

COUNCIL COMMUNICATION

	Number:	19-024	Meeting:	January 14, 2019
	Agenda Item:	48A	Roll Call:	19-0070
	Submitted by:	Erin Olson-Douglas, Economic Development Director and Bob Fagen Finance Director		

AGENDA HEADING:

Resolution instituting proceedings to take additional action for the authorization and the issuance of not to exceed \$8,500,000 Urban Renewal revenue refunding Section 108 government guaranteed participation certificates and one (1) or more notes issued as part of said series, of the City of Des Moines, State of Iowa.

SYNOPSIS:

On July 23, 2007, by Roll Call No. 07-1456, City Council approved a Contract for Loan Guarantee Assistance with the U.S. Department of Housing and Urban Development (HUD), whereby the City obtained a loan of \$8.5 million under the Section 108 program. This loan was then used to fund an economic development loan of the same amount to Riverpoint West, LLC (George Sherman, President, Sherman and Associates, 233 Park Avenue South, Suite 201 Minneapolis, MN) as part of a financing assistance package and Urban Renewal Development Agreement for the redevelopment of the Gray's Landing area (f/k/a River Point West).

The funds were to assist with the acquisition and clearance of land, installation of public infrastructure, and the preparation of pad-ready sites within the former industrial brownfield area. River Point West, LLC is the entity responsible for making the semi-annual debt service payments on the loan until adequate project generated tax increment (TIF) cash flows are available from the development itself.

The Office of Economic Development (OED), Finance Department and Legal Department worked with HUD through the last quarter of 2018 to prepare materials required to participate in a February 2019 HUD public offering to refinance the City's existing Section 108 Loan. Through this refinancing, City will realize an interest savings from this refinance of approximately \$700,000. Further details are provided in the information section below.

FISCAL IMPACT:

Amount: Refinancing will result in approximately \$700,000 of interest savings.

Funding Source: Metro Center Urban Renewal Area TIF Funds. The savings associated with the refinancing will be in the Debt Service Levy Fund.

ADDITIONAL INFORMATION:

- HUD has established January 16, 2019, as the deadline to submit a restated Variable/Fixed Rate Note No. in the amount of \$8,326,000, and a restated Contract for Loan Guarantee Assistance. Council action January 14, 2019 will allow for this date to be met by the City.
- HUD staff is currently furloughed due to the federal government shutdown. City staff will work with HUD staff upon their return to work to address any remaining language needed to have the loan documents in final form.
- Documents executed for the refinancing will include:
 - Issuance of a restated variable/variable rate note in the amount of \$8,326,000.
 - Restated Contract for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, with HUD for the Variable/Fixed Rate Note described above.
 - Such additional security as is required by HUD for the Variable/Fixed Rate Note described above.
- The Third Amended and Restated Urban Renewal Development Agreement with River Point West, LLC, also on this Council agenda, will provide for the following:
 - Continued semi-annual payments on the Section 108 loan to be made by River Point West, LLC. Payments shall be invoiced by the Finance Department and provided a minimum of one (1) week prior to the due date to HUD.
 - Development of multiple additional projects that will create more TIF cash flows to continue to address the Section 108 semi-annual payments, along with developer member loan advances, through 2028, the estimated end of the new amortization schedule for the refinance.
 - River Point West, LLC will provide all requested information related to employment projections, new jobs created, wages and any other related detail required by HUD for reporting under the Section 108 requirements.

PREVIOUS COUNCIL ACTION(S):

Date: December 10, 2018

Roll Call Number: [18-2029](#)

Action: 5-I Authorizing the City Manager to give notice of the City's Intent to prepay the \$8.5 million loan incurred by the City and Guaranteed by the U.S. Department of Housing and Urban Development (HUD) in 2007 and used to fund a City loan to River Point West LLC to initiate the Gray's Landing project, and authorizing the City Manager to negotiate with HUD on the refinancing of the debt. Moved by Mandelbaum to adopt. Motion Carried 6-1. Absent: Coleman.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Finalization of loan documents for the refinancing with HUD.
- OED will work with River Point West, LLC through the loan repayment term to obtain necessary information to complete required annual reporting to HUD. The Finance Department and Community Development Department will be apprised of this process and provided with the information to enter into record and HUD databases.

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