


COUNCIL COMMUNICATION

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|  | Number: | 19-557 | Meeting: | December 16, 2019 |
| | Agenda Item: | 29 | Roll Call: | [_____] |
| | Submitted by: | Erin Olson-Douglas, Economic Development Director | | |

AGENDA HEADING:

Resolution approving a Loan Agreement with Neighborhood Development Corporation (NDC) for acquisition of the property at 3615 6th Avenue.

SYNOPSIS:

The building at 3615 6th Avenue was home to the Hiland Park Bakery for 73 years. The business closed earlier this year. NDC will utilize the loan to purchase the real estate and business from the former operator and rehabilitate the building. NDC is working with a tenant to re-open the bakery.

FISCAL IMPACT:

Amount: \$130,000, 0% interest with repayment due in three (3) years.

Funding Source: Economic Development Enterprise Account

ADDITIONAL INFORMATION:

- 3615 6th Avenue is located in the Oak Park/Highland Park Special Investment District. The City's loan is intended to support neighborhood commercial stabilization and revitalization in coordination with the InvestDSM's neighborhood revitalization work that is focused in this area.
- The loan will support small business efforts in the Highland Park/Oak Park neighborhood by retaining jobs and incomes lost due to the business closure.
- InvestDSM will consider an additional three (3) year 0% loan to NDC in the amount \$130,000 at its board meeting later this month.
- The opportunity to purchase the building and work with a bakery operator recently came to NDC. Due to budget planning cycles, NDC does not have the current capacity to move forward with the project without funding assistance.

- The project cost to acquire and rehabilitate the property is estimated at \$370,000. Proposed sources include:

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| Operator contribution: | \$ 20,000 |
| NDC equity: | \$ 90,000 |
| City of Des Moines loan: | \$130,000 |
| InvestDSM loan: | \$130,000 |
- The loan agreement includes a \$20,000 payment at the end of year two (2). At the conclusion of the three (3) year term, NDC will sell the building to the bakery operator, look for a private purchaser, or refinance the loan with a traditional lender and repay the City and InvestDSM. With successful payoff, up to \$25,000 of the City loan will be forgiven; additionally, InvestDSM is similarly considering a portion of their loan be forgiven.
- InvestDSM will hold the first position on the mortgage; the City will be in the second position.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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