

## COUNCIL COMMUNICATION

	Number:	<b>19-387</b>	Meeting:	<b>September 9, 2019</b>
	Agenda Item:	<b>43A</b>	Roll Call:	<b>19-1408</b>
	Submitted by:	<b>Erin Olson-Douglas, Economic Development Director and Bob Fagen, Finance Director</b>		

### AGENDA HEADING:

Resolution Approving First Amendment to Contract for Loan Guarantee Assistance with the U.S. Department of Housing and Urban Development (HUD) regarding the Section 108 Loan used for the Gray's Landing Project

### SYNOPSIS:

On January 19, 2019, by Roll Call No. 19-0071, City Council approved application to HUD for the refinancing of the \$8.5 million Section 108 Loan that was obtained by the City in 2007 for the purpose of funding a subsequent economic development loan to River Point West, LLC (George Sherman, President, 233 Park Avenue Minneapolis, MN 55413) for the acquisition and clearing of land, installation of public infrastructure and preparation of pad ready sites in what is now known as the Gray's Landing Development. The City's Section 108 refinancing went to public offering in March 2019 and the revised amortization schedule was provided by HUD in April 2019.

The refinancing process included finalizing the Third Amended and Restated Agreement with River Point West, LLC, which was required to be approved by HUD before the approval of this First Amendment to the Contract. The Third Amended and Restated Agreement was conditionally approved on January 14, 2019, by Roll Call No. 19-0071, pending HUD approval. Ratification of that Agreement is also on this agenda. The Third Amended and Restated Agreement provides for continued payment of the Section 108 Loan advances by River Point West, LLC. Six (6) additional projects will be financed and constructed by River Point West, LLC over the next 5-7-years. Total estimated future valuation for these and the four (4) existing projects is over \$97,000,000. These projects will create new tax increment that will come online to be an additional source of funds for the Section 108 payments through the end of the loan term in 2028.

### FISCAL IMPACT:

Amount: Section 108 loan balance of \$ 8,326,000 for a 9-year term at an annual maturity interest rate ranging between 2.54% and 2.87% (the amortization schedule will be available for viewing in the City Clerk's Office).

Funding Source: River Point West, LLC and project generated tax increment in the Gray's Landing Development

**ADDITIONAL INFORMATION:**

- HUD's approval of the Third Amended and Restated Agreement is conditioned on the City's approval of this First Amendment to Contract for Loan Guarantee Assistance and the Amended Pledge, Assignment and Security Agreement.
- The First Amendment and Amended Pledge serve to update the original collateral given by River Point West, LLC, a deed in escrow. The developer guarantee is now with Sherman Associates, Inc.
- In addition, the Finance Department will maintain a reserve fund in a restricted sub account with Metro Center TIF revenues. This fund is to provide HUD assurances as the actual Section 108 loan guarantor, the City has funds in place to make the payments. This reserve fund is necessary regardless of the agreement with River Point West, LLC to make the loan payments.

**PREVIOUS COUNCIL ACTION(S):**

Date: January 14, 2019

Roll Call Number: [19-0070](#), [19-0071](#), [19-0072](#) , and [19-0073](#)

Action: Items regarding the Gray's Landing and Gray's Station Urban Renewal Projects located south of Martin Luther King Jr. Parkway and west of SW 9<sup>th</sup> Street:

- (A) Closing the public hearing on the issuance of not to exceed \$8,500,000 Urban Renewal Revenue Refunding Section 108 Government Guaranteed Participation Certificates and one or more Notes issued as part of said Series, of the City of Des Moines, State of Iowa. ([Council Communication No. 19-024](#)) Moved by Mandelbaum to adopt. Motion Carried 7-0.
- (1) Instituting proceedings to take additional action. Moved by Mandelbaum to adopt. Motion Carried 7-0.
- (B) Closing the Three-Party Agreement with River Point West LLC and HRC NFS I, LLC, which provides for the sale of City-owned land to River Point West LLC, and approving same. ([Council Communication No. 19-021](#)) Moved by Mandelbaum to adopt. Motion Carried 7-0.
- (C) Conditionally approving Third Amended and Restated Urban Renewal Development Agreement with River Point West LLC for the Gray's Landing Project. ([Council Communication No. 19-022](#)) Moved by Mandelbaum to adopt. Motion Carried 7-0.

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

- Processing of advanced payments from River Point West, LLC to Bank of the New York Mellon by the Office of Economic Development and the Finance Department.
- Obtaining required job creation numbers and reporting annually to HUD, to be conducted by the Office of Economic Development.

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](mailto:cityclerk@dmgov.org).