

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	January 11, 2016
	Agenda Item No.	30
	Roll Call No.	<u>16-0054</u>
	Communication No.	<u>16-008</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution Approving Third Amendment to the Urban Renewal Development Agreement with Indigo Dawn, LLC for the historic redevelopment of 800 19th Street and Subrogation Agreement for additional financing by Lincoln Savings Bank (LSB).

SYNOPSIS:

The Third Amendment to the Urban Renewal Development Agreement with Indigo Dawn, LLC (Chaden Halfhill, Managing Member, P.O. Box 41007, Des Moines, Iowa, 50311) provides a path for project completion in 2016. Indigo Dawn, LLC has secured a letter of bank commitment for additional funds, worked with vendors, and negotiated financial restructuring of the two (2) City loans on the project with the Office of Economic Development.

As part of a new financing package from LSB, the bank will commit a bridge loan to Indigo Dawn, LLC, with the anticipated receipt of the proceeds from the sale of State Historic Tax Credits and State of Iowa Brownfield Redevelopment tax credits already awarded to the project. The City will forego receipt of the State Historic tax credit proceeds, which had been anticipated in the original Urban Renewal development agreement. The two (2) City loans (originally totaling \$405,000) will be consolidated into one (1) loan (\$364,374, the City loan amount remaining after debt service paid to date by Indigo Dawn, LLC) amortized over a 15 year term.

Indigo Dawn, LLC has been making payments on both City loans since 2013, following approval of the 2nd Amendment to the Urban Renewal Development Agreement, and has been providing personal equity to continue work on the project. Further details are provided in the additional information section below.

FISCAL IMPACT:

No additional City funds are being committed to the project.

ADDITIONAL INFORMATION:

On June 14, 2010, by Roll Call No. 10-0924, City Council approved a development agreement with Indigo Dawn, LLC for the \$2.6 million adaptive reuse of 800 19th Street in the Sherman Hill Historic District. Economic development assistance for the project was based on Indigo Dawn, L.L.C.'s plan to develop the project, titled Green & Main, as a model of sustainable design and energy efficiency,

servicing as an education and demonstration site as well as providing new commercial space for the neighborhood.

Assistance was approved in the form of a \$200,000 economic development loan and a \$220,000 bridge loan for the receipt of the State historic tax credits awarded to the project. A subsequent First Amendment to the development agreement in July 2010 provided for \$15,000 façade grant to be implemented from the \$200,000 loan, reducing the loan amount to \$185,000. The grant was originally proposed to be provided at the completion of façade restoration work and has not yet been issued.

Work was initiated in 2010. Through 2011 into 2012, the project encountered construction cost overruns and overlapping deliverables on the various grants and in-kind contributions awarded to the project. Work slowed and funding sources fell short. The developer remained in regular contact and worked to explore a variety of refinancing options, injecting personal and business equity sources to continue work. A Second Amendment to the development agreement was negotiated and subsequently approved in July 2013 for Indigo Dawn, L.L.C. to begin monthly payments on the two (2) City loans, with the City retaining the ability to receive the \$220,000 lump sum payment on the bridge loan from the project's State historic tax credits when received. A new completion date of December 31, 2014 was included in the amendment. Indigo Dawn, LLC is current in payments on the two (2) City loans.

The Third Amendment provides for new funding to come into the project from LSB. LSB is committing \$1,596,000, which will provide in part for a buyout of the current first position lender, Veridian Credit Union. The remainder will go to finishing the project. As part of the financing package, LSB will provide a \$522,000 bridge loan for the project against anticipated receipt of the State Historic Tax Credits and State of Iowa Brownfield Redevelopment Tax Credits already awarded to Indigo Dawn, LLC. The City had originally anticipated a lump sum of the State Historic Tax Credit proceeds for our \$220,000 bridge loan. The City will now subordinate to LSB's financing and mortgage positions, and will consolidate the two (2) loans into one (1), at a rate of 1.5% over 15 years. The City's \$15,000 façade grant will be paid out at the time of total project completion.

PREVIOUS COUNCIL ACTION(S):

Date: July 15, 2013

Roll Call Number: [13-1107](#)

Action: [Second](#) Amendment to the development agreement with Indigo Dawn, LLC for the renovation of 800 19th Street extending completion date to December 31, 2014 and repayment schedule. ([Council Communication No. 13-361](#)) Moved by Hensley to approve and refer to the City Manager to provide periodic updates to the Council and to the Sherman Hill Neighborhood Association. Motion Carried 7-0.

Date: June 28, 2010

Roll Call Number: [10-1030](#)

Action: [First](#) Amendment to the Development Agreement with Indigo Dawn, L.L.C., for the renovation of 800 19th Street, as a Platinum LEED adaptive building reuse. ([Council Communication No. 10-385](#)) Moved by Hensley to adopt. Motion carried 7-0.

Date: June 14, 2010

Roll Call Number: [10-0924](#)

Action: [A](#) \$200,000 Economic Development Loan, \$220,000 Bridge Loan and a Conceptual Development Plan with Indigo Dawn, LLC for the renovation of 800 19th Street as a Platinum LEED adaptive building reuse. ([Council Communication No. 10-355](#)) Moved by Hensley to adopt. Motion carried 7-0.

Date: February 9, 2009

Roll Call Number: [09-0195](#)

Action: [Preliminary](#) Terms of Neighborhood Commercial Revitalization Loan Agreement with Indigo Dawn, LLC, for development of 800-19th Street as a Platinum LEED adaptive building reuse. ([Council Communication No. 09-064](#)) Moved by Vlassis to receive and file and to direct the City Manager to proceed with negotiations toward a final agreement consistent with the terms identified in the Council Communication for further consideration by the City Council. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Issuance of Certificate of Completion.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.