

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: January 27, 2014
	Agenda Item No. 33 Roll Call No. <u>14-0151</u> Communication No. <u>14-018</u> Submitted by: Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution approving first amendment to the development agreement with RE Properties 1, LLC and subordination agreement with RE Properties 1, LLC, Central State Bank and City of Des Moines.

SYNOPSIS:

By Roll Call No. 11-1794, dated October 24, 2011, City Council approved an economic development bridge loan for \$135,000 to RE Properties 1, LLC (Tim Rypma, Member, 512-½ East Locust Street, Des Moines, IA) to assist with the renovations to 424 East Locust Street. Developer has requested that the City approve a subordination of its mortgage to facilitate an additional bank loan of \$40,000 with the new loan proceeds to be applied to the City bridge loan; then converting the remaining \$27,500 balance on the bridge loan to a term loan repaid over five (5) years with 2% interest. Office of Economic Development staff recommends approval of the resolution.

FISCAL IMPACT:

Amount: \$27,500, to be repaid over five (5) years at 2% interest rate.

Funding Source: FY 2012-2013 Operating Budget, Economic Development Enterprise Fund, SP743, Org CMO0980717.

ADDITIONAL INFORMATION:

RE Properties 1, LLC 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 was to be repaid through the sale of state of Iowa Grayfield tax credits awarded the project. Due to the State of Iowa disallowing certain project costs from the Grayfield tax credit calculation, the amount of tax credits received was insufficient to repay the entire bridge loan. The developer has made arrangements with Central City Bank to increase its first mortgage loan by an additional \$40,000 with the proceeds to be applied to the City bridge loan. The subordination agreement facilitates the bank’s increase of its first mortgage loan to the developer. The First Amendment to the Development Agreement converts the balance of the bridge loan currently due to a term loan.

PREVIOUS COUNCIL ACTION(S):

Date: March 25, 2013

Roll Call Number: [13-0478](#)

Action: [Subordination](#) Agreement with RE Properties 1, LLC that allows for the building at 424 East Locust to be placed in a horizontal regime. ([Council Communication No. 13-153](#)) Moved by Hensley to adopt. Motion Carried 7-0.

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 East Locust Street. ([Council Communication No. 11-666](#)) Moved by Mahaffey to adopt. Motion Carried 7-0.

Date: August 29, 2011

Roll Call Number: [11-459](#) and [11-460](#)

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

(A) [Sponsorship](#) of Tax Credit Application for renovation of 424 East Locust Street. Moved by Hensley to adopt. Motion carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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