



Council Communication

Office of the City Manager

Date

August 20, 2007

Agenda Item No. 72
Roll Call No. 07-
Communication No. 07-512
Submitted by: Matthew A. Anderson,
Economic Development Administrator

AGENDA HEADING:

Approving Neighborhood Commercial Revitalization (NCR) loan of \$192,150, a \$5,000 pre-development grant, and a \$15,000 façade grant to BCC Management for the rehabilitation of 1707 High Street.

SYNOPSIS:

Recommend approval of a Neighborhood Commercial Revitalization (NCR) loan of \$192,150, a \$5,000 pre-development grant, and a \$15,000 façade grant to BCC Management for the rehabilitation of 1707 High Street. BCC Management (Steve Jacobs, BCC Advisers, 666 Walnut Street, Suite 1508, Des Moines, Iowa 50309) has proposed the rehabilitation of a commercial office building located at 1707 High Street that has been vacant for a number of years. The \$1.1 million project will provide approximately 6,000 square feet of office space for BCC Advisers and 1,500-2,000 square feet of additional lease space, with improvements to both the interior and exterior of the building.

Staff has analyzed the rehabilitation project and finds that it meets the requirements of the NCR program to provide funding for the improvement of neighborhood commercial properties. Eligible project costs include exterior improvements to the building, site improvements, and interior improvements that rectify code-related conditions. Total rehabilitation costs for the project are \$603,650. Of that total, NCR program-eligible expenses total \$241,750. The developer has requested a \$192,150 loan from the City and is also eligible for a \$5,000 pre-development grant and a \$15,000 façade grant. Commercial tax abatement is not available for this property for office use.

Staff recommends preliminary approval of the NCR loan and grants.

FISCAL IMPACT:

Amount: Approval of the proposed NCR loan authorizes \$212,150 in financial assistance to the project, including a \$192,150 loan, a \$5,000 pre-development grant, and a \$15,000 façade grant. Terms of the repayable loan will be 3% for 10 years amortized over 25 years with a final balloon payment.

Funding Source: Funds for the NCR program are currently identified in the Adopted FY2007-08 Operating Budget, page 105, SP020 CDD049900 CDBG2007049, OED Neigh Revitalization Loan Program.

ADDITIONAL INFORMATION:

BCC Advisers is a financial and management advisory firm specializing in merger & acquisitions consulting, corporate finance, business valuation, litigation support, and business consultation services to privately held businesses. The company has been located in the downtown since 1988 and requests City financial assistance to allow them to purchase and renovate a vacant building south of the Sherman Hill area for a new corporate headquarters. The company currently employs 10 people

A summary of the financial request is as follows:

PROJECT COSTS	
Purchase price:	\$450,000
Rehab expenses:	<u>603,650</u>
Total project costs:	\$1,053,650

ELIGIBLE EXPENSES	
Exterior improvements	
Roof	\$50,000
Entrance/ramp	25,000
Site work	66,750
Interior improvements	
HVAC	\$20,000
ADA restrooms	70,000
Electric	<u>10,000</u>
Total eligible costs:	\$241,750

Loan request:	\$192,150
Pre-development grant:	5,000
Façade grant:	<u>15,000</u>
TOTAL REQUEST:	\$212,150

The City’s loan would be structured as a 3% 10-year loan with a 25-year amortization. The final payment in year 10 would be a balloon for the remainder due. The developer has a commitment from First American Bank for \$841,500 to complete the improvements. The City will take a second mortgage on the property as collateral.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

If the project is authorized, City Council will be asked to approve final loan documents at an upcoming meeting.