

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	March 21, 2016
	<b>Agenda Item No.</b>	<b>26</b>
	<b>Roll Call No.</b>	<b><u>16-473</u></b>
	<b>Communication No.</b>	<b><u>16-157</u></b>
	<b>Submitted by:</b>	<b>Phillip Delafield, Community Development Director</b>

**AGENDA HEADING:**

Subordination of CDBG-DR agreement for refinance of 2000 High Street, (Ingersoll Square Partners L.L.C., Frank Levy and Craig Mettelle, 1906 Ingersoll Avenue, Des Moines, Iowa).

**SYNOPSIS:**

The City of Des Moines provided CDBG-DR funding to the development of 63 units of housing at 2000 High Street. Ingersoll Square Partners LLC are proposing to refinance to a HUD 223(f) loan product for a longer term and lower interest rate and have requested the City to subordinate to the new loan.

**FISCAL IMPACT: NONE**

**ADDITIONAL INFORMATION:**

- By Roll Call No. 12-1622 on October 22, 2012, the City of Des Moines approved a \$3,000,000 CDBG-DR loan and contract documents to assist with the development of 63 units of housing at 2000 High Street. (Ingersoll Phase II).
- The contract documents for Ingersoll Phase II included a restrictive covenant for affordable housing on 33 of the units and a mortgage/lien of \$3,000,000 forgivable at the end of a 10 year period of affordability.
- Ingersoll Phase II also secured private financing from Bankers Trust with a five (5) year loan at 4% interest and a balloon payment due in 2019.
- Ingersoll Phase I, which includes 70 units of housing at 1900 High Street and a commercial strip with an address of 1906 Ingersoll, was built in 2007 with no federal or City funding, except for a 10 year tax abatement.
- The owner of Ingersoll Phase I planned to refinance to a HUD guaranteed mortgage 223(f) loan product with a 35 year term.
- It became advantageous for the two (2) developments to merge ownership and both refinance at the same time for financial and management benefits.
- The ownership entities of Ingersoll Phase I and Ingersoll II will merge to become “Ingersoll Square Partners L.L.C.” with the following ownership, 86.45% Craig Mettelle, 13.45% Frank Levy, and 0.1% Sherman Hill Neighborhood Association.
- The refinance will establish permanent financing and eliminate the interest rate risk inherent in the short-term local bank loans that both projects used for construction and stabilization.
- The new loan will have a guaranteed interest rate of 3.91% with a 35 year term.

- The developers believe the guaranteed interest rate diminishes the risk to the Ingersoll Phase II project of refinancing in 2019 because of unknowns of interest rates at that time.
- Pursuant to the CDBG-DR Agreement, the City has reviewed the project's financials and is seeking Iowa Economic Development Authority's consent to allow the refinance.
- The City's mortgage and restrictive covenants filed against the property do not change. The City's CDBG-DR restrictive covenants for 33 units of affordable housing will remain in first position. The CDBG mortgage will be subordinated to the new mortgage.
- The refinance does not change Ingersoll Square Partners L.L.C obligations under the CDBG-DR Agreement or the City's position under the mortgage, and Ingersoll Square Partners L.L.C will continue to comply with all requirements of such agreement and mortgage.
- No equity is being removed from the Phase II project so the City's financial position is not weakened. Any equity that may be removed with this transaction is due solely to Phase I and the retail owned by Mr. Mettillie.

**PREVIOUS COUNCIL ACTION(S):**

Date: October 22, 2012

Roll Call Number: [12-1622](#)

Action: [Community](#) Development Block Grant Disaster Recovery Loan of \$3,000,000 and contract documents with Ingersoll Square Phase II, LP for development of 63 apartments at 2000 High Street. ([Council Communication No. 12-550](#)) Moved by Mahaffey to adopt. Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S): NONE****ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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