

Item 25-0146: Request to approve an extension of the purchase date to May 1, 2025 under the Development Agreement (Phase II) with Merge LLC for a mixed-use development located on the southeast corner of W. Washington Street and N. Appleton Street (Tax Id #31-2-0272-00) in Tax Increment Financing District No. 11

Community Development Committee

Wed, Feb 26, 2025 4:30PM

Aldersperson Sheri Hartzheim (District 13) 00:58

We have no public hearings or appearances, so we'll move on to our action item, number 25-0146, request to approve an extension of the purchase date to May 1 2025, under the development agreement phase two with Merge LLC for a mixed-use development located on the southeast corner of West Washington Street and North Appleton Street in tax increment financing district number 11. Do I have a motion?

Aldersperson Vaya Jones (District 10) 01:24

Move to approve.

Aldersperson Martyn Smith (District 4) 01:26

Second.

Aldersperson Sheri Hartzheim (District 13) 01:26

We have a motion and a second. Economic Development Specialist Lily Paul.

Lily Paul (Economic Development Specialist - Community Development) 01:35

Yeah. Okay, so actually, we have talked about this recently. We talked about it back in November to extend it to February 28, the end of February, and here we are. The applicant, or the buyer of the property, which just finished a property right across from the transit center. That's phase one. He's having such some troubles securing some financing. So, he has informed us that he will be selling a property, and he should be able to secure those finances coming up here and looking for a closing date then of May 1. So just with—I think with election year and interest rates and everything, is that he's just been having hard time. Bank's not giving him what he wants. So, he's, like I said, he's having some, hopefully some good news here with selling a property, and they should be able to close on this property.

Aldersperson Sheri Hartzheim (District 13) 02:24

What's our worst case scenario if he's not able to procure financing before then?

Lily Paul (Economic Development Specialist - Community Development) 02:28

Sure. So worst case scenario is that we would not sell it to him, and then we would put it back, essentially, on the market. We would probably do like an RFP situation on this so we get what we want there, potentially. But that would be a lengthy process, and it wouldn't happen right away. So, we would probably just sit on it for a while and go from there.

Aldersperson Sheri Hartzheim (District 13) 02:47

If we do that, or if we if he doesn't procure financing and can't close by May 1, would the development agreement then be defunct, and they—then the city would move forward from there? Director Homan?

Director Kara Homan (Community And Economic Development) 03:02

My understanding—and I'll refer to Attorney Glad if I get this wrong. If the amended development agreement says we need to close by May 1, and we don't close and we choose not to amend it, then I think the terms of the agreement wouldn't be met, and—

Darrin Glad (Assistant City Attorney) 03:20

Yeah, without the development agreement in front of me, I don't know, but it would all be spelled out there. If they don't meet the condition and they don't get the benefit from it, right?

Director Kara Homan (Community And Economic Development) 03:30

We wouldn't transfer the land.

Aldersperson Nate Wolff (District 12) 03:32

Yeah, So if I can just not, like, nitpick or anything, but—

Aldersperson Sheri Hartzheim (District 13) 03:37

Alderman Wolff.

Aldersperson Nate Wolff (District 12) 03:38

What? Thank you, Chair. When you're responding, we can all see you shake your head yes, but like if someone were listening at home and may not be able to see you're saying, yes. I don't mean to—but yeah, just for the audience. Thank you.

Aldersperson Sheri Hartzheim (District 13) 03:54

Alderman Smith.

Aldersperson Martyn Smith (District 4) 03:55

The—is the closing date actually May 1, and then that's the date that we're extending this to? Or, I mean, I—sometimes little things happen. Should we move a little bit past that, just to if financing goes one way or another?

Director Kara Homan (Community And Economic Development) 04:11

We were planning to close by May 1.

Aldersperson Martyn Smith (District 4) 04:14

By May 1.

Director Kara Homan (Community And Economic Development) 04:15

If it was the will of the committee to push it out to May 15, I mean, you have the right to do that. There would not be a lot of harm done in doing that. May 1 is what we had determined mutually with the developer.

Aldersperson Martyn Smith (District 4) 04:30

Okay, well, that's helpful. So, it's not that the closing date "is" May 1, but that was a mutually agreed upon "by" May 1 date. So that—

Director Kara Homan (Community And Economic Development) 04:38

We could close sooner. Yes.

Aldersperson Martyn Smith (District 4) 04:39

Okay.

Director Kara Homan (Community And Economic Development) 04:39

If he has his finance in place, and we get all our title work done.

Aldersperson Martyn Smith (District 4) 04:44

Okay, then I see no reason to push back the date that's already kind of built in.

Aldersperson Sheri Hartzheim (District 13) 04:50

Anyone else? Is the is the developer—does he have already (oh, he or she) have a secure offer to purchase on some other property that he's selling? Is that—there is an actual, real-life thing going to happen that would allow this to happen before May first?

Director Kara Homan (Community And Economic Development) 05:10

Yes. Yeah. So, we've talked to him a couple times, followed up with him last week. As of last week, when we chatted, he was three weeks from closing on a multi-family building in I believe Waterloo, Iowa, and selling it for upwards of \$14 million which would give him capital he needs to move forward on his next projects.

Aldersperson Sheri Hartzheim (District 13) 05:33

Okay. Thank you.

Director Kara Homan (Community And Economic Development) 05:34

—explained.

Aldersperson Sheri Hartzheim (District 13) 05:35

Thank you. Anybody else? All right, there being no other questions or discussion, we have a motion and a second. So, all those in favor, please signify by saying aye. Aye. Opposed? Abstentions? That passes five to zero.