



Memo

City Manager's Office

ITEM NO. 20

TO: Mayor and Ames City Council Members

FROM: Steven L. Schainker, City Manager

DATE: May 22, 2009

SUBJECT: Potential Acquisition of Property at Intersection of 13th and Grand

This subject was originally presented to the City Council in the attached staff report on May 12, 2009, where no action was approved. A motion to reconsider the motion was subsequently passed on May 16, 2009 "to proceed to purchase and demolish only one of the properties, 629/631 – 13th Street, with no funding source attached at this time."

The current cost estimates to accomplish this option are:

Acquisition	\$100,000
Demolition	\$ 15,000
Asbestos Removal	\$ 10,000
Utility Disconnect	\$ 2,000
Landscaping	\$ 3,000
Relocation	<u>\$ 20,000</u>
Total	\$150,000

In order to accomplish this option, an appraisal must first be completed to make sure we offer fair market value for the property. Even though the owner has the property listed for \$100,000, the actual purchase price might be more or less depending on the results of the appraisal.

In addition, we believe that leases are in place for both units. If we utilize Community Development Block Grant (CDBG) funding to purchase the property, federal regulations will require us to finance relocation costs for the tenants. If non-federal funds are used to purchase the property, there is no requirement to provide relocation assistance.

Funds for this project could come from our available balances in the Local Option Sales Tax Fund or the CDBG Fund. **It is my recommendation that, should the Council decide to pursue acquisition of this property, the funding should come from the available balance in our CDBG Fund. In order to accomplish this funding strategy, we must include this**

project in our 2009-10 CDBG Action Plan that you will be approving in July. The cost of this project will be replenished through the sales of homes that we anticipate to occur in 2009-10.

It should be noted that, since the May 12 Council deliberation, work on the signal replacement project began as scheduled. As a part of that project, part of the embankment along the northeast corner has been removed and a retaining wall is now being constructed. Should this property ultimately be acquired by the City, Council will need to decide whether the structure should be demolished at a later date and, if so, whether the elevation of the entire lot should be lowered to street level.

STAFF REPORT**POTENTIAL ACQUISITION OF PROPERTIES LOCATED AT
INTERSECTION OF 13TH STREET & GRAND AVENUE**

May 12, 2009

During discussions regarding intersection improvements at the intersection of Grand Avenue and Thirteenth Street in mid-2007, some property owners expressed interest in having their properties purchased by the City. During acquisition of easements for the scaled-back project last year, three abutting land owners again asked the City to consider purchase of their entire properties.

In response, at the October 14, 2008 City Council meeting, Council directed staff to contact the following three property owners who had expressed an interest in having the City consider acquiring their properties in connection with the 13th Street and Grand Avenue Improvement Project.

In accordance with this directive, staff contacted each of the three property owners to schedule an inspection of their properties. The following two property owners agreed to allow the inspection:

- Kevin Bourke, 629-631 13th Street (duplex on the northeast corner)
- Iowa Seventh Day Adventist Association, 1303 Grand Avenue (church on the northwest corner)

An inspection report for each property that outlines conditions and possible concerns is included as **Attachment A**.

Harold and Julie Pike, owners of the property located at 704 13th Street (southwest corner), were not interested in having the City inspect their property at this time. However, they still requested that the City approach them with a purchase offer.

This report provides City Council with an overall assessment of what it may cost to acquire, improve and/or demolish these structures. It also discusses the feasibility of proceeding to acquire any of the above properties regardless of whether or not additional intersection improvements occur in the future.

Attachment B includes a table showing information on property assessments and estimated costs for improving, maintaining and removing these structures.

Acquisition assessments:

1. The property at 629-631 13th Street, owned by Kevin Bourke, is currently assessed at \$87,500. This property is for sale at an asking price of \$100,000.
2. The property at 1303 Grand Avenue, owned by Iowa Seventh Day Adventist Association, is currently assessed at \$98,000.
3. The property at 704 13th Street, owned by Harold and Julie Pike, is currently assessed at \$110,300.

Because all three property owners have approached the City Council regarding the purchase of their properties, no City condemnation would need to occur and the properties could be purchased under normal city acquisition procedures. Should the Council decide to move forward with potential acquisition of these properties, a current market appraisal would need to be conducted.

