



Council Communication

Office of the City Manager

Date

September 11, 2006

Agenda Item No. 71

Roll Call No. 06-

Communication No. 06-586

Submitted by: Richard A. Clark, City Manager

AGENDA HEADING:

Resolution Approving Mortgage Subordination Agreement Between the City of Des Moines, Iowa and the Community Bank of Boone Regarding Redevelopment of the Shops at Eastgate.

SYNOPSIS:

Approval of the Mortgage Subordination Agreement between the City of Des Moines and the Community Bank of Boone regarding redevelopment of the Shops at Eastgate. The City of Des Moines holds a mortgage in the amount of \$350,000 filed in the Polk County Recorder's Office on June 8, 2006 in Book 11693, Page 35 that Eastgate Plaza, LLC (Norman Weinstein, President, 75 NE 6th Avenue, Suite 103, Delray Beach, Florida) executed. This loan was disbursed to remove asbestos, disconnect utilities, demolish all vacant buildings and remove all demolition material. The developer has stated that all work will be completed by the end of September 2006. Eastgate Plaza, LLC is in process of refinancing its \$12.08 million in senior mortgages with a loan from the Community Bank of Boone. By approving the Mortgage Subordination Agreement, the City would remain in second position for the \$350,000 loan as it had done with the previous lender, Bank of the West (f/k/a Commercial Federal Bank).

FISCAL IMPACT: NONE

Amount:

Funding Source:

ADDITIONAL INFORMATION:

On May 8, 2006 by Roll Call No. 06-945, Council entered into a Loan Agreement with Eastgate Plaza, LLC to assist in redeveloping the Shops at Eastgate. On May 22, 2006 by Roll Call 06-1050, Polk County entered into an Intergovernmental 28E Agreement with the City to provide \$175,000 to fund one-half of the \$350,000 loan. To date, the developer has removed asbestos, disconnected utilities and demolished nearly all of the deteriorated buildings on the site. The City has released \$264,800 of the loan; the balance is \$85,200, which will be used to complete the work.

The City secured the \$350,000 loan with a lien on the land, buildings and other improvements on the project property, subordinated only to bank financing and current credit obligations. Currently, the Bank of the West (f/k/a Commercial Federal Bank) holds an Open-End Real Estate Mortgage in the original principal amount of \$2.08 million, as amended, an Assignment of Rents and a Construction Mortgage in the original principal amount of \$10 million. All of these lending documents will be released at the time

the Community Bank of Boone makes the new loan. Consequently, the City will remain in second position.

PREVIOUS COUNCIL ACTION(S):

Date: May 22, 2006

Roll Call Number: 06-1050

Action: [Intergovernmental](#) 28E Agreement with Polk County regarding redevelopment of the Shops at Eastgate. ([Council Communication No. 06-283](#)) Moved by Mahaffey to adopt. Motion Carried 6-1. Pass: Vlassis.

Date: May 8, 2006

Roll Call Number: 06-945

Action: [Economic](#) Development Loan Agreement with Eastgate Plaza, LLC for redevelopment of the Shops at Eastgate (northeast corner of E. 14th Street and Euclid Avenue). ([Council Communication No. 06-265](#)) Moved by Mahaffey to adopt. Motion Carried 6-1. Pass: Vlassis.

Date: April 24, 2006

Roll Call Number: 06-848

Action: [Second](#) amendment to agreement with Eastgate Plaza, LLC for redevelopment of the Shops at Eastgate (northeast corner of E 14th St. and Euclid Avenue). ([Council Communication No. 06-213](#)) Moved by Mahaffey to adopt. Motion Carried 6-1. Pass: Vlassis.

Date: April 10, 2006

Roll Call Number: 06-685

Action: Close hearing on the 17th Amendment to the Restated Urban Revitalization Plan for the City-wide Urban Revitalization Area, to encourage redevelopment and revitalization of the Eastgate Commercial Center, Downtown and Neighborhood Retail Districts by providing tax abatement for improvements. Moved by Hensley to continue to April 24, 2006 at 5:00 P.M.

Date: March 20, 2006

Roll Call Number: 06-532

Action: Set hearing on the 17th Amendment to the Restated Urban Revitalization Plan for the City-wide Urban Revitalization Area to encourage redevelopment and revitalization of the Eastgate Commercial Center, Downtown and Neighborhood Retail Districts by providing tax abatement for improvements, (4-10-06). Moved by Brooks to adopt. Motion Carried 7-0.

Date: February 1, 1999

Roll Call Number: 99-340

Action: First Amendment with Eastgate Plaza, LLC. to allow Redeveloper an extension of time to complete the project (East 14th and Euclid). ([Council Communication No. 99-041](#)) Moved by McPherson to adopt. Motion Carried 7-0.

Date: June 22, 1998

Roll Call Number: 98-2078

Action: Agreement between the City and Eastgate Plaza LLC, for redevelopment of Eastgate Shopping Center (NE corner of E. 14th and Euclid). ([Council Communication No. 98-270](#)). Moved by McPherson to adopt. Motion Carried 5-1-1. Nays: Coleman. Pass: Vlassis.

BOARD/COMMISSION ACTION(S):

Date: April 6, 2006

Roll Call Number: N/A

Action: The Plan & Zoning Commission recommended approval of the Seventeenth Amendment to the Restated Urban Revitalization Plan for the City-Wide Urban Revitalization Area.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Eastgate Plaza, LLC is required to repay the \$350,000 loan in its entirety upon the sale, lease or other disposition of the property for development of a 50,000 square foot or larger building or by January 1, 2010, whichever occurs first.