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COMMUNITY DEVELOPMENT

Planning,
Zoning,
Building Safety,
Construction Inspection Services,
Public Health,
Housing Inspections,
Code Enforcement

MEMORANDUM

To: Mayor and City Council Members
From: Jodi Royal-Goodwin, Community Development Director
Cc: Gregg Mandsager, City Administrator
Date: June 6, 2019
Re: 1) Approval of Real Estate Purchase and Development Agreement Regarding the Sale of Surplus City Property (500 Mulberry Avenue)
2) Resolution Authorizing the Sale of and Executing a Deed for Surplus City Property (500 Mulberry Avenue)

INTRODUCTION: In 2018, as the City worked to secure the Deed to the property at 500 Mulberry Avenue, proposals were solicited for its redevelopment. Two proposals were received, and staff had been working with one respondent until earlier this month when the respondent withdrew. Staff immediately began working with the second proposer, Ramiro Vazquez and North Construction. At this time staff is recommending Council approve the *Real Estate Purchase and Development Agreement*, authorization of the sale and execution of the Quit Claim Deed.

BACKGROUND: In June 2018 City Council accepted the ownership of parcel number 0835434031, commonly referred to as 500 Mulberry, under a court order under Iowa Code 657-A. The property was in substantial disrepair and an evaluation was done to determine if the property could be rehabilitated or demolition would be necessary. It was determined the structure was sound and the building could be repaired. A demolition estimate of \$170,000 to \$200,000 was also provided. Under either option lead and asbestos assessments and mitigation were required. These were completed by February 2019.

It was determined the goal would be to preserve the historic property and return the property to private ownership for rehabilitation, reuse and back on the tax rolls. As a result a request for proposals was issued to determine if a private entity was interested in putting the building back into use. Two offers were received in March 2018. Staff worked with the selected applicant on a development agreement until last month when the offeror withdrew.

The second proposer, Ramiro Vazquez and North Construction, was immediately contacted and the attached development agreement was negotiated. Under the terms of the Agreement the developer will purchase the property for \$1.00 and has six months to secure and stabilize the property by repairing or replacing the windows, roof and exterior walls at an estimated cost of

\$250,000. The City will provide a five-year forgivable loan in the amount of \$135,000 to support this effort, which is required to be repaid if the developer fails to complete the project. The developer will complete interior rehabilitation at the time of his choosing.

RECOMMENDATION:

It is in the best interest of the community for the property to be secured in a responsible manner, as such this agreement commits the developer to quickly start work on the structure. It is recommended Council approve the *Real Estate Purchase and Development Agreement*, authorization of the sale and execution of the Deed.

Supporting Documents

1. Real Estate Purchase and Development Agreement
2. Resolution Authorizing the Sale of and Executing a Deed of Surplus City Property
3. Deed



REAL ESTATE PURCHASE AND DEVELOPMENT AGREEMENT

This Purchase and Development Agreement made and entered into this 6th day of June, 2019, by and between the City of Muscatine, Iowa, hereinafter called "CITY", and Ramiro Vazquez, hereinafter called "Developer".

WITNESSETH:

WHEREAS, the CITY is a duly organized and a body politic and incorporated under the laws of the State of Iowa, with lawful power and authority to enter into this Development Agreement;

WHEREAS, the CITY owns the following legally described property, also known as 500 Mulberry Avenue, PIN# 08-35-434-031 situated in the City of Muscatine, Muscatine County, Iowa, described as:

The Southerly 20 feet of Lot 5, and the Southerly 20 feet of the Easterly 30 feet of Lot 4, in Block 103, of the City of Muscatine, in Muscatine County, Iowa subject to reservations and agreements contained in deed recorded in Book 45 of Lots, at page 412, of the real estate records of Muscatine County, Iowa.

Subject only to easements, restrictions and covenants of record (collectively referred to as the "Property");

WHEREAS, the CITY and Developer desire to enter into this Real Estate Purchase and Development Agreement for acquisition, development and rehabilitation of land and building to assist in the removal of blighted and substandard conditions in the City of Muscatine.

WHEREAS, the CITY has approved the Project as defined in Section 2.02.

WHEREAS, the Plan provides for the transfer of property to developer conditioned on improvements being constructed on the Property in order to eliminate blight and prevent recurrence of blight and substandard conditions on the Property;

WHEREAS, the CITY has determined the fair value of the real estate has been taken into account and given consideration to the uses and purposes required by the Plan, the restrictions upon, and the covenants, conditions, and obligations assumed by the Developer of such property and the objectives of the Plan for the prevention or recurrence of substandard and blighted conditions;

NOW, THEREFORE, in consideration of the premises and the covenants and agreements herein set forth, the CITY and Developer do hereby agree as follows:

SECTION 1. OBLIGATIONS OF THE CITY:

Conveyance of Real Property

The Developer will pay to the CITY, \$1.00, and the CITY will convey to the Developer the Property.

