

 <p style="text-align: center;"><b>Council</b> <b>Communication</b> Office of the City Manager</p>	<b>Date:</b>	November 17, 2014
	<b>Agenda Item No.</b>	<b>24</b>
	<b>Roll Call No.</b>	<b><u>14-1775</u></b>
	<b>Communication No.</b>	<b><u>14-552</u></b>
	<b>Submitted by:</b>	<b>Matthew A. Anderson, Assistant City Manager</b>

**AGENDA HEADING:**

Resolution approving Master Subordination Agreement for refinancing of the Metro Lofts apartment building at 100 2nd Avenue by S. A. Metro Lofts Limited Partnership.

**SYNOPSIS:**

On January 25, 2010, by Roll Call No. 10-0152, City Council approved an Urban Renewal Development Agreement with Metro Lofts, L.L.C. (George Sherman, Sherman Associates, President/Owner, 233 Park Avenue South, Suite 201, Minneapolis, MN 55415) for a \$20 million project at 100 2nd Avenue constructing 111 apartment units with underground parking. The project was completed and a Certificate of Completion was subsequently issued on February 27, 2012, by Roll Call No. 12-0923.

SA Metro Lofts Limited Partnership now desires to refinance the Metro Lofts building and has requested that the City subordinate its remaining interest in the property to the new senior mortgage to be given to Oak Grove Commercial Mortgage LLC; and, that the City re-execute an assignment in recordable form to properly memorialize the prior assignment of the note and mortgage back to Metro Lofts LLC.

**FISCAL IMPACT: NONE**

**ADDITIONAL INFORMATION:**

The City's original 2005 development agreement with Metro Lofts, LLC in the amount of \$1.5 million allowed for the first disbursement of \$500,000 to be used to purchase the site at 2nd and Vine from the Neighborhood Improvement Corporation in 2005. The second and third disbursements were to be disbursed at 80% project completion and 100% completion, respectively. With the revised agreement, the second disbursement of \$500,000 was advanced at the time of closing on the financing for the project. Funds were deposited with a trustee, designated by Sherman Associates and the U.S. Department of Housing and Urban Development (HUD), who held the proceeds of the HUD Guaranteed Loan for the project. The trustee was authorized to draw upon the second disbursement in the same proportion as the amounts drawn from the proceeds of the HUD guaranteed loan designated for payment of construction costs for the Metro Lofts project. The third disbursement in the amount of \$500,000 was advanced after receipt of certification from the developer's architect and project engineer that the improvements were least 50% completed. The project was fully completed in fall 2010, and has been at a high rate of occupancy since that time.

The City received a note and mortgage on the property to secure the obligation of Metro Lofts, LLC to timely complete the project. Upon the issuance of Certificate of Completion by the City, the note and mortgage were assigned back to Metro Lofts LLC. The only remaining obligation imposed on Metro Lofts, LLC and SA Metro Lofts Limited Partnership is the requirement to comply with the Urban Renewal Covenants from the development agreement, which:

- Prohibit discrimination in the leasing, sale and operation of the apartments.
- Require that the building and improvements be maintained in good condition and insured against casualty loss.
- Require that the property remain subject to taxation.

SA Metro Lofts Limited Partnership's interest to refinance the building brings the request to the City to subordinate its remaining interest in the property to the new senior mortgage to be given to Oak Grove Commercial Mortgage, LLC. Also, that the City re-execute an assignment to be recorded that will appropriately memorialize the prior assignment of the note and mortgage back to Metro Lofts, LLC.

The Roll Call accompanying this Council Communication provides authorization for the Mayor and City Clerk to execute the Master Subordination Agreement on behalf of the City, and to execute a Collateral Assignment of Mortgage in a form approved by the Legal Department.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: February 27, 2012

Roll Call Number: [12-0293](#)

Action: [Issuance](#) of Certificate of Completion for Metro Lofts, north of Vine Street between 2nd Avenue and 3rd Street.

Date: January 25, 2010

Roll Call Number: [10-0152](#)

Action: [Urban](#) Renewal Development Agreement with Metro Lofts LLC for construction of an apartment building north of Vine Street between 2nd Avenue and 3rd Street, and approving proposed Conceptual Development Plan. ([Council Communication No. 10-036](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: November 23, 2009

Roll Call Number: [09-2140](#)

Action: [Memorandum](#) of Agreement with State Historic Preservation Officer (SHPO) and SA Metro Lofts Limited Partnership for archaeological survey of site for Metro Lofts Project at 255 Vine Street. ([Council Communication No. 09-832](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: October 27, 2008

Roll Call Number: [08-1904](#)

Action: [SA](#) Metro Lofts, Limited Partnership for new construction of mixed income housing at 255 Vine Street and a commitment of TIF funds for an application to the Iowa Finance Authority requesting LIHTC. ([Council Communication No. 08-650](#)) Moved by Kiernan to adopt. Motion Carried 7-0.

Date: May 8, 2006

Roll Call Number: [06-0910](#)

Action: [From](#) Sherman & Associates requesting City consideration of an amendment to the Metro Lofts project (100 2nd Avenue) to change development from approximately 70-80 condominiums with underground parking, to an estimated 105 unit apartment with underground parking similar to the Vine Street Lofts at 101 2nd Avenue. ([Council Communication No. 06-270](#)) Moved by Hensley to receive and file, and to authorize the City Manager to negotiate with Sherman & Associates for an amendment to the Urban Renewal Development Agreement for Metro Lofts consistent with the Council Communication, for further consideration by the City Council. Motion Carried 6-1.

Date: February 7, 2005

Roll Call Number: 05-1157 to 05-1161

Action: Urban Renewal Development Agreement with Lander-Sherman Urban Development LLC for redevelopment of property, north of Vine Street between 2nd and 3rd Streets. ([Council Communication No. 05-060](#)) Moved by Hensley to adopt. Motion Carried 6-1. Absent: Vlassis.

**BOARD/COMMISSION ACTION(S):**

Date: March 17, 2009

Roll Call Number: N/A

Action: Urban Design Review Board approved the design and level of financial assistance as presented for the Metro Lofts project.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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