

COUNCIL COMMUNICATION

	Number:	20-040	Meeting:	January 27, 2020
	Agenda Item:	22	Roll Call:	20-147
	Submitted by:	Chris Johansen, Community Development Director		

AGENDA HEADING:

Approval of the Subordinate Mortgage Agreement with Astilbe Morning, LLC for rehabilitation of property located at 1345 7th Street under the Blighted Property Rehabilitation Program (BPRP).

SYNOPSIS:

The Subordinate Mortgage Agreement will help the Developer, Astilbe Morning, LLC, secure primary mortgage from its proposed lender, GreenState Credit Union. This will allow the Developer to complete the rehabilitation of property located at 1345 7th Street. City has approved \$35,000 in BPRP funds for the property in December 2018. City Staff believes that the subordinate mortgage agreement will not adversely impact City's investment in the property.

FISCAL IMPACT:

Amount: \$35,000

Funding Source: 2017-2018/2022-23 Capital Improvement Program (CIP), Miscellaneous Improvements – 14, Vacant/Abandoned Residential Property Redevelopment, MS014

ADDITIONAL INFORMATION:

- On January 8, 2018, the City Council approved the BPRP, designed to provide financial assistance to investors, non-profit organizations and other qualified developers for acquisition, demolition and/or rehabilitation of vacant, abandoned and/or blighted residential properties in the City of Des Moines. The Program is administered by the Community Development Department.
- As per the BPRP policy on file with the City Clerk's Office, on December 4, 2018, the City of Des Moines approved a Development Agreement with Indigo Dawn, LLC to provide City grant funding of \$35,000 for the rehabilitation of property located at 1345 7th Street, based on terms and conditions outlined in the Agreement.
- A forgivable mortgage of the amount of funding assistance was recorded with the Office of the Polk County Recorder to ensure compliance with the BPRP Agreement. The Developer did not have a primary mortgage at the time of signing of the Development Agreement.

- On December 9, 2019, the City of Des Moines approved Amendment and Assignment of said Development Agreement transferring all rights, obligations, and interests from Indigo Dawn, LLC to Astilbe Morning, LLC.
- Astilbe Morning, LLC has decided to secure a primary mortgage with GreenState Credit Union to complete the rehabilitation. Astilbe Morning, LLC has requested the City to subordinate its mortgage to the primary lender.
- Following a site visit, City Staff has determined that the rehabilitation is nearing completion. City staff believes that the subordinate mortgage agreement will not adversely impact City's approved resources in the project.

PREVIOUS COUNCIL ACTION(S):

Date: January 8, 2018

Roll Call Number: [18-0075](#)

Action: [On](#) approval of Blighted Property Rehabilitation (BPR) Program designed to provide financial assistance for acquisition, demolition and/or rehabilitation of vacant, abandoned and/or blighted residential properties in the City of Des Moines. ([Council Communication No. 18-013](#)). Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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