

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: October 24, 2011
	Agenda Item No. 34 Roll Call No. <u>11-1794</u> Communication No. <u>11-666</u> Submitted by: Terrance N. Vorbrich, Acting Economic Development Administrator

AGENDA HEADING:

Approval of documents related to an Economic Development Loan for \$135,000 and a Neighborhood Commercial Revitalization (NCR) Façade Grant for \$15,000 to R.E. Properties, LLC for the renovation of 424 East Locust Street, Des Moines.

SYNOPSIS:

By Roll Call No. 11-1459, dated August 29, 2011, Council provided preliminary approval for an economic development loan for \$135,000 and a Neighborhood Commercial Revitalization (NCR) façade grant for \$15,000 to R.E. Properties, LLC for the renovation of 424 East Locust Street. This resolution approves documents to implement the preliminary approval.

FISCAL IMPACT:

Amount: \$135,000.00

Funding Source: FY 2011-2012 Recommended Operating Budget, Economic Development Enterprise Fund, SP743, Org CMO0980717, page 56.

Amount: \$15,000.00

Funding Source: The Neighborhood Commercial Revitalization (NCR) 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, estimates renovation costs of \$736,265 for a total project cost of \$1,036,265.

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.

The requested City assistance of \$135,000 will be used as part of the financing for the purchase and renovation of the building. The primary repayment of the City loan will be from the receipt and sale of state of Iowa tax credits under the Brownfield / Grayfield Tax Credit Program. A building qualifying for grayfield tax credits 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. The project has submitted an application to the state of Iowa under the grayfield designation, and has been notified of a recommended award. Approval of the application is anticipated at the October 20, 2011 meeting of the Iowa Economic Development Authority Board.

The Neighborhood Commercial Revitalization Program (NCR) CDBG funded Façade Grant for \$15,000 is to assist in the historical storefront facade renovations along East Locust Street. 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.

The Developer anticipates closing on the building purchase in November after all City, State and Federal approvals are confirmed. The Developer will subdivide the building into two separate tax parcels – one for the ground floor commercial/retail space, with the second for the second floor residential space. The Developer anticipates applying for building permits shortly thereafter for the building's shell renovations and ground floor commercial/retail space renovations with an anticipated completion date of July 2012. With the issuance of the building permits for the shell and ground floors prior to 12-31-2011, the project will be eligible for commercial revitalization tax abatement under either the three year 100% schedule or the 10-year declining schedule. The Developer will decide later this year as to when it will apply for the building permit for the 2nd floor residential space, based upon City Council's decision on what, if any, tax abatement schedules may be available for residential uses in the downtown core area.

PREVIOUS COUNCIL ACTION(S):

Date: August 29, 2011

Roll Call Number: 11-459

Action: **Preliminary** approval of Economic Development Loan and NCR Program Façade Grant to R.E. Properties, LLC – renovation of 424 E. Locust Street. (**Council Communication No. 11-569**) **Moved by Hensley to adopt. Motion Carried 7-0.**

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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