

★ Roll Call Number

14-1232

Agenda Item Number

30

Date August 11, 2014

APPROVAL OF AMENDMENT TO SUBORDINATION AGREEMENT TO ALLOW REFINANCING OF THE PRIMARY LOAN FOR THE RENOVATION OF THE DES MOINES BUILDING BY DES MOINES APARTMENTS, LP, REPRESENTED BY STEVE FOUTCH, AND SUBORDINATING THE MORTGAGE SECURING THE CITY'S CDBG-DR LOAN TO THE MORTGAGE FOR THE NEW PRIMARY LOAN

WHEREAS, on October 8, 2012, by Roll Call No. 12-1570, the City Council approved a \$3,000,000 Community Development Block Grant Disaster Recovery ("CDBG-DR") Loan and contract documents with Des Moines Apartments, LP, represented by Steve Foutch, for the redevelopment of the Des Moines Building at 405 6th Avenue with 136 apartment units, with 70 units reserved for households below 80% of median income for a period of ten years with rents at or below the 65% HOME program rents; and,

WHEREAS, the CDBG-DR Loan is structured as a non-receding lien for a period of ten years at which point it is forgiven if all the conditions of the funding are met per the requirements of the Community Development Block Grant Disaster Recovery Contract (08-DRH-209) between the City and the Iowa Department of Economic Development (now the Iowa Economic Development Authority ("IEDA")); and,

WHEREAS, the mortgage securing repayment of the CDBG-DR Loan is subordinate to a primary loan, and to a bridge loan that is to be replaced by the primary loan after completion of construction, as provided in the Subordination Agreement between the City, Des Moines Apartments, LP, and the principal and bridge lenders dated November 5, 2012; and,

WHEREAS, Des Moines Apartments, LP, seeks to refinance the primary loan and bridge loan, to increase the amount borrowed, all as more specifically described in the accompanying Council Communication; and,

WHEREAS, the City Manager recommends approval of the proposed Amendment to Subordination Agreement which is on file and available for inspection in the office of the City Clerk, which permits the refinancing of the primary and bridge loans by subordinating the mortgage securing the CDBG-DR Loan to the mortgages securing the new primary and bridge loans.

NOW THEREFORE, BE IT RESOLVED, by the City Council of the City of Des Moines, Iowa, that the Amendment to Subordination Agreement described above is hereby approved, and upon approval of the refinancing by the Iowa Economic Development Authority the Director of the Community Development Department is hereby authorized and directed to sign the Agreement on behalf of the City.

(continued)

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(Council Communication No. 14- 385)

MOVED by Hensley to adopt.

FORM APPROVED:

Roger K. Brown

Roger K. Brown

Assistant City Attorney

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COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE	✓			
COLEMAN	✓			
GATTO	✓			
GRAY	✓			
HENSLEY	✓			
MAHAFFEY	✓			
MOORE	✓			
TOTAL	7			

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

T. M. Franklin Cownie Mayor

Diane Fauh City Clerk