

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 28, 2010
	Agenda Item No. 20 Roll Call No. <u>10-1031</u> Communication No. <u>10-417</u> Submitted by: Matthew Anderson, Economic Development Administrator

AGENDA HEADING:

Communication from the Office of Economic Development regarding the preliminary terms of agreement with Hubbell Realty Company to amend the Urban Development Action Grant: City/Developer Loan Agreement for the Kaleidoscope.

SYNOPSIS:

The Kaleidoscope is owned and operated by Hubbell Realty Company. Presently, the mall is 67% occupied, however, the first floor office space (comprised of 35,590 square feet and formerly occupied by divisions of Principal Financial Group and Citigroup) is now 100% vacant. Hubbell Realty Company is proposing to convert the first floor space from office use to retail use. The City of Des Moines holds a non-recourse first mortgage on the Kaleidoscope in the amount of \$2,181,766. Hubbell Realty Company has requested a deferment of payments for four years under the City/Developer Loan Agreement to assist in the costs to convert the first floor space from office to retail use.

FISCAL IMPACT:

Amount: \$363,629

Funding Source: Amount of interest waived by lowering the rate of interest from four percent per annum to zero percent per annum on the outstanding loan balance during the deferment period.

ADDITIONAL INFORMATION:

Proposed terms of the amendment to the City/Developer Loan Agreement are as follows:

- 1) Deferment of monthly principal and interest payments effective with the May 12, 2010 payment through the August 12, 2014 payment. During the deferment period the interest rate on the outstanding balance of the loan would be zero percent per annum;
- 2) Effective August 12, 2014, the rate of interest on the outstanding balance of the loan would increase to 4% with monthly payments resuming September 12, 2014, in an amount sufficient to fully amortize the outstanding principal balance by September 12, 2021
- 3) Hubbell Realty Company would be allowed to encumber the Kaleidoscope mall with a mortgage subordinate to the City’s first mortgage lien for the purposes of obtaining funds to convert and re-tenant the first floor space and other vacant space within the mall.

PREVIOUS COUNCIL ACTION(S):

Date: August 20, 2001

Roll Call Number: 01-2579

Action: Resolution Approving Second Amendment of the UDAG Loan Agreement and Mortgage with Hubbell Realty Company for the Kaleidoscope.

Date: December 19, 1994

Roll Call Number: 94-4808

Action: Resolution Consenting to the Dissolution of the Walnut Mall Limited Partnership and amendments to the Urban Development Action Grant: City/ Developer Loan Agreement and Mortgage assigning same to Hubbell Realty Company.

Date: September 2, 1986

Roll Call Number: 4224

Action: Resolution Approving First Amendment to Urban Development Action Grant: City/ Developer Loan Agreement.

Date: January 17, 1984

Roll Call Number: 276

Action: Approval of Urban Development Action Grant: City/Developer Loan Agreement

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Approval and execution of documents related to the Third Amendment to Development Action Grant: City/Developer Loan Agreement

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