



Agenda Item:

43

## COUNCIL COMMUNICATION City Manager's Office

### GENERAL INFORMATION

Agenda Date: 07/18/05  
371

Communication No.: 05-

Agenda Item Type: Resolution

Roll Call No.:

Submitted by: Richard Clark, Acting City Manager

### SUBJECT—

Resolution Approving Amendment to the Urban Renewal Development Agreement with East Village Square Apartments, L.P.

### SYNOPSIS—

Approves an amendment to the urban renewal development agreement with East Village Square Apartments, L.P. for the construction of a mixed-income residential building on the former Dewey Ford Showroom site. The general partner of East Village Square Apartments, L.P. is the Neighborhood Investment Corporation (NIC). NIC has offices at 1620 Pleasant and Robert Mickle is the President.

On December 6, 2004, by Roll Call No. 04-2661, Council approved the Urban Renewal Development Agreement with East Village Square Apartments, L.P. This amendment primarily provides for the owner's change in permanent lender, authorizes an earlier installment (but does not change the dollar amount of the Economic Development Loan), and more clearly defines the repayment terms of the Economic Development loan.

### FISCAL IMPACT—

The development agreement approved by Council on December 6, 2004 authorized a \$2,555,795.00 deferred repayment loan, to be advanced in two installments as follows, and repaid from excess cash flow and/or excess proceeds on future sale or refinancing:

Installment #1            \$693,081            Advanced upon purchase of the property by Developer.

Installment # 2            \$1,862,714            Advanced upon issuance of the Certificate of Completion.

Per the original Agreement, the first installment of \$693,081 was advanced on December 8, 2004 when East Village Square Apartments, L.P. purchased the land. The amended agreement includes new language to disperse the remaining \$1,862,714 as follows:

- Installment #2            \$1,862,714 multiplied by the percentage of building completion between 75% - 90% as certified by the Architect and General Contractor. Payment will occur after July 1, 2006.
- Installment # 3            Remainder of the Economic Development Loan to be advanced upon issuance of Certificate of Completion.

Repayment of the Economic Development Loan will be determined each calendar year. Until repaid in full, the City shall receive 50% of the annual Excess Cash Flow and 50% of the Net Proceeds from Sale or Refinancing. Due to the number of obligations with priority position to the Economic Development Loan, payments from annual Excess Cash Flow will be limited and are not anticipated to fully amortize the Loan.

The source of funding for the Economic Development Loan is TIF funds.

The HOME Program Loan is a zero interest loan that is to be repaid in a single installment after 40 years. Financing delays and the use of a conventional construction mortgage were not contemplated in the Home Program Funding Agreement. Letters from Iowa Department of Economic Development (IDED) acknowledge these changes.

**RECOMMENDATION—**  
Approval

**BACKGROUND—**

On December 6, 2004, by Roll Call No. 04-2661, Council approved the Urban Renewal Development Agreement with East Village Square Apartments, L.P.

Following is a summary of the major terms of the agreement:

**City Responsibilities:**

- City will provide an economic development loan in the amount of \$2,555,795.
- City will provide a HOME loan in the amount of \$1,050,000 (\$250,000 in City HOME funds and \$800,000 in State of Iowa HOME funds). This loan will be repaid from excess cash flow.
- City to grant ten-year 100 percent tax abatement on the incremental value of the apartments.

**Developer Responsibilities:**

- The Developer shall construct at least 109 apartments, of which no more than 85 shall be one-bedroom, and the balance shall be two-bedroom units.

- At least 40 percent of the units shall be affordable to persons at or below 60 percent of area median income.
- The units on the ground level shall be live-work units.
- The total project cost shall be at least \$14 million.
- Until the project is sold to an unrelated party, Developer shall make annual payments to the City from excess cash flow.
- Upon any sale of the project to an unrelated party, the City shall receive 50% of the net proceeds of sale.
- The project shall comply with the Eastern Gateway “Area 1” Design Guidelines and Developer shall execute an appropriate declaration of covenants.
- The project may be assigned only upon Council approval.

The Urban Design Review Board approved the conceptual design plan of the project on February 15, 2005. Council received and filed a communication from the Urban Design Review Board on March 7, 2005, by Roll Call No. 05-610. The City Council approved the conceptual Development Plan for the East Village Square Apartments on March 7, 2005, by Roll Call No. 05-611.