



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

02-019

SYNOPSIS -

AGENDA:

JANUARY 7, 2002

On the January 7, 2002, Council agenda are two roll calls related to actions requested by Teachout Properties LLC (Kirk Blunck, President) as follows:

SUBJECT:

TEACHOUT
PROPERTIES LLC

(1) Approving a request for the City to further subordinate its mortgage on the Hohberger Building by an additional \$30,000 in bank financing; and

TYPE:

(2) Preliminary approval to a new Neighborhood Commercial Revitalization (NCR) Loan for \$15,000 to Teachout Properties, LLC for the renovations of the commercial building located at 407 East 5th Street.

RESOLUTION
ORDINANCE
RECEIVE/FILE

FISCAL IMPACT -

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

The subordination agreement does not require additional City funds, nor does it change any of the terms and conditions of the development agreements with Teachout Properties, LLC. The NCR Loan is to be funded with Community Development Block Grant (CDBG) funds under the Economic Development Financial Assistance Programs administered by the City's Office of Economic Development. The loan will be repaid at 3 percent interest over seven years. The NCR program is to assist in the revitalization and maintenance of the City's older neighborhood commercial areas by providing loans for property and site improvements. No general funds are to be used.

RECOMMENDATION -

Approval.

BACKGROUND -

By Roll Call No. 99-1017, dated April 5, 1999, the Council approved

and entered into a development agreement with Teachout Properties, LLC to renovate the Teachout Building located at 500 East Locust. By Roll Call No. 99-3038, dated September 27, 1999, the Council approved and entered into a development agreement with Teachout Properties, LLC to renovate the Hohberger Building located at 504 East Grand.

Under the development agreements, it was anticipated that the Developer would receive grant funding from the State of Iowa, Historical Preservation Office. This funding was not approved. Iowa State Bank has agreed to advance additional funds in the amount of \$30,000 as part of their first mortgage financing, subject to the City's subordination. These funds are to cover renovation costs associated with terra cotta on the outside of the Hohberger Building, which has been completed. Renovations to both the Teachout and Hohberger Buildings are substantially complete, and the Developer is in compliance with provisions of the development agreements.

The proposed NCR Loan for \$15,000 to be repaid at 3 percent interest over a term of seven years, is to assist in the renovation of a vacant building located at 407 East 5th Street. This building, which has been vacant for some time, is being renovated for occupancy by the East Fifth Bakery (d.b.a. Basil Prospero) for use as a bakery and retail sales outlet.

Renovation of the building is estimated at \$45,115. The NCR Loan is to assist in financing the purchase of materials for exterior renovations. The Developer, Teachout Properties, LLC, will pay for the remaining project costs.
