

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	May 18, 2015
	Agenda Item No.	37
	Roll Call No.	<u>15-826</u>
	Communication No.	<u>15-251</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING

Resolution approving master subordination agreement and estoppel certificate for refinancing of the East Village Square apartments at 333 East Grand Avenue.

SYNOPSIS

East Village Square Apartments, L.P. (Jack Hatch, Agent on behalf of the general partner, Neighborhood Investment Corporation, Jack Porter/President, 1620 Pleasant Street, Des Moines, IA) has requested approval of continued subordination of the City’s mortgage to a new primary mortgage for the project. The proposed \$5.5 million first mortgage has a considerably lower interest rate, about 5% from its current 7%, which will reduce monthly payments and overall debt, making for a financially stronger project. The City’s mortgage of \$2,555,795 will continue in second position. The City’s HOME mortgage for \$1,100,000 will also remain.

FISCAL IMPACT: NONE

ADDITIONAL INFORMATION

East Village Square Apartments is a 115-unit apartment project located at 333 East Grand Avenue. The building features a mix of affordable and market rate rental units. The ground level features ‘live-work’ lofts that provide space for artisans and other small business operators.

This project was undertaken by the non-profit Neighborhood Investment Corporation (NIC), then led by Bob Mickle with East Village Square. L. P. as the developer. NIC is a neighborhood-focused housing entity with a commitment to reinvest a portion of the project’s net income back into the neighborhoods as well as build overall capacity for future community projects.

For this project, NIC proposed an excess cash sharing arrangement with the City as part of the urban renewal development agreement. NIC is the general partner and as such, receives general partnership fees and participates in the ‘waterfall’ flow of excess project income with the City that is described in the following paragraph. NIC has used its general partnership receipts for larger projects such as the refurbishment of the Mickle Neighborhood Resource Center at 1620 Pleasant Street as well as for smaller grants in the \$5,000 range for individual neighborhood projects.

The project’s Development Agreement, approved by City Council in December 2004, authorized a \$2,555,795 City loan to the project which is secured by a subordinate permanent mortgage until the loan is repaid. Repayment of the loan, as directed by the development agreement, is to come from:

- (A) 50% of excess project income - Annual financial reports have been submitted since the project's completion in late 2006; to-date, \$14,934 has been repaid to the City as "excess project income" with an additional \$26,081 to be paid this year. This deferred payment loan must be repaid when the property is sold or the mortgage is paid off.
- (B) Any funds resulting from net proceeds of sales or refinancing - The developer and TruBank which will hold the new permanent mortgage, will receive no cash with this refinancing.

The City's HOME loan is a 0% interest mortgage with no payment for 40 years after the project was completed and the full amount of \$1,100,000 will be due on December 31, 2047. The HOME program terms of affordability will not be effected by the refinance and will continue through 2027. The project has been monitored for HOME compliance annually with no findings.

PREVIOUS COUNCIL ACTION(S)

Date: December 4, 2006

Roll Call Number: [06-2381](#)

Action: [Issuance](#) of Certificate of Completion for East Village Square Apartments located at E. 4th and Grand and authorizing payment of economic assistance. ([Council Communication No. 06-750](#)) Moved by Vlassis to adopt. Motion Carried 6-0.

Date: December 4, 2006

Roll Call Number: [06-1348](#)

Action: [Second](#) Amendment to Development Agreement for East Village Square Apartments to provide two additional HOME units and an amendment allowing six studio apartments and 12 one-bedroom apartments. ([Council Communication No. 06-421](#)) Moved by Hensley to adopt. Motion Carried 6-1. Pass: Mahaffey.

Date: July 18, 2005

Roll Call Number: 05-1684

Action: First Amendment to Urban Renewal Development Agreement with East Village Square Apartments, L.P. ([Council Communication No. 05-371](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: December 6, 2004

Roll Call Number: 04-2661 and 04-2662

Action: The following items regarding East Village Square:

- (A) Urban Renewal Development Agreement with East Village Square Apartments, L.P. ([Council Communication No. 04-611](#)) Moved by Brooks to adopt. Motion Carried 6-1. Nays: Mahaffey.

- (B) East Village Square Partners, L.P. application for Enterprise Zone Benefits for a project in Des Moines. ([Council Communication No. 04-608](#)) Moved by Brooks to approve. Motion Carried 6-1. Nays: Mahaffey.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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