

01-29-09
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CITY OF IOWA CITY

City Attorney's Office
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January 26, 2009

Dear Homeowner:

I am writing to all persons who have indicated that they wish the City to buy their homes through the Hazard Mitigation Grant Program (HMGP), which is often referred to as the "buyout program." This letter will provide information on the current status of the HMGP program and how I anticipate the acquisition process will occur.

HMGP Application

The City submitted its HMGP application on January 13, 2008. This was not due until January 30, 2009, and we hope that our early submission means that our application will be considered promptly and the grant funds awarded accordingly. With that said, the State of Iowa and FEMA have consistently told City staff that it will be at least two to three months after the application is submitted before any funds are awarded.

Offer

The City will not make a written offer to purchase your property until the HMGP funds have been awarded. If you owned the property at the time of the flood, the offer will be 112% of the 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 your property after reviewing the sales of homes in Parkview Terrace before the flooding and comparing the sales prices to the assessed values.

Duplication of Benefits

When making an offer to buy the property, the City is required by federal law to ensure that there is not a "duplication of benefits" between HMGP and other forms of government assistance. If you were awarded FEMA assistance and/or flood insurance for the purpose of making repairs to your home, the City must reduce the purchase offer by 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 about how this process will work. It is a very important item because the City cannot make the offer without knowing this amount. At this time, it is my understanding that FEMA will provide this figure to City staff. As soon as I know

more about this process, I will let you know. If you made repairs with flood insurance proceeds or FEMA benefits, please make sure that you keep all receipts.

Appeal Process

Each owner has the right to appeal the value listed in the offer to purchase. For your information, I am enclosing copies of the appeal process. This will be attached to the offer as well. As you can see from the enclosures, you can appeal the "112% value" and/or the "duplication of benefits" figure. You will have 30 days after you get the offer to appeal.

Abstract

Please locate your abstract. The City will need your abstract after you accept the City's offer to purchase the home. Please do not deliver the abstract to the City at this time. The City will pay to update the abstract.

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, my office 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.

Closing Costs.

Except for taxes and outstanding liens, the City will pay for all the costs of acquiring the property, such as updating the abstract and recording the documents. 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).

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 closing. You will be receiving additional information from David Purdy on this matter in the very near future.

City Attorney's Office Staff

After the City makes you a written offer, you will be working with two members of my staff, Mary McChristy, a legal assistant, and Sue Dulek, an assistant city attorney. You should feel free to contact either Mary or Sue with any questions you have throughout the acquisition process. My office will work very hard at making the acquisition process go as quickly and smoothly as possible once the City is awarded the HMGP funds. I can assure you that we are using the time between the submission of the grant and the award to prepare to buy forty (40) properties as efficiently as we can. Assuming we receive the necessary figures for duplication of benefits from FEMA, our plan is to make offers shortly after signing a grant agreement for the funds.

Sincerely,



Eleanor M. Dilkes
City Attorney

Enc.

Copy to:

David Purdy-w/o enc.

Sue Dulek-w/o enc.

Mary McChristy-w/o enc.

Michael A. Lombardo-w/ enc.

City Council-w/enc.

City Clerk-w/enc.