



TO: The Honorable Mayor and City Council Members

FROM: Michael C. Van Milligen, City Manager

SUBJECT: Assignment of the Engine House #1 Development Agreement to Dubuque Bank & Trust CDC

DATE: August 10, 2011

Economic Development Director Dave Heiar is recommending approval of the assignment of the Development Agreement between the City of Dubuque and Engine House #1, LLC, a subsidiary of Dubuque Initiatives, to Dubuque Bank & Trust Community Development Corporation to sell and rehabilitate the Engine House #1 building at 1805 Central Avenue which formerly housed the Housing Department offices.

Leaving the building vacant is detrimental to this neighborhood. The proposed services that will be provided by both the Community Health Center and the Head Start program will greatly enhance the quality of life for this neighborhood. Substantial rehabilitation of this building will provide many benefits to this neighborhood.

The City is ineligible for Historic Tax Credits and must turn long-term control over to a separate entity. Dubuque Initiatives originally agreed to take on the redevelopment project. However, Dubuque Bank & Trust CDC has offered to take on the project and is better suited for the project than Dubuque Initiatives.

The project is pursuing Historic Tax Credits because there is a desire to rehabilitate the building to its historic condition much like it appeared when it was a fire station. This historic renovation will add some cost to the project which can be offset by receiving Historic Tax Credits. It is anticipated that this rehabilitation project will also serve as a potential stimulus to enhance the renovation of other buildings in this area.

The original Development Agreement was approved with Engine House #1, LLC on June 6, 2011.

I concur with the recommendation and respectfully request Mayor and City Council approval.



Michael C. Van Milligen

MCVM:jh
Attachment

cc: Barry Lindahl, City Attorney
Cindy Steinhauser, Assistant City Manager
David J. Heiar, Economic Development Director

TO: Michael Van Milligen, City Manager

FROM: David J. Heiar, Economic Development Director *D. Heiar*

SUBJECT: Assignment of the Engine House #1 Development Agreement to Dubuque Bank & Trust CDC

DATE: July 27, 2011

INTRODUCTION

This memorandum recommends approval of a resolution to assign a development agreement between the City of Dubuque and Engine House #1, LLC, as subsidiary of Dubuque Initiatives, to Dubuque Bank & Trust CDC to sell and rehabilitate the Engine House #1 building (18th Street) which formerly housed the Housing Department offices.

BACKGROUND

The Housing Department moved into their new offices at the Federal Building in 2008 and since that time their former offices on 18th Street have remained vacant. The Housing Department released an RFP for ideas on re-utilization of the facility. The Crescent Community Health Center and the Head Start program expressed an interest in leasing portions of the building. The building will need to be renovated to accommodate these tenants. The goal is to historically rehabilitate the building using historic tax credits as one of the revenue sources. To facilitate additional funding from the State and Federal Historic Tax Credit (HTC) programs, the building must be controlled by an entity eligible to receive HTCs.

The original Development Agreement was approved with Engine House #1, LLC on June 6, 2011.

DISCUSSION

Leaving the building vacant is detrimental to this neighborhood. The proposed services that will be provided by both the Community Health Center and the Head Start program will greatly enhance the quality of life for this neighborhood. Substantial rehabilitation of this building will provide many benefits to this neighborhood.

The City is ineligible for HTCs and must turn long-term control over to a separate entity. Dubuque Initiatives originally agreed to take on the redevelopment project. However, Dubuque Bank & Trust CDC has offered to take on the project and is better suited for the project than Dubuque Initiatives.

The project is pursuing HTC's because there is a desire to rehabilitate the building to its historic condition much like it appeared when it was a fire station. This historic renovation will add some cost to the project which can be offset by receiving HTC's. It is anticipated that this rehabilitation project will also serve as a potential stimulus to enhance the renovation of other buildings in this area.

Major elements of the proposed Development Agreement which is proposed to be assigned to Dubuque Bank & Trust CDC are as follows:

- City will sell the building to Dubuque Bank & Trust CDC. for \$1.
- City will provide a zero percent interest loan for the rehabilitation expenditures. The initial loan will be for \$1,550,000 and could be up to \$1,700,000.
- Dubuque Bank & Trust CDC will receive 15 years of Tax Increment Financing.
- Dubuque Bank & Trust CDC is committing to using the loan proceeds to rehabilitate the building according to the U.S. Department of the Interior Secretary's Standards for Rehabilitation.
- The building will be leased to the Community Health Center and the Head Start program.
- The City will have separate agreements for service with the Community Health Center and the Head Start program (Operation New View) to help accommodate the services they will provide to the neighborhood.
- Any net proceeds of tax credits, any developer fee, and net rent received for the project will be used to pay down the City's loan to the project.

Additional terms and conditions of the sale of the property are included within the attached development agreement.

