

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	May 5, 2014
	Agenda Item No.	25
	Roll Call No.	<u>14-0699</u>
	Communication No.	<u>14-206</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution approving subordination agreement between Community Business Lenders Service Company, LLC, Cosmopolitan Holdings, LLC and the City of Des Moines to facilitate new renovations at 301 East Walnut Street.

SYNOPSIS:

By Roll Call No. 09-1556, dated August 24, 2009, City Council approved a \$100,000 Neighborhood Commercial Revitalization (NCR) Loan to Cosmopolitan Holdings, LLC (Angela Campbell, Managing Member, 301 East Walnut, Des Moines, IA) to assist in a \$800,825 redevelopment of the ground floor of the building at 301 East Grand from a former auto repair shop to commercial office use. The Developer now desires to redevelop the second level of the building for residential use at a projected cost of \$275,690. The City is requested to subordinate its second real estate mortgage to a new mortgage totaling \$660,000, which refinances the existing first mortgage loan balance and provides \$147,500 in new funds for the residential renovations. All repayment terms and conditions of the original City NCR loan are unaffected by the subordination request.

FISCAL IMPACT:

The building will experience an increase in assessed taxable value as a result of the improvements to the vacant and unused second level. The subordination agreement does not alter the repayment terms or other conditions of the City NCR Loan.

ADDITIONAL INFORMATION:

Cosmopolitan Holdings, LLC (Angela Campbell, Managing Member) in 2009 purchased the commercial building and improved the property by doing extensive structural, internal mechanical renovations, and façade improvements to convert the 1st floor from a former auto repair facility to commercial office use at a total project costs of \$800,825. For the original development the Developer obtained financing from Community Business Lenders Service Company for \$600,000 secured by a first real estate mortgage and a NCR program loan for \$100,000 secured by a second real estate mortgage subordinate to the first mortgage, and a NCR Façade Grant for \$15,000. The balance of funding was provided by the Developer.

The Developer now desires to invest an additional \$275,690 to convert the building's second level to residential use. Community Business Lenders Service Company has agreed to refinance its existing first mortgage loan of \$512,460 and provide new funds of \$147,500 for a new total loan of \$660,000,

provided it remains secured by a first mortgage on the property. The Developer has committed to provide the balance of the needed funding.

The City is requested to subordinate its second real estate mortgage to a new mortgage totaling \$660,000, which refinances the existing first mortgage loan balance and provides \$147,500 in new funds for the residential renovations. All repayment terms and conditions of the original City loan are unaffected by the subordination request.

PREVIOUS COUNCIL ACTION(S):

Date: March 22, 2010

Roll Call Number: [10-435](#)

Action: [Documents](#) related to a Neighborhood Commercial Revitalization Program Façade Grant for renovation to 301 E. Walnut Street, \$15,000. ([Council Communication No. 10-166](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: August 24, 2009

Roll Call Number: [09-1556](#)

Action: [Documents](#) related to a Neighborhood Commercial Revitalization Program Loan in the amount of \$100,000 for renovation to 301 E. Walnut Street. ([Council Communication No. 09-585](#)) Moved by Kiernan to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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