Property Improvements/Maintenance Assessment:

A **very rough estimate** for improvements and ongoing maintenance for the Bourke and Adventist properties totals approximately \$60,000. Of the \$30,000 estimate for the costs towards the duplex (629-630 13th St.), \$10,000 would need to be spent soon after purchase in order to keep it minimally competitive with other apartment complexes available on the open market. The remaining \$20,000 would be for maintenance needs over the next 3-5 years. Of the \$30,000 estimated for the cost towards the church property, \$18,000 would need to be spent soon after purchase to repair the structural damage to the west wall and replace the windows. The remaining \$12,000 would be for maintenance needs over the next 3-5 years. An estimate to improve and maintain the Pike property could not be made due to staff not having access to their property.

It should be emphasized that even after these improvements were made, the structures would still only be in fair to poor condition.

Demolition Assessment:

A preliminary estimate to demolish all three structures has been determined to be approximately \$85,000. Of this amount, \$43,000 would be for demolition of the structures, \$6,000 for disconnection of utilities, \$30,000 for asbestos inspection and removal, and \$6,000 for landscaping of the cleared sites.

Options

The following three options appear to be available to the City Council:

Option 1: Seek to acquire all three properties based on appraised value, and continue the properties' current uses as rental property and/or utilize the church property as a community center as allowed by the Zoning Ordinance.

This option would place the City in the position of becoming a property owner with all of the responsibilities that come along with that ownership.

Given the structural conditions and concerns outlined on Attachment A, and the cost for the up front improvements and ongoing maintenance outlined on attachment B, these properties are in a similar deteriorated condition as the properties at 5th and Grand that were previously acquired by the City (and where the Veterans Memorial sits today). In those cases, the rental revenues from the properties did not cover the operating costs or the major capital improvements that were needed. The properties at 13th Street and Grand Avenue are deteriorated to the extent that it is not possible for the City to operate them as rentals without major interior and exterior improvements. Also, the lengthy payback associated with these improvements makes such a strategy ill advised. If the properties were purchased and not removed, the City would not be able to utilize funding from our CDBG Program's Slum and Blight category. Rather, the ongoing use of the properties would need to become a low and moderate income benefit.

Option 2: Acquire all three properties based on appraised values, demolish the structures and landscape the lots.

The costs for acquisition and demolition would be one-time expenses that would be better economic decisions than incurring ongoing costs. Also, it would be possible to utilize a portion of the City's Community Development Block Grant (CDBG) funds under the slum and blight program as a one-time expense to acquire and demolish these properties. Under CDBG program regulations, up to 30% of the funds received yearly or over a three year cycle can be spent on non-low and moderate income benefit activities. The current three year cycle covers the timeframe of July 2007 through June 30, 2010. During this timeframe, the City's CDBG funding allocation will be approximately \$1,471,224, of which a maximum of approximately \$441,000 could be spent for this purpose. It should be noted that of the \$1,471,244, approximately, \$676,000 is available to be spent in this year. The majority of these funds have been budgeted to be spent under the Acquisition/Reuse and the new Home Improvement programs.

There are additional safety benefits for the residents living in this area and to the public as a whole if the City acquires these properties. These properties are immediately adjacent to one of the busiest intersections in Ames. In traffic engineering terms, intersection safety is a function of the complexity of successive, access-related events seen at the intersection and the time it takes for a motorist to perceive conflicts and respond appropriately to them. The closer a driver gets to an intersection, the more complex the movements of other motorists become due to those entering and exiting the intersection. This complexity can be significantly increased by the number of driveways and their respective distance from the critical areas of the intersection.

Safety standards for driveway spacing from an intersection of a principal arterial such as US 69 are set at a minimum of 245 feet. Currently the driveways of the corner properties at 13th Street and Grand Avenue do not meet this recommended spacing. By

purchasing and vacating these properties, the City will improve the safety at this intersection now and into the future.

Back in October, City Council members expressed concerns about the sight distance across the property at 629-631 13th (northeast corner). If the City were to buy this property and lower the hill, sight distance across this property would be increased substantially. It would also not be necessary to build the retaining wall that will be installed as part of the signal replacement project. This would save the City \$8,700 that could be applied to the cost of buying the property. It should be noted that construction of the traffic signal system is under contract and is scheduled to commence in the very near future.

