance Corporation (NFC Properties LLC), or Invest DSM. Also included are the tax sale certificates that will be assigned to the City of Des Moines, retained through the deed process and then through a formal process given to the partnering rehabilitation or redevelopment nonprofit.
- Tax sale certificates can be processed to deed in as little as six (6) months from the June 17, 2024, tax sale, but the holder of the certificate has up to three (3) years.
- All the nonprofits will enter into an agreement with the City for the redemption process, which may include design and occupancy requirements. All the nonprofits have agreed to language in the agreements for assignment of tax sale certificates to build to exterior standards within City code at the time of the agreement execution (June 2024), even if the code requirements change in response to recent legislation. If the nonprofits secure tax sale deeds, they will file restrictive covenants on the properties that also articulate the higher standard.

- Iowa Code Section 446.19A permits cities to acquire tax sale certificates for vacant lots and vacant and abandoned structures assessed as residential property at the annual tax sale 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. Iowa Code 446.18, 446.19 and 446.31 permits cities to bid and be assigned properties in the “Public Bidder Sale.”
- Through this code section, cities can obtain the assignment of outstanding tax sale certificates for vacant and abandoned residential properties by paying the certificate holder the amount that is due to redeem the certificate. Staff are sometimes able to negotiate directly with the tax sale certificate holder for a better price, but if not, the City must pay the total cost of the certificate then due including any accrued interest.
- If the City agrees to accept the assignment of the Certificate of Purchase at tax sale, it has three (3) years from the date of assignment to perfect the tax deed pursuant to Iowa Code 446.31, 446.32, and 446.37.
- Annually, the Polk County Treasurer’s Offices provides City staff with information on vacant lots and structures with outstanding taxes and/or special assessments that will be offered in the June tax sale auction. This year, the County provided property lists to the City on May 9, 2024, and an updated publication list on May 20, 2024.
- The properties included are all in the 2024 tax sale auction as of May 20, 2024. That means no property owner or previous tax sale certificate buyer has paid the taxes and special assessments due. The property owner and/or the previous tax sale certificate holder has the right to pay the subsequent taxes and if that happens the property is removed from the tax sale auction.
- If the taxes are paid by a tax sale certificate holder prior to the 2024 tax auction on June 17, 2024, the City can request the County assign the tax sale certificate from the entity for the price of the certificates plus interest. Staff will evaluate the purchase based on the cost of the certificate and the impact of the property on revitalization. If the property owner redeems the tax sale certificate, the City is reimbursed its costs, and its actions are moot.
- The City and County will work together to release delinquent taxes and special assessments on the properties. Any judgments released are limited only to the Property, any personal judgment shall remain in full force and effect against the judgment debtor and other real estate and personal property owned by such judgment debtor.
- **Tax Certificate Assignment:** GDMHH, HOME, Inc., NFC Properties LLC, and Invest DSM have identified the following properties that each organization would like to pursue through the tax sale process for rehabilitation or redevelopment of housing. GDMHH, HOME, Inc., NFC Properties LLC, and Invest DSM have requested the assignment of the 20 properties for tax sale certificates for redemption. GDMHH, HOME, Inc., NFC Properties LLC, and Invest DSM will reimburse the County Treasurer at such time as the properties are assigned from the City.

Geoparcels	Address	Occupancy	Nonprofit
792434379009	1301 10TH ST	Vacant Lot	Habitat
782421353046	1305 MCKINLEY AVE	Vacant Lot	Habitat
782426327004	1705 E DIEHL AVE	Vacant Lot	Habitat
782415255006	2425 SE 7TH ST	Vacant Lot	Habitat
782402231011	908 E 22ND ST	Vacant Lot	Habitat
792433406020	1422 22ND ST	Vacant Lot	HOME Inc
792434427021	1508 ARLINGTON AVE	Vacant Lot	HOME Inc
792433276060	1621 JEFFERSON AVE	Vacant Lot	HOME Inc
792434427022	309 CLARK ST	Vacant Lot	HOME Inc
782428102022	1201 EVANS ST	Vacant structure	HOME Inc
792422378004	3933 11TH ST	Vacant Lot	Invest DSM
782405128013	1103 22ND ST	Vacant Structure	Invest DSM
782405156002	909 26TH ST	Vacant structure	Invest DSM
782402279030	2158 E WALNUT ST	Vacant Lot	NFC
782401477006	217 SE 28TH ST	Vacant Lot	NFC
782412134018	2542 ONAWA ST	Vacant Lot	NFC
792329429016	2713 E 37TH ST	Vacant Lot	NFC
782406380026	532 36TH ST	Vacant Lot	NFC
782412228011	623 SE 28TH CT	Vacant Lot	NFC
782412276006	813 SE 28TH ST	Vacant Lot	NFC

- Tax Deed:** Neighborhood Services have also identified 12 properties that connect with other existing redevelopment efforts. We will pursue the deeds for these properties for the City efforts. As City staff works through the deed process, should a title be significantly clouded staff will re-assess with the Legal Department pursuing the deed, re-assigning the certificates, or not pursuing the deed.

Geoparcels	Address	Occupancy
782410254005	821 SE 7TH ST	Vacant Structure
782421251002	3609 SW 9TH ST	Vacant Structure
782421251003	3615 SW 9TH ST	Vacant Structure
792319377011	3911 LAY ST	Vacant Structure
792433478004	1710 FOREST AVE	Vacant Structure
792434177011	1904 11TH ST	Vacant Structure
792434183004	1711 10TH ST	Vacant Structure
792434259003	1625 7TH ST	Vacant Structure
792434259004	1619 7TH ST	Vacant Lot
792434405009	1450 8TH ST	Vacant Structure
792435126010	220 GUTHRIE	Vacant Lot
792435126011	220 GUTHRIE	Vacant Lot

- It is anticipated that several of these properties will have special assessments against them, and that each agency may request Council action to waive a portion of these assessments prior to redevelopment. Council has generally waived City levied fees in the past for non-profit developers building affordable housing.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

If successful in taking ownership of any of the properties, the City will work with developers/non-profits on a redevelopment process including setting the date of and holding public hearings on each of the properties.

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