

**CITY COUNCIL
COMMUNICATION:**

03-379

AGENDA:

AUGUST 11, 2003

SUBJECT:

FIRST AMENDMENT
TO AGREEMENT
WITH VINE STREET
LOFTS LIMITED
PARTNERSHIP

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

SYNOPSIS —

On the August 11, 2003 Council agenda is a roll call that authorizes the Mayor to execute the First Amendment to the Development Agreement with Vine Street Lofts Limited Partnership for the Vine Street Lofts apartment project at 2nd Street and Vine Street. Vine Street Limited Partnership is a joint partnership of Sherman Associates and the Lander Group. The office of Sherman Associates is located at 233 Park Avenue South, Suite 201, Minneapolis, Minnesota.

The project consists of the construction of a building with a total of 109 apartment units. Another component of the project is Water Street Brownstones, two four-story, 34-unit condominium buildings adjacent to the apartment building.

Vine Street Lofts had been under construction and 50% complete when it was struck by fire on the morning of April 5, 2003. It was completely destroyed along with the Water Street Brownstones. The Amendment to the Development Agreement is necessary to facilitate the reconstruction of the apartments.

FISCAL IMPACT —

On April 12, 2002, by Roll Call No. 02-952, the Council approved the Development Agreement with Vine Street Limited Partnership and authorized a loan of \$950,000. This amendment does not adjust the loan amount but decreases the interest rate from 1% to 0% and adjusts the repayment schedule.

RECOMMENDATION —

Approval.

BACKGROUND —

When construction began in June 2002, the Vine Street Lofts and Water Street Brownstones project was the culmination of over three years of work by the public and private sector to develop housing south of Court Avenue. The projects were 50% complete when a fire destroyed both developments on April 5, 2003.

Lander Sherman Urban Development has reaffirmed their commitment to this project and to the redevelopment of the Court Avenue area by pursuing the

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reconstruction of Vine Street Lofts. This amendment to the Development Agreement is essential to the reconstruction of the building.

More specifically, this amendment:

1. Extends the deadline for the completion of the improvements to December 31, 2004.
2. Decreases the interest rate from 1% to 0%.
3. Extends the date for the first loan repayment from June 2005 to June 2006.
4. Amends the date that the unpaid balance is due and payable from July 2044 to June 2045.

The fire loss has created a number of new challenges for the Vine Street Lofts project. Insurance proceeds are unlikely to cover the full cost of rebuilding due to a substantial increase in soft costs and construction costs. The Developer estimates that the project will have a shortfall of funds between \$500,000 and \$1,000,000. It is anticipated that the Developer will forego much or all of the Developer Fee to cover a portion of the gap. Other project funders are also reducing fees and accepting some degree of loss so that the project can move forward.

