



Council Communication

Office of the City Manager

Date	October 8, 2007
Agenda Item No.	56
Roll Call No.	07-
Communication No.	07-612
Submitted by:	Matthew A. Anderson Economic Development Administrator

AGENDA HEADING:

Resolution approving an Amended and Restated Urban Renewal Development Agreement with River Point West LLC, a Loan Agreement with River Point West Investment Fund LLC and other financing documents for the Riverpoint West Redevelopment Project.

SYNOPSIS:

Changes are necessary to the Riverpoint West Development Agreement between the City of Des Moines and River Point West LLC because the original Development Agreement was entered into prior to the selection of the New Markets Tax Credit (“NMTC”) investor, U.S Bancorp Community Development Corporation (“USBCDC”). Because of the timing needs of the project, none of the NMTC participants in the project were able to review or comment on the Development Agreement from a NMTC perspective prior to its approval by the City Council on July 9, 2007. In order for the NMTC transaction, and thus the project, to work, changes to the Development Agreement that clarify the complex NMTC structure are necessary. Because the project cannot take advantage of the more than \$2 million of NMTC equity without a tax opinion from USBCDC’s tax counsel, the City has sought to accommodate as many of their requested changes as possible without weakening the City’s position in the Development Agreement. The underlying goal of maintaining the City’s position in the agreement has been paramount in reviewing all changes to the document.

The City Council is also asked to approve a Loan Agreement with River Point West Investment Fund LLC and a Lockbox Agreement. The Lockbox Agreement provides for a specific set of instructions to a designated escrow agent regarding the receipt and disbursement of all funds involved in the project. The Lockbox Agreement is one of the many safeguards built into this project to ensure the security of the City’s investment.

FISCAL IMPACT:

The Amended and Restated Agreement does not change the City’s financial obligations under the original July 9, 2007 Agreement. The original terms, presented below, remain unchanged, with the exception of additional developer equity added to offset a lesser amount of NMTC equity.

There are three components to the Riverpoint West Redevelopment Project—Phase I commercial, Phase II commercial and a separate residential aspect. The total cost of the commercial land assemblage and site preparation project is projected to be \$50,780,000, and includes \$12,000,000 of net land sales proceeds (excludes real estate commissions and closing costs). The Phase I commercial site preparation cost is estimated at \$27,422,000 (includes \$6,200,000 of net land sales proceeds); Phase II commercial at \$23,358,000 (includes \$5,800,000 of net land sales proceeds); and residential at \$16,000,000 (net land sales proceeds to be determined). The Phase I Commercial Development Agreement relates only to costs

to prepare pad-ready sites for commercial redevelopment along Martin Luther King, Jr. Parkway and SW 9th Street.

Amount/Funding Source: The following amounts and funding sources will be used to conduct the Phase I project.

<u>Amount</u>	<u>City Funding Sources</u>
\$8,500,000	49% of the \$17.5 million Section 108 loan that HUD approved on February 23, 2007, will be disbursed to acquire the majority of Phase I land, which will be repaid through project-generated TIF. Up to \$2.9 million of Metro Center TIF will be used to cover any shortfall between the time the loan payments are due and sufficient TIF is generated from the project, anticipated to be in FY 2016/17; however, the City projects that \$2.5 million of Metro Center TIF will actually be expended. The Developer will be required to pay any shortfall thereafter in project-related TIF needed to cover loan payments. The Phase I commercial development at full build-out is anticipated to generate approximately \$17.7 million in tax revenues over 20 years (75% project-related TIF), which is sufficient to repay the principal and interest on the loan estimated at \$16.5 million over 20 years.
\$2,500,000	The Developer will purchase City-owned land, and the City will provide a grant for its equivalent value.
\$1,397,665	City-owned land at the SW corner of Martin Luther King, Jr. Parkway and SW 9 th Street and directly west of SW 11 th Street to be sold to the developer was acquired and improved with funds from the Martin Luther King, Jr. Parkway Project Fund and from the Park and Ride Fund. Metro Center TIF will be used to reimburse these funds: \$981,665 to the Martin Luther King, Jr. Parkway Project Fund (Federal Title 23 Account, STR 500) and \$416,000 to the Park and Ride Fund.
\$500,000	The cost to construct SW 11 th Street from Martin Luther King, Jr. Parkway to DART Way is estimated at \$1.7 million. The segment from Martin Luther King, Jr. Parkway to Murphy Street, projected at \$1.2 million, is part of the Phase I commercial development. The segment from Murphy Street to DART Way, estimated at \$500,000, is part of the future residential development. Funds will be advanced to construct all of SW 11 th Street to be credited against the City's anticipated \$4 million infrastructure investment in the residential redevelopment project.

<u>Amount</u>	<u>Public Funding Sources</u>	<u>Other</u>
\$2,000,000	Brownfield Economic Development Initiative (BEDI) grant that HUD approved on February 23, 2007, will be used to establish a debt service reserve fund to make advancements on a grant to the Developer, which are indirectly used to repay the initial four years of payments on the Section 108 loan.	
\$500,000	RISE grant, which IDOT entered into an agreement with the City on March 5, 2007, will assist in constructing SW 11 th Street from Martin Luther King, Jr. Parkway to DART Way.	

\$297,000	Federal earmark that Congress approved in FY2006 will be used to acquire land.
<u>Amount</u>	<u>Private/Other Funding Sources</u>
\$3,900,000	Developer equity will be used to acquire land, conduct environmental remediation and geo-technical work, install infrastructure and/or fund administrative and related costs. This figure was originally \$3,100,000.
\$2,700,000	New Markets Tax Credits will be used to acquire land, conduct environmental remediation and geo-technical work, install infrastructure and/or fund administrative and related costs. This figure was originally \$3,500,000.
\$325,000	Hubbell Terminal Corporation cash contribution will be used to assist in constructing SW 11 th Street from Murphy Street to DART Way and Murphy Street from SW 9 th to SW 11 th Streets.
\$6,200,000	Land sales proceeds will be used to create a \$3.1 million Land Sales Proceeds Fund to assist with the Phase II commercial redevelopment project, and to return \$3.1 million of developer's equity.

ADDITIONAL INFORMATION:

The original Development Agreement was written in a way that did not anticipate two steps in the NMTC structure, providing that the City Grant funds would go to the Developer to directly pay the City Loan. In this NMTC transaction, the City will make an \$8.5 million loan to an Investment Fund (River Point West Investment Fund LLC), which in turn will make a loan to a second Investment Fund (River Point West Investment Fund II, L.L.C.), of which USBCDC is the sole member. USBCDC then adds its NMTC equity to the City funds and makes an investment in ICD III, L.L.C., which operates as a qualified Community Development Entity ("CDE") for NMTC purposes. The CDE will then loan the City Loan funds plus the NMTC equity to the Developer. The City can still take the deed in escrow to all land owned by the Developer, if the Investment Fund defaults on repaying the City Loan to the City.

PREVIOUS COUNCIL ACTION(S):

Date: July 23, 2007

Roll Call Number: 07-1454, 07-1455, 07-1456, 07-1457, and 07-1458

Action: Resolutions regarding to the Riverpoint West Redevelopment Project:

(A) Hearing on the Proposed Authorization and Approval of a Contract for Loan Guarantee Assistance Under Section 108 of the Housing and Community Development Act of 1974, As Amended, (\$17,500,000), and other related Financing Documents. Moved by Hensley to adopt. Motion Carried 7-0.

(B) Resolution Instituting Proceedings to take additional actions. Moved by Hensley to adopt. Motion Carried 7-0.

(C) Resolution approving form and authorizing execution and delivery. Moved by Hensley to adopt. Motion Carried 7-0.

(D) Authorizing Application to obtain a \$297,000 Federal Grant from the FY 2006 HUD Economic Development Initiative for Redevelopment of the Riverpoint West Area. Moved by Hensley to approve. Motion Carried 7-0.

(E) Approving Programmatic Agreement with the Iowa State Historic Preservation Office for a portion of the Riverpoint West Area. (Council Communication No. 07-460) Moved by Hensley to adopt. Motion Carried 7-0.

Date: July 9, 2007

Roll Call Number: 07-1341, 07-1342, and 07-1343

Action: On Urban Renewal Development Agreement with River Point West LLC for the River Point West Redevelopment Project, including the sale of City-owned land. (Council Communication No. 07-393) Moved by Hensley to adopt. Motion Carried 7-0.

(A) Setting Date of Hearing on Section 108 Loan, \$17,500,000 and other related financing documents, (7-23-07). Moved by Hensley to adopt. Motion Carried 7-0.

(B) Directing City Manager to prepare an amendment to the City-wide Urban Revitalization Plan to remove the downtown core area from the Targeted Residential Area and extend the City-wide tax abatement program for residential development for another 5 years. (Council Communication No. 07-387) Moved by Hensley to direct the City Manager to prepare and present for further consideration by the City Council at the earliest practical time, an amendment to the City-wide Urban Revitalization Plan to remove the downtown core area from the Targeted Residential Area, and to extend the City-wide tax abatement program for residential development for another 5 years. City Manager will arrange a meeting with the Downtown stakeholders within 30 days. Motion Carried 7-0.

Date: June 4, 2007

Roll Call Number: 07-1119

Action: Setting date of hearing on Proposal to enter into an Urban Renewal Development Agreement with River Point West, LLC for the Riverpoint West Redevelopment Project including the sale of land and inviting competing proposals, (7-9-07). (Council Communication No. 07-315) Moved by Hensley to adopt. Motion Carried 7-0.

Date: August 7, 2006

Roll Call Number: 06-1617

Action: Section 108 Loan Guarantee Application and Amended Brownfield Economic Development Initiative (BEDI) Grant Application for Redevelopment of Riverpoint West. (Council Communication No. 06-484) Moved by Hensley to adopt. Motion Carried 6-1.

Date: October 24, 2005

Roll Call Number: 05-2603

Action: Preliminary Agreement with Riverpoint West LLC for redevelopment of Riverpoint West Area. (Council Communication No. 05-611) Moved by Hensley to adopt. Motion Carried 7-0.

Date: May 23, 2005

Roll Call Number: 05-1331

Action: Preliminary Agreement with Hubbell Realty Company and Hubbell Terminal Corporation (Rick Tollakson, President & CEO) and Riverpoint West LLC (George Sherman, President) for redevelopment of parcels west of SW 9th along Tuttle and Murphy Streets. (Council Communication No. 05-305) Moved by Hensley to adopt. Motion Carried 6-1. Absent:Vlassis.

BOARD/COMMISSION ACTION(S):

Date: May 1, 2007

Roll Call Number: N/A

Action: Urban Design Review Board recommended approval of using tax increment finance revenue to repay the \$8.5 million Section 108 loan.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- The developer is seeking a second round of NMTC funding. It is anticipated that additional financing documents will be necessary to close the next round of financing.
- Amending the current 10-year, 100% residential tax abatement in the downtown to 5-year, 100% residential tax abatement.
- Approving the Conceptual Development Plan and pro forma and any material amendments thereto.
- Approving each Parcel Development Agreement for the sale and redevelopment of any parcel.
- Approving the future Phase II Commercial Development Agreement and the Residential Development Agreement.

