

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	July 24, 2017
	<b>Agenda Item No.</b>	<b>41</b>
	<b>Roll Call No.</b>	<b><u>17-1257</u></b>
	<b>Communication No.</b>	<b><u>17-566</u></b>
	<b>Submitted by:</b>	<b>Erin Olson-Douglas, Economic Development Director</b>

**AGENDA HEADING:**

Approving agreement with Ingersoll Square Phase III Associates, L.P. to treat the sale of ownership and control of that entity as a sale of the Ingersoll Square Phase III property owned by that entity for purpose of the Urban Renewal Development Agreement.

**SYNOPSIS:**

On November 18, 2013, by Roll Call No. 13-1809, City Council approved final terms of an Urban Renewal Development Agreement with Ingersoll Square Phase II, L.P. (Frank Levy, President, Newbury Management Company 3408 Woodland Avenue Suite 504 West Des Moines, Iowa 50266) for the construction of an \$8.2 million mixed-use project at the corner of Martin Luther King, Jr. Parkway and Ingersoll Avenue. Ingersoll Square III was the final component in a \$32 million, 3-phase process to develop this high visibility block, a western entrance into downtown, in an urban density form. The project was issued a Certificate of Completion in August 2015.

Mr. Levy holds a controlling interest in the Limited Partnership as the Managing Member of Ingersoll Square III, GP, LLC, which is the General Partner of Ingersoll Square Phase II, L.P. He and the limited partners of the L.P. are proposing a sale of their interests in the L.P. that would result in all 3-phases of Ingersoll Square under one (1) ownership entity, with common management and amenities available to all tenants. Details of the request to the City are provided in the additional information section below.

**FISCAL IMPACT:**

Amount: The city will forgo potential repayment of a portion of the \$430,000 supplemental loan, estimated to be at 50% or less after all other obligations are addressed. Previous TIF and HOME obligations remain unchanged.

Funding Source: N/A

**ADDITIONAL INFORMATION:**

- In the terms approved by City Council, City financial assistance through tax increment (TIF) was only provided to phase III of the project, in the amount of 58% of the TIF generated in years 11-20 (NPV \$574,594). In addition, the project received \$300,000 in Home Opportunity Made Easy (HOME) funds, and a supplemental economic development grant of \$430,000 that was funded from City land sale proceeds on another parcel.

- The supplemental grant was subsequently revised to a supplemental loan at the request of the developer, for tax purposes. The subordinate mortgage for the loan was placed in fourth security position behind the HOME loan, HOME covenants and the construction loan mortgage. The City's anticipation of repayment of a portion of the loan, estimated at 50%, could be contemplated to occur through project cash flow, refinancing, or a sale, but any repayment would follow disbursement to all investors and other loans in higher security positions.
- Frank Levy and the limited partners of the Limited Partnership desire to sell the Ingersoll Square III project and have the following options to do so:
  - The Limited Partnership could sell and convey the real estate to the perspective buyer, in which event the City loan would be extinguished because the proceeds of sale do not exceed the amount owed to creditors and investors having greater priority for repayment than the City.
  - The general and limited partners of the Limited Partnership which owns the real estate could sell their interests in the Limited Partnership to the perspective buyer, in which event the City loan would remain in effect and continue to be secured by a subordinate mortgage upon the real estate, but the future repayment of the City loan would continue to be a subordinate obligation.
- The prospective buyer will only purchase the Ingersoll Square III project if the project is released from the lien of the subordinate mortgage securing the City loan.
- Frank Levy has requested that the City consent to treating the sale of the general and limited partners' interests in the Limited Partnership as being equivalent to a sale of the real estate owned by that Limited Partnership to an unrelated party for purposes of the Urban Renewal Development Agreement, to allow the sale to occur.
- As the loan was originally supported as a grant to the project, and a repayment was not certain, staff recommends approval of Mr. Levy's request. The project is seen to have had a successful outcome to meeting urban development and design goals for a critical block into downtown, which was the primary goal of the development agreement.

**PREVIOUS COUNCIL ACTION(S):**

Date: November 18, 2013

Roll Call Number: [13-1809](#)

Action: [Urban](#) Renewal Development Agreement with Ingersoll Square Phase III Associates L.P. for a mixed-use development at the northeast corner of Martin Luther King, Jr. Parkway and Ingersoll Avenue and approving Proposed Conceptual Development Plan and Approving HOME Documents for a \$350,000 below market interest rate loan. ([Council Communication No. 13-573](#)) Moved by Coleman to adopt. Motion Carried 6-0.

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

Board: Urban Design Review Board

Date: November 13, 2013

Resolution Number: N/A

Action: Consensus of the members present recommend approval as presented.

Board: Neighborhood Revitalization Board

Date: October 2, 2013

Resolution Number: N/A

Action: Approve HOME loan.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Initiate payments of 58% of project generated tax increment in year 11 of the project.

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