Memorandum

To: Administration Committee
From: Greg Keil, CDD
Date: October 13, 2011
RE: Acquisition of 221 Washington Street

This memo relates to the potential acquisition of 221 Washington Street for the prevention of blight. I have been in contact with the owner of the property, Richard Sheleski, since late 2010. Mr. Sheleski is a former Menasha resident who now lives out of state. He has expressed interest in selling the property to the city at a price substantially below its assessed value to eliminate his property maintenance and management responsibilities.

The property is currently valued at $36,000 for the land and $20,700 for improvements, for a total of $56,700. The lot size is 11,999 square feet. There are currently $5,438.78 in delinquent taxes and penalties owed to Winnebago County for 2008-2010.

This site also has known petroleum related groundwater contamination. I have had correspondence with Wisconsin Department of Natural Resources and Department of Commerce staff regarding this condition. The current owner has paid $4,038 toward the PECFA (petroleum clean-up fund) deductible. The Dept. of Commerce estimates another $10,000 of work remains of which 5% ($500) would be the responsibility of the existing or future owner. The completion of the last phase of site monitoring is necessary to obtain a closure letter on site clean-up from the WDNR.

The potential acquisition of the property was brought to the Plan Commission on April 19, 2011 for its input as to whether staff should pursue the acquisition of the property. The direction from the Plan Commission was that the staff should continue to pursue the matter.

Mr. Sheleski recently made the following proposal:

- Sale price $8,000
- City pays all taxes owed $5,438.78*
- Total $13,438.78*

*The County Treasurer indicated the interest penalties in the amount of $916.44may be waived if the city is the purchaser.

There are multiple considerations regarding the acquisition of this property that have both short and long term implications. In the short term, these relate to the cost of the property and the source of funds for acquisition, the closure of the site with respect to the petroleum contamination, and potential uses for the property.

In the longer term, the use question remains, and will in part be determined by whether or not the site has received a closure letter and whether taxes will continue to accumulate on the property. The Winnebago County Treasurer has stated that the county will not take the property in its contaminated state. If the owner discontinues tax payments and the county does not take the property, the taxes will continue to accumulate and the petroleum contamination will remain, with a likely outcome of continued deterioration of the property.

Since this property is on a street corridor that is a significant gateway to the city, the presence of blighted properties is a detriment to the city. This situation was of primary concern to the Plan Commission in its recommendation to pursue acquisition of the property. Community Development staff share this concern.

It is my recommendation that we continue to pursue the acquisition of this property based on the following considerations:

- The site clean-up can be completed while the PECFA program is still in place and 95% of the cost can be recovered from that source.
- Future acquisition of blighted property via eminent domain will be much more costly as market value must be paid and the city is responsible for appraisal costs
- Procedures are available such that the city can acquire the property with limited environmental liability.
- The prevention/elimination of blight on this property may forestall the same type of thing happening on neighboring properties.

I am requesting direction from the Administration Committee as to whether I should continue efforts in this regard.