



**Council  
Communication**  
Office of the City Manager

**Date** February 12, 2007

**Agenda Item No.** 48  
**Roll Call No.** 07-  
**Communication No.** 07-082  
**Submitted by:** Larry Hulse, Community  
Development Director

**AGENDA HEADING:**

Approval of modifications and update of HOME documents for Esther Hall, a/k/a Hawthorne Hill.

**SYNOPSIS:**

Recommend approval to amend Home Investment Partnerships (HOME) Agreements with Chestnut Hills Limited Partnership (Gary Stenson, President, MetroPlains, 1600 University Avenue, Suite 212, St. Paul, MN 55104, and Roger Peterson, President, Gandolf Development, 5354 Parkdale Drive #350, St. Louis Park, MN 55416) for the rehabilitation of Esther Hall (a/k/a Hawthorn Hill, 921 Pleasant St.) The amendments reflect changes in the partnership structure and the addition of non-recourse language.

**FISCAL IMPACT:**

Amount: \$249,990 – HOME Loan to be advanced during construction as work is completed.

Funding Source: Fiscal Year 2006-07 Operating Budget, Home Investment Partnerships (HOME) funds, SP036 CDD49900 HOME 2007009, page 315.

**ADDITIONAL INFORMATION:**

By Roll Call No. 06-2010 on October 9, 2006, the City Council approved a \$250,000 grant and a \$249,990 HOME loan for the renovation of Esther Hall (Hawthorn Hill) located at 921 Pleasant Street. The combination loan and grant was approved with the Chestnut Hills Limited Partnership to renovate the building to house a total of 43 one, two, and three bedroom units to low income households. Of the units, 34 will be rented to residents with an income less than 50% of the area median income. The additional nine (9) units will be rented to residents with an income less than 40% of the area median income.

This amendment is only to the language of the HOME documents. It does not amend the amount of the HOME loan or the terms of the HOME loan. It does not amend the design of the building or number of units to be assisted.

The developer is asking that the City add “non-recourse” language to the agreement. Non-recourse language means that, if the project were not able to support the loan, the loan amount would be recovered from the project itself rather than from the partnership or individual members of the partnership. The non-recourse language is needed in order to deduct the HOME loan as basis from the Historic Tax Credits and Enterprise Zone tax credits that are being utilized by the project. This nets the developer

approximately \$60,000 in tax credits from the two sources. The HOME dollars constitute 2.7% of the entire project.

In addition, the name of an additional entity, Chestnut Hills Development, LLC, an Iowa limited liability company, has been formed as the General Partner for the development. The documents have been changed and the new contracts reflect the new General Partner in its signature blocks.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: October 9, 2006

Roll Call Number: 06-2010

Action: [Approving](#) Urban Renewal Development Agreement and HOME Investment Partnership Agreement with Chestnut Hills Limited Partnership, and approving proposed Conceptual Development Plan for renovation of Esther Hall. ([Council Communication No. 06-652](#)) Moved by Hensley to adopt. Motion Carried 6-0.

Date: October 24, 2005

Roll Call Number: 05-2558

Action: The Chestnut Hills, LP, Hawthorn Hill Building, 921 Pleasant Street, application for enterprise zone benefits for a project in the Des Moines Gateway Enterprise Zone. (Council Communication No. 05-607) Moved by Vlassis to approve. Motion Carried 7-0.

Date: November 7, 2005

Roll Call Number: 05-2683

Action: Support of application by Chestnut Hills Limited Partnership for rehabilitation of 43 units of Family Housing at 921 Pleasant (Hawthorne Hill Building). Moved by Vlassis to adopt. Motion Carried 7-0.

#### **BOARD/COMMISSION ACTION(S):**

Date: August 15, 2006

Roll Call Number: N/A

Action: The Urban Design Review Board recommended approval of the tax increment financing assistance for Hawthorn Hill

Date: August 15, 2006

Roll Call Number: N/A

Action: Historic Preservation Commission voted 11-0-1 in support of a motion to recommend issuance of a Certificate of Appropriateness for the proposed exterior alterations to the building, subject to the conditions identified in the Additional Information section above.

Date: September 6, 2006

Roll Call Number: N/A

Action: The Neighborhood Revitalization Board reviewed the HOME loan for the Hawthorn Hill project located at 921 Pleasant Street.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

None anticipated at this time.