

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> March 25, 2013
	<b>Agenda Item No.</b> 32 <b>Roll Call No.</b> <u>13-0478</u> <b>Communication No.</b> <u>13-153</u> <b>Submitted by:</b> Matthew A. Anderson, Assistant City Manager

**AGENDA HEADING:**

Approval of Subordination Agreement with RE Properties 1, LLC that allows for the building at 424 East Locust to be placed in a horizontal regime.

**SYNOPSIS:**

Resolution approving a subordination agreement with RE Properties 1, LLC (Tim Rypma, Member, 512 ½ East Locust, Des Moines) that allows the building at 424 East Locust to be placed into a horizontal regime providing for two separate tax parcels – one tax parcel for the ground floor commercial/retail space, with the second tax parcel for the second floor residential space. The horizontal regime was part of the original project scope approved by City Council on October 24, 2011, by Roll Call No. 11-1794; however, was not put in place at the time the property was purchased and renovation began. Office of Economic Development staff recommends approval of the resolution.

**FISCAL IMPACT: NONE**

**ADDITIONAL INFORMATION:**

RE Properties 1, LLC (Tim Rypma, Member, 512 ½ East Locust, Des Moines) purchased and renovated the commercial building at 424 East Locust Street and located in the Historic East Village. The developer improved the property with historical façade, structural and internal renovations. The developers purchased the property for \$300,000, and invested renovation costs of around \$740,000 for a total project cost of \$1,040,000.

The City assisted the project by providing an economic development bridge loan for \$135,000 secured by a mortgage on the property that is junior to the project’s bank financing. The bridge loan is to be repaid through the sale of State of Iowa Grayfield tax credits awarded the project. Additionally, the City approved a Neighborhood Commercial Revitalization (NCR) Community Development Block Grant (CDBG) funded façade grant for \$15,000. The subordination agreement allows for the horizontal regime to be placed in front of the bank’s first mortgage and the City’s second mortgage, but does not affect the security position of the mortgages.

**PREVIOUS COUNCIL ACTION(S):**

Date: October 24, 2011

Roll Call Number: [11-1794](#)

Action: [Neighborhood](#) Commercial Revitalization Program \$15,000 Façade Grant, a \$5,000 Predevelopment Grant, and a \$135,000 Economic Development Bridge Loan for renovations to 424 E. Locust Street. ([Council Communication No. 11-666](#)). Moved by Mahaffey to adopt. Motion Carried 7-0.

Date: August 29, 2011

Roll Call Number: [11-1459](#)

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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