

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: August 29, 2011
	Agenda Item No. 33 Roll Call No. <u>11-1459</u> Communication No. <u>11-569</u> Submitted by: Terrance N. Vorbrich, Acting Economic Development Administrator

AGENDA HEADING:

Preliminary Approval of City Loan for \$135,000 and a Neighborhood Commercial Revitalization (NCR) Loan Program Façade Grant for \$15,000 to the developer, RE Properties, LLC for Renovation, to 424 E. Locust Street.

SYNOPSIS:

The developer, RE Properties, LLC (Tim Rypma, Member, 512½ E. Grand Ave., Des Moines, IA) has the commercial building at 424 East Locust Street under a purchase agreement and is proposing to renovate the building to historical standards. The 1st floor of the building will provide two retail/commercial spaces with the second floor renovated for residential use. The developer estimates the acquisition and renovation totaling \$1,036,265. The developer is working with a bank to provide conventional financing and is applying for federal and state historical tax credits. Additionally, the developer will be submitting an application under the recently funded State of Iowa Brownfield /Grayfield Tax Credit Program. The City of Des Moines is required to sponsor the application under the Brownfield/Grayfield tax credit program.

The proposed City loan for \$135,000 will assist in funding the construction phase of the project to be repaid upon completion of the project from the sale of the State of Iowa Brownfield/Grayfield Redevelopment Tax Credits estimated at \$150,000. The NCR façade grant is a 1:1 matching grant not to exceed \$15,000 for building façade improvements. The grant is disbursed on completion of work, documentation of costs and building inspection. The developer estimates total storefront façade improvements at \$73,000.

FISCAL IMPACT:

Amount: \$135,000 loan to be repaid at completion of project through the sale of State of Iowa tax credits associated with the project

Funding Source: FY2011-2012 Recommended Operating Budget, Economic Development Enterprise Fund, SP743, CMO0980717, page 56.

Amount: \$15,000 grant

Funding Source: The Neighborhood Commercial Revitalization (NCR) Loan Program is part of the CDBG funded Economic Development Financial Assistance Program administered by the City’s Office

of Economic Development. FY2011-2012 Recommended Operating Budget, Fund SP020, Org CDD049900, Project ID CDBG2009049, page 71.

ADDITIONAL INFORMATION:

RE Properties, LLC (Tim Rypma, Member) has the commercial building located at 424 East Locust Street located in the Historic East Village under purchase contract. The developer proposes to improve the property with historical façade, structural and internal renovations. The developer's purchase price is for \$300,000 and has estimates renovation costs total \$736,265.

The developer is requesting \$135,000 in City assistance for the construction funding of the project to be repaid from the receipt and sale of State of Iowa tax credits under the Brownfield / Grayfield Tax Credit Program. Additionally, the developer is requesting a Neighborhood Commercial Revitalization Program (NCR) CDBG funded Façade Grant for \$15,000 to assist in the historical storefront facade renovations along East Locust Street. The project will be eligible for tax abatement. The developer will need to review the renovation plans with the Historic East Village Board of Directors seeking a letter of support for the project.

The State of Iowa Brownfield/Grayfield Redevelopment Tax Credit Program can provide up to \$500,000 per project in State of Iowa tax credits to assist in the redevelopment of a brownfield or grayfield site. A brownfield is a site that has real or perceived environmental challenges that negatively affect its redevelopment, and a grayfield is an underutilized site that is at least 25 years old and has chronic vacancy issues or assessed value issues that negatively affect redevelopment. A brownfield can receive up to a 24% tax credit on qualifying costs, and up to 30% if the project meets the requirements of a green development. A grayfield can receive up to a 12% tax credit on qualifying costs, and up to 15% if the project meets the requirements of a green development. Complete applications are reviewed on a first come first served basis. The Iowa Economic Development Authority Board requires that all applications be sponsored by a city or county. Only qualifying costs that can be demonstrated to have been incurred after Iowa Economic Development Authority Board approval and before a contracted Project Completion Date will be eligible costs for tax credits.

RE Properties, LLC has completed other historical renovations in the Historic East Village area, specifically the \$4.9 million historic renovation of the properties in the 500 block of East Grand Avenue where four of the five buildings are listed on the National Register of Historic Places. The project involved the renovation of upper level residential units and street level retail bays now occupied with new East Village businesses retailers and restaurants. In 2008, the City approved an economic development grant equal to 75% of the project's new property tax increment for five years. By agreement the project did not apply for tax abatement on the renovations.

PREVIOUS COUNCIL ACTION(S): NONE

Date: September 22, 2011

Roll Call Number: 11-0599

Action: [Certificate](#) of Completion to R.E. Properties, LLC for renovation of 506-524 E. Grand Avenue to be applied retroactively to January 1, 2010. ([Council Communication No. 11-214](#)) **Moved by Hensley to adopt. Motion Carried 6-1.**

Date: September 22, 2008

Roll Call Number: 08-1661

Action: [Urban](#) Renewal Development Agreement with R.E. Properties, L.L.C., for redevelopment of 506-524 E. Grand Avenue. ([Council Communication No. 08-557](#)) **Moved by Hensley to adopt. Motion Carried 7-0.**

Date: August 11, 2008

Roll Call Number: 08-1434

Action: [Preliminary](#) Terms of Agreement with R.E. Properties LLC for redevelopment of 506-524 E. Grand Avenue. ([Council Communication No. 08-479](#)) Moved by Hensley to receive, file and approve preliminary terms of agreement as set forth in the Council Communication, and to direct the City Manager to proceed with negotiation of formal agreements with R. E. Properties, LLC, consistent with the terms set forth in the Council Communication. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Approval by City Council of final development agreement.

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