Funding for the estimated \$1,550,000 loan (potentially to \$1,700,000) loan will be provided by \$874,000 in DRA distribution funds, \$13,000 from a grant from the Office of Energy Independence, \$606,409 in short-term GO borrowing for a Federal and State Historic Tax Credit bridge loan, and the remaining \$207,000 will be paid for through funds received from a recent land sale to Faley Properties, LLC in the Dubuque Industrial Center West.

The Development Agreement requires the Developer to repay the Loan with receipts from the sale or rebate of Historic Tax Credits, Developer Fee, and net rent proceeds from the tenants. The following is a chart describing the sources of repayment of the loan to Dubuque Bank & Trust CDC:

<u>Date</u>	<u>Action</u>	<u>Amount Received</u>	<u>Balance Outstanding</u>	
9/1/2011	Project Commencement		\$ 1,550,000	
2/1/2012	Receipt of Federal HTC's	\$ 372,000	\$ 1,178,000	
3/1/2012	Receipt of Developer Fee	\$ 225,000	\$ 953,000	
5/1/2013	Est. Receipt of State HTC's	\$ 411,329	\$ 541,671	*

* - the \$541,671 will be paid through rents received from the tenants of the building over the terms of the leases

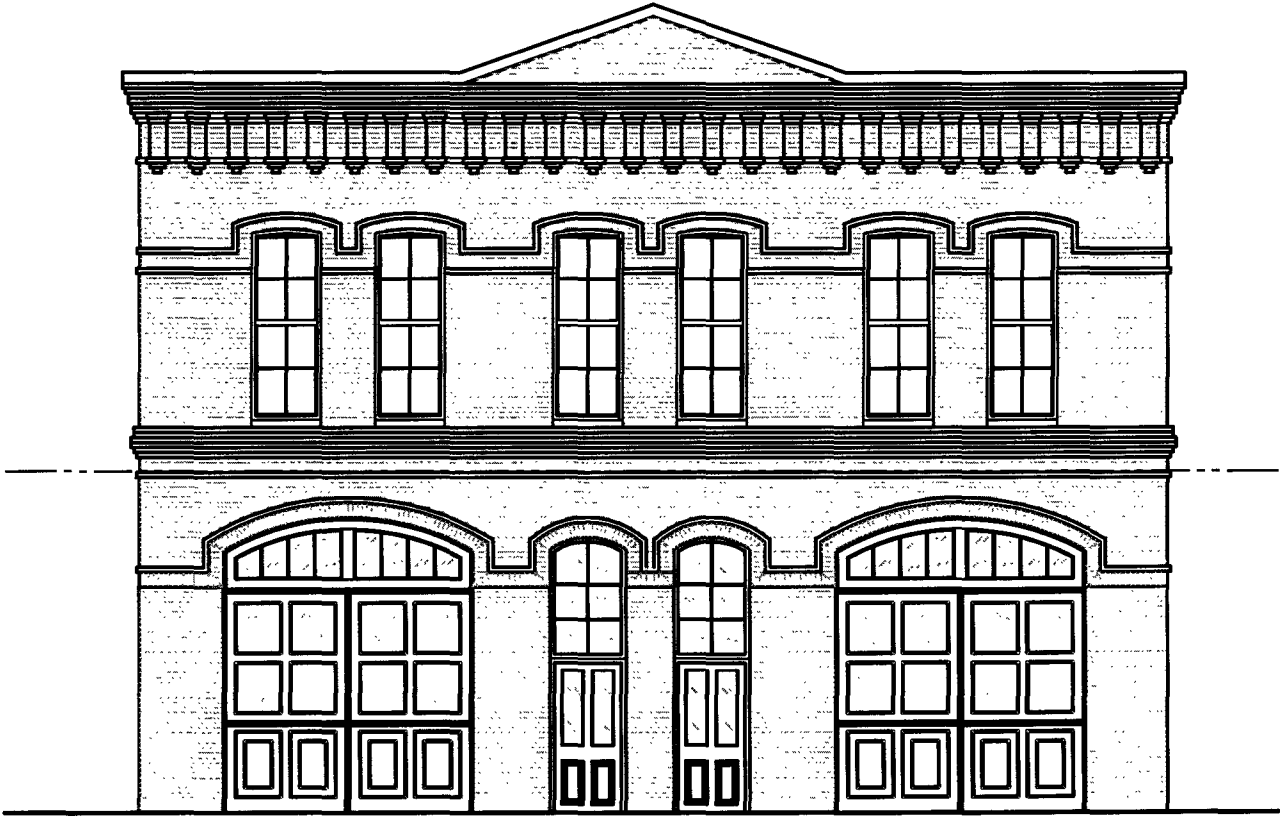
RECOMMENDATION

I recommend that the City Council approve the attached Assignment of the Development Agreement for the Former Housing Department Building to Dubuque Bank & Trust CDC for the purpose of rehabilitating the building for the Community Health Center and a Head Start center.

ACTION STEP

The action step for the City Council is to adopt the attached Assignment of Development Agreement.

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DATE	
DRAWN BY	
CHECKED BY	
DATE	
SCALE	

EXTERIOR ELEVATION

1805 CENTRAL AVENUE
CONDITION ASSESSMENT

HW ENGINEERS &
SURVEYORS, P.C.
INTEGRITY EXPERTISE SOLUTIONS
415 BROOKLYN AVENUE, BROOKLYN, NY 11202
PHONE: (718) 264-4444 FAX: (718) 264-9111
www.hwec.com



HW ENGINEERS &
SURVEYORS, P.C.

A4.1

Engine House No. 1 Subdivision

18th and Central Right of Way



DISCLAIMER: This information was compiled using the Dubuque Area Geographic Information System (DAGIS), which includes data created by both the City of Dubuque and Dubuque County. It is understood that, while the City of Dubuque and participating agencies utilized the most current and accurate information available, DAGIS and its suppliers do not warrant the accuracy or currency of the information or data contained herein. The City and participating agencies shall not be held liable for any direct, indirect, incidental, consequential, punitive, or special damages, whether foreseeable or unforeseeable, arising out of the authorized or unauthorized use of this data or the inability to use this data or out of any breach of warranty whatsoever.

1 inch = 50 feet



Map Prepared by:
City of Dubuque
Engineering Division
50 West 13th Street
Dubuque, Iowa 52001
Phone: (563) 589-4270
Fax: (563) 589-4205

**ASSIGNMENT OF DEVELOPMENT AGREEMENT
BETWEEN
ENGINE HOUSE #1, LLC
AND
DUBUQUE BANK & TRUST COMPANY CDC**

This Assignment of Development Agreement is dated for reference purposes the 15th day of August, 2011, by and between Engine House #1, LLC (Assignor) and Dubuque Bank & Trust CDC (Assignee).

WHEREAS, Assignor, as Developer, entered into a Development Agreement with the City of Dubuque (the Development Agreement), dated the ___ day of _____, 2011; and

WHEREAS, pursuant to the Development Agreement, Assignor was to purchase the real estate identified in the Development Agreement from the City of Dubuque on the terms set forth in the Development Agreement; and

WHEREAS, Assignor and Assignee have agreed for Assignee to purchase the real estate identified in the Development Agreement, subject to the terms of the Development Agreement.


NOW, THEREFORE, the parties agree:

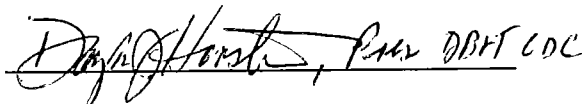
1. FOR VALUE RECEIVED, and subject to the approval of the City of Dubuque, Assignor hereby assigns, transfers and sets over to Assignee all rights, title and interest held by Assignor in the Development Agreement.
2. Assignee hereby assumes and agrees to perform all the remaining and executory obligations of Assignor under the Development Agreement.
3. Assignor and Assignee hereby request the City of Dubuque to approve this Assignment of the Development Agreement from Assignor to Assignee.
4. Assignee will reimburse Assignor for costs incurred associated with the design and rehabilitation of the building.

IN WITNESS WHEREOF, the parties have executed this Agreement as their free and voluntary act on the date referred to above.

**ENGINE HOUSE #1, LLC,
ASSIGNOR**

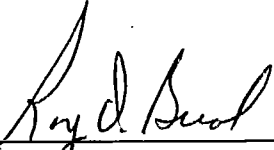
**DUBUQUE BANK & TRUST CDC
ASSIGNEE**

By: 

By:  , Pres. DB&T CDC

APPROVAL OF ASSIGNMENT BY THE CITY OF DUBUQUE, IOWA

The City of Dubuque hereby approves the foregoing Assignment.

By: 
Roy D. Buol, Mayor

Attest: 
Kevin S. Firnstahl, Acting City Clerk

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STATE OF IOWA)
COUNTY OF DUBUQUE) ss:

On this 15th day of August, 2011, before me, a Notary Public in and for the State of Iowa, personally appeared William H. Callahan to me personally known, who being by me duly sworn did say that William H. Callahan is the Managing Member of Engine House # 1, LLC and that said instrument was signed on behalf of said limited liability company by authority of its members and the said William H. Callahan acknowledged the execution of said instrument to be the voluntary act and deed of said limited liability company, by it voluntarily executed.

Marie P Koerperich
Notary Public in and for State of Iowa



STATE OF IOWA)
COUNTY OF DUBUQUE) ss:

On this 15th day of August, 2011, before me, a Notary Public in and for the State of Iowa, personally appeared Douglas J. Horstmann to me personally known, who being by me duly sworn did say that Douglas J. Horstmann is the President of said corporation and that said instrument was signed on behalf of said corporation by authority of its members and the said Douglas J. Horstmann acknowledged the execution of said instrument to be the voluntary act and deed of said corporation, by it voluntarily executed.

Diann M. GUNS
Notary Public in and for State of Iowa