NOTE: It should be emphasized that HUD requirements will not allow us to accomplish the purchase of all three properties before the end of the fiscal year. If Option 1 or Option 2 is selected, the purchase of all the properties would have to occur over a two year period. Furthermore, staff is concerned that the purchase of all three properties suggested in Option 1 or Option 2 would take funding away from other programs designed to benefit our low and moderate income residents.

Option 3: Proceed to purchase and demolish only one of the properties.

Only one of the properties, 629-630 13th Street, is currently on the market for sale (for \$100,000). The Council could decide to move ahead with the purchase of this property in time to meet the HUD deadlines for this year. In addition, the removal of the building at this site would improve sight distance and safety at this corner of the intersection.

Option 4: Do not proceed with any further action regarding the three properties.

Since the Council has not committed to any long-term project to widen the intersection at 13th and Grand, the Council could conclude that the purchase of these properties is premature and could decline any offers to purchase. In addition, this option may seem warranted since, if the previously recommended project is resurrected, the City would only need to purchase portions of all three properties.

ATTACHMENT A

DESCRIPTION OF STRUCTURAL AND MAINTENANCE CONDITIONS

629 / 631 Thirteenth Street

Two Family conversion--Built in 1900.

1. Overall condition average to poor.
2. Has been maintained to minimum rental standards. A current rental inspection will trigger upgrades.
3. Visible portion of the foundation is a mix of rubble stone, masonry and patches, but appears to be in a reasonably sound condition. Substantial portions are not exposed for observation.
4. Wood frame structure appears to be adequate as no major deflections are noted within the finished areas.
5. Handrails are noncompliant and in disrepair.
6. Windows are old inefficient double-hung single pane.
7. Unable to observe presence of insulation.
8. Hardboard siding and soffit areas are degraded and need repaired / replaced.
9. Older asphalt shingle roof will require repair / replacement within a few years.
10. Plumbing is a mix of cast iron, galvanized, copper and plastic.
11. Much of it is installed with multiple code violations and is in disrepair. Portions of the system will continue to fail and require repair / replacement.
12. Unit 629 occupies the upper floor and basement of the structure.
13. Unit 631 occupies the main level.
14. Unit 629 is served by two furnaces and unit 631 is served by a single unit.
15. Two of the furnaces are older models & one has been replaced recently.
16. A cramped noncompliant bath serves the lower two bedrooms of the 629 unit. It should be remodeled for continued use.
17. A sump pump has been added and appears to discharge to grade. This could be an indication of having had a water problem at some point.
18. Some alterations of electrical system are visible but most portions are concealed from view.
19. Adequate support of porch roof is questionable.
20. A detached, open on one side, carport sets to the north of the house.
21. Siding and roof are in disrepair but structure appears sound.
22. Drive is steep and difficult to negotiate with any snow or ice.
23. Many repairs and upgrades will be desirable if obtained for continued use as a rental property.
24. A thorough cost benefit analysis should be undertaken if continued use as rental property is desired.

1303 Grand Avenue

1. Building is a well maintained concrete and masonry structure constructed in 1950.
2. No major structural problems were noted.
3. A newer asphalt shingle roof covers the East 3/4 of the building and the West portion is a flat roof represented as newer.
4. Windows are steel frame single pane - not efficient and are leak prone - will collect frost.
5. Windows below grade have leaked.
6. Upper level is used as a sanctuary with one office.
7. Lower level used as classrooms & fellowship hall.
8. Building has newer electrical service and had substantive electrical upgrades.
9. Plumbing system is original to the structure and is deteriorated.
10. Two small, poorly configured 1/2 baths exist in the lower level.
11. A kitchen has been installed in the lower level and is noncompliant and dated.
12. West wall of the building has multiple leaks and is poorly maintained.
13. Two forced air furnaces serve occupied areas.
14. One is a newer direct vent and the other is an older gravity vent which will need repair or replacement in the near future.
15. This structure has the appearance that it would be difficult to heat or cool on a full time basis.
16. This building will have ongoing HVAC and plumbing issues.
17. Analysis of West wall should be undertaken and repair or replacement budgeted.