

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: March 14, 2011
	Agenda Item No. 23 Roll Call No. [_____] Communication No. <u>11-159</u> Submitted by: Terrance N. Vorbrich Acting Economic Development Administrator

AGENDA HEADING:

Resolution Approving Subordination and Estoppel Agreement for the Refinancing of the Vine Street Lofts at 101 2nd Avenue and Authorizing the Mayor to Execute Same

SYNOPSIS:

Vine Street Limited Partnership (George Sherman, President and Owner, Sherman & Associates, 223 Park Avenue South Suite 201, Minneapolis, MN) is requesting that the City of Des Moines approve an Amended and Restated Master Subordination Agreement and Estoppel Certificate, permitting the refinancing of Vine Street Lofts, a 109 unit housing project located at 101 2nd Avenue and Vine Street.

FISCAL IMPACT:

Amount: On April 12, 2002 by Roll Call #02-952, the City Council approved an Urban Renewal Development Agreement with Vine Street Limited Partnership and authorized a TIF (tax increment finance) Economic Development loan of \$950,000 to assist the project. This refinancing request does not add new financial impact, but will improve the collateral position of the subordinated mortgage securing the City’s loan.

Funding Source: N/A

ADDITIONAL INFORMATION:

The \$14 million Vine Street Lofts project was the culmination of many years of coordinated work by the City of Des Moines and the private sector to develop housing south of Court Avenue. The project faced a significant setback in April 2003, when a fire destroyed the building, which was then at a 50% completion stage. Despite the numerous challenges presented by this unfortunate incident, the developer persevered to complete the project. Today, in 2011, the Vine Street Lofts project is 100% occupied, and serves as one of several successful models of housing in downtown Des Moines. Residents at Vine Street Lofts provide an employee base and contribute to the support of retail businesses and community amenities.

The proposed refinancing will provide a better interest rate and also provide for increased security for the project overall. Proceeds of the refinancing will allow for the payoff of the first mortgage, a HUD backed loan of \$7,530,000, as well as paying down the second mortgage of \$551,998 provided by the Neighborhood Finance Corporation.

PREVIOUS COUNCIL ACTION(S):

Date: August 11, 2003

Roll Call Number: 03-379

Action: Approve First Amendment to Development Agreement with Vine Street Lofts Limited Partnership to extend deadline for completion of improvements to December 31, 2004, decrease interest rate on City Economic Development Loan from 1% to 0%, and extend the date of the first loan repayment and the date due for the unpaid balance of the loan.

Date: April 12, 2002

Roll Call Number: 02-952

Action: Approve Development Agreement with Vine Street Lofts Limited Partnership to construct 109 dwelling units at 101 2nd Avenue and provide an Economic Development Loan of \$950,000 to assist the project.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Signing and recording of Subordination Agreement and Estoppel Certificate by the Mayor.

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