

 <div style="text-align: center;"> <h1 style="margin: 0;">Council</h1> <h1 style="margin: 0;">Communication</h1> <p style="margin: 0;">Office of the City Manager</p> </div>	Date:	December 18, 2017
	Agenda Item No.	54B
	Roll Call No.	<u>17-2181</u>
	Communication No.	<u>17-847</u>
	Submitted by:	Phillip Delafield, Community Development Director

AGENDA HEADING:

Resolution approving Master Subordination Agreement and Estoppel Certificate for Refinancing of East Village Square Apartments at 333 E. 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 mortgage to a new primary mortgage for the project.

The first mortgage loan on East Village Apartments was previously refinanced in 2015 with TruBank. The proposed \$5.332 million first mortgage with Iowa Trust & Savings Bank will refinance the previous first mortgage and one (1) of two (2) notes with the Neighborhood Finance Corporation (NFC) at a lower interest rate with a 30-year amortization which will significantly reduce the project's annual debt service allowing it to better accommodate the expiration of the 10-year tax abatement.

The Iowa Trust & Savings Bank (ITBS) is refinancing the Woodland Avenue Brickstones as well as the East Village Apartments. Woodland Avenue Brickstones has a debt ratio of less than 1.15 and the ITSB is willing to complete the refinance for that project if it also refinances East Village Square Apartments, which has significant reserves.

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.
- The project was undertaken by the non-profit Neighborhood Investment Corporation (NIC). 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.

- The City's economic development mortgage will continue in third position and will continue to receive payments from cash flow. The City's HOME mortgage for \$1,100,000 will also remain.
- The project's Development Agreement, approved by City Council on December 6, 2004 by Roll Call No. 04-2661, 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 is to come from 50% of excess project income. Annual financial reports have been submitted since the project's completion in late 2006.
- Currently, the balance on the Economic Development Loan is \$2,495,724.23. The City has received \$60,070.77 in excess cash flow payments so far.
- 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 principal \$1,100,000 will be due on December 31, 2047.
- The HOME program terms of affordability will not be effected by the refinance and continue.
- The project has been monitored annually for HOME compliance with no findings.

PREVIOUS COUNCIL ACTION(S):

Date: May 18, 2015

Roll Call Number: [15-0826](#)

Action: [Master](#) Subordination Agreement and Estoppel Certificate for refinancing of the East Village Square Apartments at 333 E. Grand Avenue. ([Council Communication No. 15-251](#)) Moved by Hensley to adopt. Motion Carried 7-0.

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

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