



TO: Mayor Shaun Sipma
Members of the City Council

FROM: John R. Zakian, DR Grant Program Manager & Chief Resilience Officer

DATE: June 19, 2019

SUBJECT: OPTIONS TO WEIGH FOR DISPOSITION OF SPOT BLIGHT ACQUIRED LOTS

I. RECOMMENDED ACTION

City Council provide guidance on which option or options to use for the disposition of the properties which the city has acquired through the Spot Blight (Zombie Home) program

II. DEPARTMENT CONTACT PERSONS

John R. Zakian, DR Program Manager & Chief Resilience Officer, 423-4528

III. DESCRIPTION

A. Background

There are three National Objectives of which one must be established for use of CDBG-DR grant funds; Area of Spot Blight, Low-Moderate Income, or Urgent Need. To seek to acquire and demolish structures that have remained in disuse and disrepair after damage from the flood threatening the stability of neighborhoods, the city has used the Spot Blight National Objective to be able to spend CDBG-DR Allocation #1 funds to purchase these homes and demolish them restoring the properties to green grass. The Blight National Objective is limited in eligible use to eradicating the cause or causes of the blight which means acquisition, demolition and site restoration.

HUD rules do allow the city once these properties are acquired and restored with green grass to sell them but any such disposition requires meeting a different National Objective which means Urgent Need and/or LMI beneficiary. Local ordinance and North Dakota Century Code require that property to be sold to private interests must be sold via auction when the value is above a certain amount which in the case of Minot is \$5,000. This means we will have to dispose of these properties via auction.

Based on the National Objectives, there are two options for the city:

- Construct a single family home to be owned by a LMI resident with the requirements that it be raised one foot above FEMA established flood elevation level and be in conformance with city zoning and related codes. This National Objective would be LMI
- Sell the parcels with a deed restriction in perpetuity that restricts uses to the HUD statutory limitations for buyouts related to flood control and mitigation. This essentially means no structures whatsoever. This National Objective would be Urgent Need.

If the City Council chooses to pursue one or both of the options, then it is also recommended that we establish a minimum bid price. During our recent Neighbor Next Door public option, we encountered a situation where someone made a bid for a parcel for under \$100 predicated on plans to flip the property for a big profit. Fortunately, that bidder withdrew

when the bidder discovered the perpetual deed restrictions that would come with the property.

It should be noted that there is another option which is that the city retain ownership of the property and maintain as open space. Most often practiced end uses of Blight acquire properties are public parks, LMI eligible projects, economic development activities creating jobs for LMI residents, or maintained as green space.

It will be a highly unusual reuse to use the Urgent Need national objective.

B. Proposed Project:

Should the City Council choose to go forward with one or both options (both options could be used under the HUD rules), then the following steps have to be taken pursuant to HUD rules:

- A public comment period has to be offered. There is no specified time period in the rules but it would be recommended that it be 21 days (three weeks)
- Once public comment period is closed, then the proposed disposition plan is submitted to HUD. This is neither a substantial or non-substantial amendment process so there is no time period associated with HUD review, The purpose of informing HUD is to notify them that we are undertaking a second National Objective use of the property and to demonstrate it meets the National Objective

Once these two steps are completed, the city can commence auction.

IV. IMPACT:

A. Strategic Impact:

Either option offers the opportunity to restore these properties to private ownership with deed requirements assuring such sales will result in sustainable positive benefits supporting neighborhood stability.

B. Service/Delivery Impact:

Reduces cost impact to city related to maintenance of these properties.

C. Fiscal Impact:

Net revenue from sales will be Program Income and used to support CDBG-DR Allocation #1 Activities.

V. ALTERNATIVES

N/A

VI. TIME CONSTRAINTS

N/A

VII. LIST OF ATTACHMENTS

- i. Copy of HUD rules on acquisition, maintenance, and sale of properties.