



Council Communication

Office of the City Manager

Date

September 24, 2007

Agenda Item No. 35

Roll Call No. 07-

Communication No. 07-571

Submitted by: Matthew A. Anderson

Economic Development Administrator

AGENDA HEADING:

Communication from the Office of Economic Development recommending approval of a Neighborhood Commercial Revitalization (NCR) loan agreement authorizing a 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:

On August 20, 2007, the City Council gave preliminary approval to a financial assistance package for BCC Management (Steve Jacobs, BCC Advisers, 666 Walnut Street, Suite 1508, Des Moines, Iowa 50309). The company has since completed the purchase of a commercial office building located at 1707 High Street that has been vacant for a number of years. The \$1.1 million purchase and rehabilitation project will provide approximately 6000 square feet of office space for BCC Advisers and 1500-2000 square feet of additional lease space, with improvements to both the interior and exterior of the building. 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 downtown Des Moines since 1988 and has requested City financial assistance to allow them to purchase and renovate a vacant building in the south of Sherman Hill area for a new corporate headquarters. The company currently employs 10 people.

The Office of Economic Development 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 approval of the financial assistance to this project. If approved, the Mayor and City Clerk would sign and attest the attached NCR loan agreement document.

FISCAL IMPACT:

Amount: \$212, 150

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: 2007-2008 Operating Budget, Page 105, SP020, CDD049900 CDBG2007049, OED Neigh Revitalization Loan Program.

ADDITIONAL INFORMATION:

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 ten 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):

Date: August 20, 2007

Roll Call Number: [07-1679](#)

Action: [Preliminary](#) approval for Neighborhood Commercial Revitalization Loan of \$192,150, a Pre-Development Grant of \$5,000 and a Façade Grant of \$15,000 to BCC Management for proposed rehabilitation of 1707 High Street. ([Council Communication No. 07-512](#)) Moved by Hensley to approve. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Staff will work with the developer to disburse funds per the loan agreement and grant programs.