

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: March 14, 2011
	Agenda Item No. 22 Roll Call No. [_____] Communication No. <u>11-144</u> Submitted by: Terrance N. Vorbrich Acting Economic Development Administrator

AGENDA HEADING:

Resolution approving amended and restated Urban Development Action Grant: City/Developer Loan Agreement and Third Amendment to open-ended second mortgage and security agreement for the Kaleidoscope.

SYNOPSIS:

By Roll Call #10-1031 dated June 28, 2010, City Council approved the preliminary terms of agreement with Hubbell Realty Company to amend the Urban Development Action Grant: City/Developer Loan Agreement for the Kaleidoscope. The resolution now approves and authorizes the Mayor to execute documents related to the Third Amendment to Development Action Grant: City/Developer Loan Agreement.

FISCAL IMPACT:

Amount: \$363,629 is the amount of interest waived by lowering the rate of interest from four percent per annum to zero percent per annum on the outstanding balance during the deferment period.

Funding Source: SP743 CMO980717 Economic Development Enterprise

ADDITIONAL INFORMATION:

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 vacant. 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 while they attempt to secure new tenants and re-establish previous leased space revenue.

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

- 1) Deferment of monthly principal and interest payments effective with the April 15, 2010 payment through the April 15, 2014 payment. During the deferment period the interest rate on the outstanding balance of the loan would be zero percent per annum;
- 2) Effective April 15, 2014, the rate of interest on the outstanding balance of the loan would increase to 4% with monthly payments resuming May 15, 2014, in an amount sufficient to fully amortize the outstanding principal balance.

3) Hubbell Realty Company would be allowed to encumber the Kaleidoscope mall with a mortgage subordinate to the City's first mortgage lien.

PREVIOUS COUNCIL ACTION(S):

Date: June 28, 2010

Roll Call Number: 10-1031

Action: [Communication](#) from Office of Economic Development regarding preliminary terms of agreement with Hubbell Realty Company to amend the Urban Development Action Grant: City/Developer Loan Agreement for the Kaleidoscope. ([Council Communication No. 10-417](#)) Moved by Hensley to receive, file and approve preliminary terms of agreement set forth in the Council Communication and to direct the City Manager to proceed with negotiations of formal amendment to Loan Agreement with Hubbell Realty Company consistent with the terms set forth in the Council Communication. Motion Carried 7-0.

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: NONE

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