Such conveyance shall be by Quit Claim deed. Such conveyance is subject to the condition that the Developer shall commence rehabilitation on said real estate to secure the Property and eliminate blight. Construction shall commence within 45 days of final approval of this Development Agreement. Developer shall complete construction within 180-days of the execution of this Agreement.

The conveyance shall be subject to the restrictions and covenants of record.

The CITY makes no warranties with regard to the condition of the Property or the structure located thereon, unless otherwise provided herein. The Developer expressly acknowledges and agrees that the CITY, and their officials, officers, employees, or agents have not made any representations or warranties concerning the Property or Project of any kind, including but not limited to, the rental or resale value of the Property, the economic or market conditions affecting the Project, or that the Property is suitable for the Project. The Developer takes title to the Property "AS IS."

SECTION 2. OBLIGATIONS OF THE DEVELOPER:

Section 2.01 Evidence of Financial Capacity

Prior to conveyance of the Property, the Developer shall provide to the CITY a letter of credit demonstrating that the Developer has the financial capacity to take each action necessary to carry out and complete the Project.

Section 2.02 Construction of Project

Upon conveyance of the Property to the Developer, Developer, at its sole cost, will rehabilitate the 3,200 square foot existing structure. Improvements in excess of \$250,000 will be constructed upon the property within 180 days from execution of this Agreement. Improvements to be completed include:

- Removal of all non-essential debris and materials
- Replace/Repair windows
- Stabilize and repair exterior walls and facade
- Replace/repair roof
- Install or replace utilities to building as needed or required

Completion of such Project is a material element of this Agreement.

Developer shall be solely responsible for obtaining all approvals and permits, which the CITY requires concerning the Project. Developer agrees to comply with the CITY's development procedures and regulations, and understands and acknowledges that the Project is subject to review and approval of the CITY. Developer shall carry

out and complete the Project in a good workmanlike manner free of material defects and in full compliance with all applicable federal, state and local laws, regulations and ordinances.

Developer and their assigns shall be required to maintain the exterior and roof of any structure on the Property. Developer and their assigns shall promptly repair any damage or deterioration on the exterior of the building on the Property. No junk, debris piles or other collection of materials shall be stored on the Property. No unlicensed or inoperable vehicles shall be allowed to be stored on the Property for any period of time. At all times, the Property shall be in compliance with applicable federal, state and local laws, regulations and ordinances.

The Project shall be complete 180 days from execution of this Agreement. Developer shall be deemed to have completed the Project at such time as all permitted work has passed inspections by the City. The City Administrator may grant a single extension of up to 180 days to this deadline, upon making a determination that the Developer is making a good faith effort to complete the project. Any subsequent extension, or any extension longer than 180 days, shall require approval by City Council.

Section 2.03 Compliance

Developer will comply with all applicable federal, state and local laws including all permits required related to the Project.

SECTION 3: FORGIVABLE LOAN

CITY shall provide Developer with a forgivable loan in the amount of \$135,000. Loan shall be forgivable over five (5) years at 20 percent per year to be disbursed not less than 45 days after execution of this agreement and a promissory note. If the Developer defaults, defined as failing to complete the project as identified above, failing to maintain the Property in compliance with building codes, sells the Property, or any other breach of the terms of this Agreement within the loan period the balance shall be due and payable to the CITY.

SECTION 4: TERMINATION & REVERSION:

Developer shall have the right to terminate this Agreement, without liability, by giving notice to CITY within 45 days of final execution of this Agreement. After such time, if Developer should fail to undertake and complete its obligations as described in this Agreement the CITY may take any enforcement action necessary to secure compliance. Developer shall be required, at CITY's written request, to re-convey the property to the CITY free and clear of liens and encumbrances.

SECTION 4. APPROVAL:

Developer agrees and understands that this Development Agreement is subject to approval of the governing body of the City of Muscatine, and that in the event such approval is not obtained, that this Agreement is null and void.

SECTION 5. COUNTERPARTS:

This Agreement may be signed in one or more counterparts, which shall be as binding and effectual as the original.

SECTION 6. ASSIGNMENT:

It is agreed that this agreement shall not be assigned by the Developer without the written consent of the CITY.

SECTION 7. ENTIRETY:

This Agreement constitutes the entire Agreement between the Parties, and any other Agreements between the parties, unless reduced to writing and executed by the parties shall be null and void.

SECTION 8. INDEMNIFICATION:

The Developer shall indemnify and hold the CITY harmless from any and against all claims, demands, disputes, damages, costs, expenses, (to include attorneys' fees whether or not litigation is necessary and if necessary, both at trial and on appeal), incurred by the CITY as a result, directly or indirectly, of the use or development of the Property and the Project, except those claims or liabilities caused by or arising from the negligence or intentional acts of the CITY, or its employees or agents.

SECTION 9. GOVERNING LAW:

This Agreement shall be governed and construed in accordance with the laws of the State of Iowa.

