



Council Communication

Office of the City Manager

Date January 22, 2006

Agenda Item No. 27
Roll Call No. 07-
Communication No. 07-045
Submitted by: **Richard A. Clark, City Manager**

AGENDA HEADING:

Approval of Resolution Approving Subordination Agreement to Community Business Lenders, LC, for renovations to 216 Court Avenue, Des Moines, IA

SYNOPSIS:

Recommend approval of resolution. As part of the original financing package for renovations to 216 Court Avenue, the City's financing was subordinate to a \$4.1 million loan made by Community Business Lenders, LC to Court Center, LLC (Developer) (Principals: Russ K. McCullough, 200 Stanton Avenue, Suite 101, Ames, IA 50014; David A. Keller, 200 Stanton Avenue, Suite 101, Ames, IA 50014; and Mark Rodgers, 7029 Rocklyn Circle, Urbandale, IA 50322); this loan was for shell building renovations and anticipated tenant improvements.

The Developer has leased the entire three-story, 35,000 s.f. building and is in need of additional financing to cover increased costs for building shell improvements and expanded tenant improvements. To finance these costs, Community Business Lenders, LC has approved additional funding of \$1.63 million to its first real estate mortgage; with this change, its total loan commitment is \$5.73 million. Community Business Lenders, LC's approval of additional funding is contingent upon the agreement of the City to subordinate the City's second real estate mortgage for \$200,000 to the new advances.

FISCAL IMPACT: NONE

No costs to the City are associated with this resolution. The City's financial participation in the project is outlined under "Additional Information."

ADDITIONAL INFORMATION:

On December 19, 2005, Council approved a development agreement between the City and Court Center, LLC (Developer) to renovate 216 Court Avenue (formerly referred to as the Nacho Mamas Building).

City participation in this redevelopment project is \$400,000 in two loans:

- Neighborhood Commercial Revitalization Loan (NCR) for \$200,000 to be repaid over a 20-year term;
- Economic Development Bridge Loan for \$200,000 to be repaid upon completion of the project's improvements from the syndication of federal and state historic tax credits.

The funding sources for City participation are:

- 2006-07 Operating Budget, pg. 309, CDBG Repayments Account, SP023 CMO980503, Economic Development Financial Assistance Programs – Community Development Block Grant Funding

- 2006-07 Operating Budget, pg. 310, Economic Development Enterprise Account, SP743 CMO980717 (carry over from FY '06)

PREVIOUS COUNCIL ACTION(S):

Date: 1-08-07

Roll Call Number: 07-048

Action: [Mortgage](#) Loan Addendum with Court Center, LLC and Court Center Leasing, LLC for 216 Court Avenue. ([Council Communication No. 07-024](#)) Moved by Vlassis to adopt. Motion Carried 6-0.

Date: 9-25-06

Roll Call Number: 06-1881

Action: Approval of First Amendment to Development Agreement between City and Court Center, LLC for renovations to 216 Court Avenue, Des Moines, IA. ([Council Communication No. 06-611](#)) Moved by Vlassis to approve. Motion Carried 6-0.

Date: 12-19-2005

Roll Call Number: 05-2995

Action: Development Agreement with Court Center, LLC for renovations to 216 Court Avenue. ([Council Communication No. 05-731](#)) Moved by Hensley to approve. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Date: 10-04-2005

Roll Call Number: N/A

Action: Approval of Preliminary Concept Plan and Design by Urban Design Review Board

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE