

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date	February 9, 2009
	Agenda Item No. 30 Roll Call No. <u>09-</u> Communication No. <u>09-064</u> Submitted by: Matthew A. Anderson, Economic Development Administrator	

AGENDA HEADING:

Resolution Approving Preliminary Terms of a Neighborhood Commercial Revitalization Loan Agreement with Indigo Dawn, LLC, for development of 800 19th Street as a Platinum Leadership Energy and Environmental Design (LEED) adaptive building reuse.

SYNOPSIS:

Indigo Dawn, LLC (Chaden Halfhill, Owner, 1902 Woodland Avenue, Unit 300, Des Moines, Iowa 50309) has proposed a \$1.9 million adaptive reuse of 800 19th Street in the Sherman Hill Historic District. The project, titled Green & Main, is being developed as a model of sustainable design and energy efficiency, and will seek Platinum LEED certification, the highest possible rating from the U.S. Green Building Council. The renovated building will have mixed uses of street level retail and upper story residential. The Office of Economic Development has negotiated the preliminary terms of a financial assistance package as outlined below.

FISCAL IMPACT:

Amount: \$200,000

Funding Sources: Neighborhood Commercial Revitalization (NCR) program funded with CDBG, CDD049900, CDBG2007049

Amount: \$220,000 Economic Development Bridge Loan

Funding Sources: Economic Development Enterprise Account, CMO980717, SP743

ADDITIONAL INFORMATION:

The City of Des Moines has identified the goal to be a leader in setting policies and practicing service delivery innovations that promote environmental sustainability. The City has actively pursued policies, programs and initiatives to realize this goal. Working with builders, developers and business owners to achieve reuse of existing buildings in the community furthers this goal. The Green & Main adaptive building reuse involves a 6,000 square foot structure in the Sherman Hill Historic District. The building was constructed in 1933, and formerly served the neighborhood as a corner grocery store. The building is proposed for mixed use, with retail on the lower level and residential on the second floor. The Green & Main adaptive building reuse will embody numerous elements of sustainability and best management practices. The project is being introduced as a demonstration site to educate the public as to how to reuse and adapt an existing building into a model of energy efficiency and low impact storm water

management. It will provide a prototype for preservation of existing buildings, and include enhanced air quality, system efficiencies, material recycling, and ongoing public education.

Elements of the project include increased ventilation, multi zoned heating and cooling, improved air filtering and air quality, green cleaning and maintenance, bioswales, raingardens and recycled building materials. Partnering entities for the project include the Center for Building Energy Research at Iowa State University, Center on Sustainable Communities, Iowa Department of Economic Development, Iowa Environmental Council, Metro Waste Authority and Polk County Conservation. Numerous additional businesses and sponsors are donating products and services to the project.

The total project costs are estimated at \$1.9 million. The Developer is actively pursuing a combination of conventional financing and grants to fund the renovation and has received the following commitments to the project, totaling \$1,382,750:

\$150,000, cash, goods and design services from Developer

\$505,000 – Sponsorship from local business of goods and services contributed directly to the renovation project

\$58,300 – Grants from State & Other Public Entities

\$283,000 – Loans

\$14,150 – Mid American Energy Company rebates on energy efficient equipment

\$372,300 in Federal and State Historic Tax Credits

The following financial commitments are pending and anticipated as part of the overall project financing:

\$50,000 – Grants from State & Other Public Entities

\$286,950 – Loans from Commercial Banks, Public Entities or Other Investors

The proposed City of Des Moines financial assistance is comprised of two components;

- 1) a Neighborhood Commercial Revitalization Loan in the amount of \$200,000 to be repaid with a three percent interest rate (3%) over a twenty-year term, and
- 2) a \$220,000 bridge loan to be repaid through the sale of the 20% Federal Historic Tax Credits that have been approved by the State Historical Preservation Office. The federal historic tax credits are issued upon completion of the project and do not provide needed financing during renovations. The bridge loan functions as short term interim assistance providing cash for project renovations prior to the issuance and sale of the tax credits.

With the City's preliminary approval of this financial package, the project will have total financial commitments of \$1,582,750 or 84% of the projects needed funding. The largest portion of the remaining funding is to come from commercial banks that are currently reviewing the project's funding request. If the Developer does not receive a funding commitment from a commercial bank or other investor for the remaining portion of the project, the project may not go forward as proposed, and the City's preliminary approval would expire.

If the remaining financial commitments are secured by the Developer, the project will be brought back to City Council for final approval of the City Loan Agreement and related documents.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Approval of Final Assistance Package and Loan Documents.

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