Remainder of Page Left Intentionally Blank

IN WITNESS WHEREOF, the parties have set their hands to this Agreement the date and year first above written.

Mayor
Diana L. Broderson, City of Muscatine, Iowa

By: _____

On this _____ day of _____, 2019, the foregoing instrument was acknowledged before me by _____, in the City of Muscatine, Iowa.

Notary Public

Developer
Ramiro Vazquez

By: _____

On this _____ day of _____, 2019, the foregoing instrument was acknowledged before me by _____, in the City of Muscatine, Iowa.

Notary Public

RESOLUTION NO. 2019-0163

A Resolution Authorizing the Sale of
City Property to Ramiro Vazquez

WHEREAS, the City Council of Muscatine, Iowa, on June 14, 2018 declared the following described real estate in Muscatine, Iowa, to-wit:

The Southerly 20 feet of Lot 5, and the Southerly 20 feet of the Easterly 30 feet of Lot 4, in Block 103, of the City of Muscatine, in Muscatine County, Iowa subject to reservations and agreements contained in deed recorded in Book 45 of Lots, at page 412, of the real estate records of Muscatine County, Iowa

Locally known as 500 Mulberry Avenue, Muscatine, Iowa as surplus property and offered said real estate for sale

WHEREAS, notice of intention to sell the real property was given by publication of a Public Notice in *The Muscatine Journal* no less than 4 or more than 20 days before the City Council meeting to be held on June 6, 2019, and the notice was published as required by law;

WHEREAS, said public hearing on the proposed sale of real property has been held;

WHEREAS, the City Council finds the sale of the real property will serve the public interest and approves of the sale of said real property;

WHEREAS, the City Council of Muscatine, Iowa, on June 6, 2019 approved a purchase agreement, attached as "Exhibit B" between City of Muscatine and Ramiro Vazquez for \$1.

IT IS, THEREFORE, RESOLVED, by the City Council of Muscatine, Iowa, as follows:

1. The City of Muscatine, Iowa, will sell and convey all its right, title, and interest in and to the real property described as: **The Southerly 20 feet of Lot 5, and the Southerly 20 feet of the Easterly 30 feet of Lot 4, in Block 103, of the City of Muscatine, in Muscatine County, Iowa subject to reservations and agreements contained in deed recorded in Book 45 of Lots, at page 412, of the real estate records of Muscatine County, Iowa, to Ramiro Vazquez for \$1.**

2. The Mayor is authorized and directed to sign the Deed for the conveyance identified above, and the City Clerk is authorized and directed to attest to the Mayor's signature; and will be in substantially the same form as the copy of the Deed attached to this Resolution as "Exhibit A".

4. The deed will be delivered to Ramiro Vazquez upon receipt of a signed copy of the purchase agreement attached as "Exhibit B"

5. Any resolution or part thereof in conflict or inconsistent with this Resolution is repealed.

PASSED, APPROVED, AND ADOPTED on June 6, 2019.

(CITY SEAL)

Diana L. Broderson, Mayor

ATTEST:

Gregg Mandsager, City Clerk

Prepared by: Andrew Fangman, 215 Sycamore Street, Muscatine, IA 52761; 563.262.4141
Return and Tax Statement to: Ramiro Vazquez, 1216 Washington St, Muscatine, Iowa 52761

QUIT CLAIM DEED

For the consideration of \$1.00 and other valuable consideration, The City of Muscatine, Iowa, a municipal corporation situated in Muscatine County, Iowa, hereby Quit Claim to Ramiro Vazquez all its right, title, interest, estate, claim and demand in the following real property in Muscatine County, Iowa:

The Southerly 20 feet of Lot 5, and the Southerly 20 feet of the Easterly 30 feet of Lot 4, in Block 103, of the City of Muscatine, in Muscatine County, Iowa subject to reservations and agreements contained in deed recorded in Book 45 of Lots, at page 412, of the real estate records of Muscatine County, Iowa.

Exempt from transfer tax per Iowa Code Section 428A.2(21).

Each of the undersigned hereby relinquishes all right of dower, homestead and distributive share in and to the real estate. Words and phrases herein, including acknowledgement hereof, shall be construed as in the singular or plural number, and as masculine or feminine gender, according to context.

IN WITNESS WHEREOF, the City of Muscatine, Iowa, has caused this instrument to be executed in its corporate name by its Mayor and City Clerk and its seal to be affixed on June 6, 2019.

CITY OF MUSCATINE, IOWA

(CITY SEAL)

By _____
Diana L. Broderson
Mayor

ATTEST:

Gregg Mandsager
City Clerk

STATE OF IOWA, MUSCATINE COUNTY, ss.

This instrument was acknowledged before me on _____, 2019, by Diana L. Broderson and Gregg Mandsager as Mayor and City Clerk, respectively, of the City of Muscatine, Iowa.

Notary Public in and for the State of Iowa