



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 06/06/05

Communication

No.:05-329

Agenda Item Type: Resolution

Roll Call

No.:

Submitted by: Richard Clark, Deputy City Manager

SUBJECT—

Resolution Approving increased Bank financing to 420 East Locust, LTD, Steve and Tami Logsdon for renovations to 420 East Locust Street, Des Moines.

SYNOPSIS—

By Roll Call No. 04-2705, dated December 20, 2004, Council Agenda approved documents related to a Neighborhood Commercial Revitalization Loan (NCR) for \$200,000 to Tami and Steve Logsdon as part of the permanent financing of renovations to the commercial building located at 420 East Locust Street, Des Moines. Subsequent to this approval and prior to the City funding its loan, the project incurred higher than expected costs resulting in project delays while the Developer came to agreement with Contractors on costs incurred to date, verified all remaining costs, and restructured financing to complete the project. The approved and executed City Development Agreement requires that the Developer fund any cost overruns. The Developer has requested that the City approve an additional \$45,000 in senior, first mortgage bank financing in addition to Developer funds to complete the project financing. All other terms and conditions of the City Loan remain the same as previously approved by City Council.

FISCAL IMPACT—

The Neighborhood Commercial Revitalization Loan (NCR) for \$200,000 will be funded from the Eastern Gateway Redevelopment Account. The NCR Loan will incorporate the previously approved and funded Predevelopment Loan in the amount of \$6,528.00, resulting in a new

maximum fund disbursement of \$193,472 for a total loan of \$200,000. The NCR loan for \$200,000 will be repaid with three percent interest over a term of 20 years and secured by a second real estate mortgage on the property.

RECOMMENDATION—

Approval

BACKGROUND—

Total eligible project costs appear to total \$644,270 or \$57,183 higher than previously approved. These costs will be funded from an increase in Senior Bank debt of \$45,000 and Developer cash of \$12,270. Iowa State Bank has approved first mortgage financing of \$432,000 (67% of project costs), subject to the loan not exceeding 80% of an MAI appraisal and City of Des Moines participation for \$200,000 under the NCR Loan program, and receipt of documented project costs and additional financial records. The appraisal has been received and sets a fair market value upon completion of the building stabilization and finishing of the ground floor commercial space that meets the Bank's conditions. Additionally, Iowa State Bank has also approved a separate loan for \$56,250 to provide equipment and working capital for the new restaurant. No City funds will be advanced until all Bank funding conditions are met. The City loan will be disbursed to Iowa State Bank who will act as Escrow Agent in advancing all funds in accordance with the Bank and City Loan Agreements.

Steve and Tami Logsdon own and operate the East 5th Street Bakery, located at 407 East 5th Street, Des Moines and Basil Prospero, located at 801 Grand, Des Moines. The Logsdons are renovating the vacant and dilapidated building located at 420 East Locust for use as a new first floor restaurant, with the second floor available for future residential development.