



CITY OF IOWA CITY

City Attorney's Office
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Date

Dear Homeowner:

Offer

Enclosed please find an offer to purchase your property through the Community Disaster Grant Program (CDBG). This is the second round of buyouts undertaken by the City. The first round was through Hazard Mitigation Grant Program (HMGP). Everyone in both the CDBG and HMGP buyouts who owned the property at the time of the flood is offered 112% of the 2008 assessed value less any duplication of benefits. The City is using 112% because that is what it has determined to be the pre-flood market value of the property after reviewing the sales of homes in Parkview Terrace before the flooding and comparing the sales prices to the assessed values.

Appeal Process

Each owner has the right to appeal the value listed in the offer to purchase. The appeal process and the form are attached to the offer.

Duplication of Benefits

The offer price must be reduced by any "duplication of benefits" (DOB). If you were awarded flood assistance and/or flood insurance for the purpose of making repairs to your home, the City must subtract from the purchase price this amount unless the property owner can verify that the funds were expended on repairs or clean up. If you received an SBA loan, the offer will be conditioned on the owner paying off the SBA loan at closing. Any personal funds you spent on the property is not a duplication of benefits and thus will not affect the purchase price.

City staff is trying to obtain more information from the State of Iowa about how the DOB will work. The State has not decided if all flood assistance will be considered or if some assistance will not count in deciding the DOB. As soon as we know more about this process, either Doug Ongie or I will let you know. Doug works in the Community Development Department, and he will be working with you on the buyout, too. Doug's telephone number is 356-5479.

Here is a simple example of how the DOB works. The offer is \$150,000. The owner had \$40,000 in flood insurance on the home. The owner put \$30,000 into the home to repair or clean it up and has receipts for these costs. The DOB is \$10,000 (\$40,000 in flood insurance less \$30,000 in receipts). Therefore, the City will be required to subtract \$10,000 as a "duplication of benefits" from the offer and so the owner would receive only \$140,000.

If you made repairs with flood insurance proceeds or flood assistance, please make sure that you keep all receipts. You will need to get them to Doug so he can submit them to the State to determine the DOB.

Process after the Offer Is Made

If no appeal is filed. If you accept the City's offer, the City will send your abstract to an abstracting firm to be updated. The City will then examine the title, and assuming that all title objections are addressed, we will schedule a closing. The sales proceeds will be used to pay any mortgages and liens, and such mortgages/liens must be satisfied/released at closing. At the time of the closing, you will deliver a signed warranty deed to the City, and the City will then be the owner of the property. You will need to have vacated the home prior to the date of closing. The City is required to demolish the home within 90 days of closing.

If an appeal is filed. After an appeal is filed, we will schedule a time for the appeal hearing that is convenient for you. The hearing officer then has 30 days after the hearing to make a decision. If you agree to sell to the City for the amount in the hearing officer's decision, the process will be just as described above (i.e., the abstract will be updated, a title opinion issued, and a closing scheduled). If you do not agree with the hearing officer's decision, then presumably you will not accept the City's offer to buy the house. Please note that the appeal will take time. In addition to the time to set up the hearing and for the hearing officer to make a decision, the City may order an appraisal which will delay scheduling the hearing.

Abstract

The City will need your abstract if you accept the City's offer. You will need to deliver the abstract to my office if you accept the offer. The City will pay to update the abstract.

Closing Costs.

Except for property taxes and outstanding liens, the City will pay for all the costs of acquiring the property, including updating the abstract and paying the transfer tax (two costs usually paid by the seller). You will be required to pay any property taxes due and a prorated portion of the taxes for the current year as of the date of closing. You will also be required to pay off existing liens on the property (for example, a mortgage or a judgment).

Removing Fixtures

Some of you may want to remove items from the home, such as a ceiling fan, a stove, furnace or a cupboard. The buyout program requires that the City deduct the value of any "fixture" that is removed. The State has not finalized its definition of what will be considered a "fixture." When we have that information, Doug Ongie or I will let you know. If there are items you wish to remove, let me know. A City employee will meet you at the home to look at the item(s) and place a value on the item(s). You will then be provided with that information. The value of the item(s) will be deducted from the sale proceeds at closing.

Increased Cost of Compliance Coverage

If you had flood insurance, you will need to assign to the City your right to proceed under Coverage D for increased cost of compliance coverage (ICC) if you are eligible to receive insurance funds to demolish the house. Because the City will be demolishing the house at no cost to you, you must assign these ICC insurance proceeds to the City. You will assign your right to a claim under "coverage D" at or before closing. You will be receiving additional information from Doug Ongie on this matter in the very near future.

When Closing Will Occur

We can schedule a closing at your convenience at any time until May 2012. The funds to acquire the project are provided by a 3-year grant from the Iowa Department of Economic Development. The City must close out the grant by November 2012. That is why the City wants to close no later than May 2012. That will give us time to get the house demolished and all the paper work completed. Please note that the buyout is completely voluntary, and you have the right to "back out," so to speak, from the process at any time prior to closing.

City Attorney's Office

I represent the City and cannot provide you with any legal advice. I urge you to speak with an attorney about this matter. If you accept the offer and if you are not represented by an attorney, you will be working with me and two other members of the City Attorney's staff, Mary McChristy, the legal assistant, and Annie Pedersen, the Administrative Secretary. You should feel free to contact us by telephone at the address above with any questions you have throughout the acquisition process. My email address is sue-dulek@iowa-city.org. If you have an attorney, we will work directly with the attorney. In either case, the City Attorney's office will work very hard at making the acquisition process go as quickly and smoothly as possible.

Sincerely,

Susan Dulek
Assistant City Attorney

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