

COUNCIL ACTION FORM

SUBJECT: REPLACEMENT SECURITY FOR OUTLOT R, SOUTH FORK SUBDIVISION, 1ST ADDITION (3908 MARIGOLD DRIVE)

BACKGROUND:

The South Fork Subdivision is located south of the west Hy-Vee grocery store and north of the Ames Middle School. Two of the areas within the subdivision remain to be developed; Outlot R, 1st Addition and Outlot U, 2nd Addition (Outlot U is currently being subdivided as South Fork 4th Addition). **The 2001 Memorandum of Agreement (or “Developer’s Agreement”) for South Fork Subdivision contains stipulations regarding future left turn lane improvements at the intersection of Lincoln Way and Franklin Avenue that directly relate to further development of these Outlots.**

- The **developer is required to pay 50% of the costs of construction** for installation of the associated improvements at the intersection of Lincoln Way and Franklin Avenue. The City will pay for the remaining 50%, as well as any engineering design and right-of-way costs as needed to complete the project.
- The agreement further stipulates that these improvements will not be constructed until such time as the intersection has fallen below the Institute of Traffic Engineers Level of Service “C” or a final plat is sought for a part of the site east of Dotson Drive and not abutting Dotson Drive, whichever occurs first. **Neither stipulation has been met; however, further platting of either Outlot could initiate the second trigger.**
- The developer is required to **guarantee this financial obligation by providing security in an amount equal to 50% of the estimated costs of construction**, as specified by the City.
 - **Pinnacle Properties** has provided a **letter of credit** to the City in the amount of **\$175,100**, as security interest for the obligation associated with **Outlot U, 2nd Addition (500 Dotson Drive)**.
 - The obligation for Outlot R, 1st Addition, (3908 Marigold Drive) is secured through a **mortgage to the City of Ames on the land in Outlot R**, which had an approximate net value of **\$280,000**.

Pinnacle Properties Ames, LLC is in the process of procuring the purchase of 3908 Marigold St. (Outlot R, South Fork Subdivision, 1st Addition) from the Marjorie Lucille Cochrane Revocable Trust. In order to move forward with the purchase, the previously mentioned mortgage would need to be released and replaced with a letter of credit for \$280,000.00 on behalf of Pinnacle Properties Ames, LLC with the City of Ames as beneficiary. This would be similar to the arrangement entered on 500 Dotson (Outlot U), and the corresponding Letter of Credit for \$175,100.00.

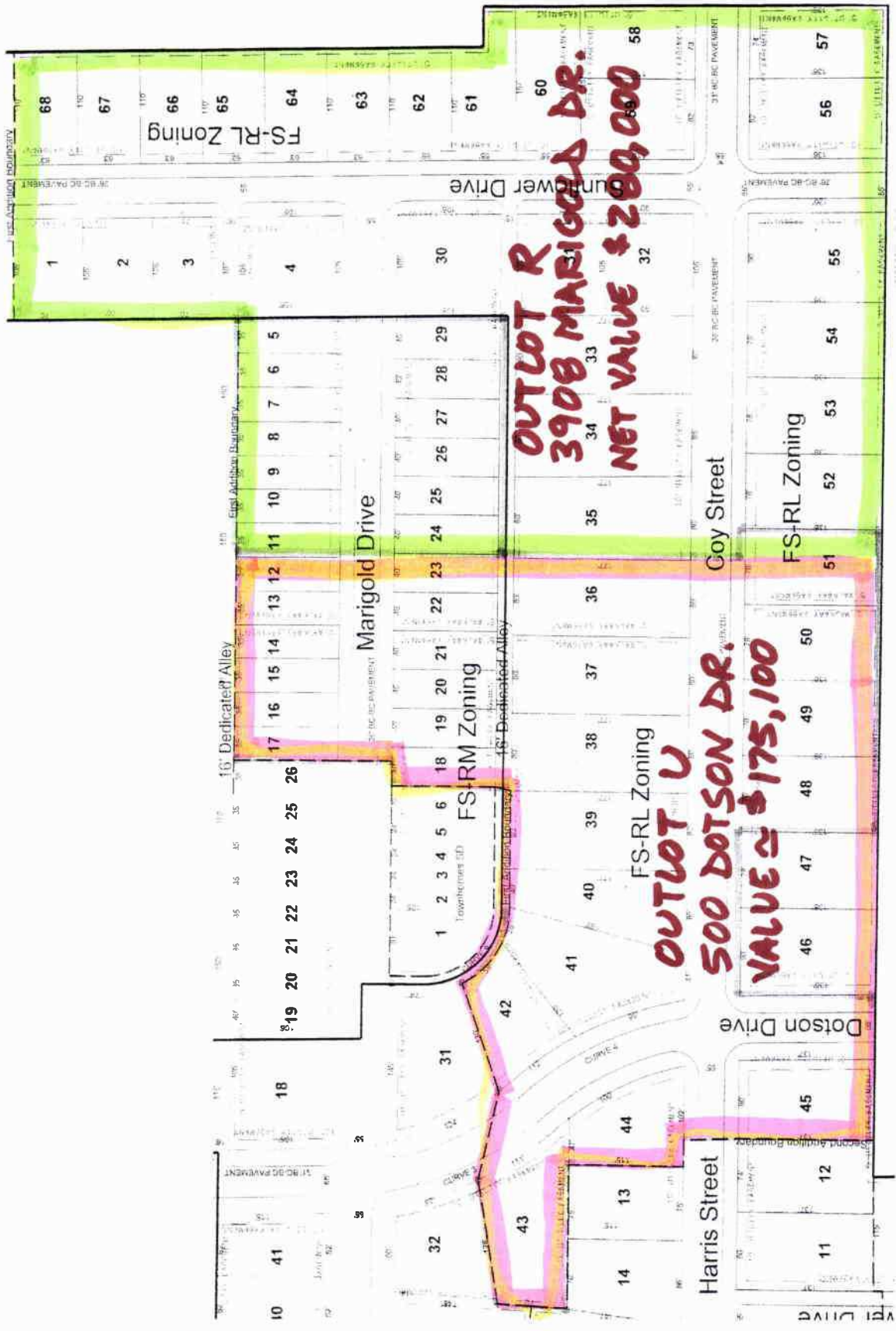
ALTERNATIVES:

1. Release the City's interest in the current mortgage on 3908 Marigold Drive (Outlot R, South Fork Subdivision, 1st Addition) and replace it with a letter of credit for \$280,000.00 on behalf of Pinnacle Properties Ames, LLC with the City of Ames as beneficiary, as security for the Lincoln Way and Franklin Avenue improvements.
2. Maintain the current mortgage interest on 3908 Marigold Drive (Outlot R, South Fork Subdivision, 1st Addition) as security for the Lincoln Way and Franklin Avenue improvements.

MANAGER'S RECOMMENDED ACTION:

Releasing the mortgage interest in Outlot R and replacing it with a letter of credit will facilitate the renewed development of the area at 3908 Marigold Drive while maintaining security for the future intersection improvements at Lincoln Way and Franklin Avenue. A letter of credit is generally a more stable and liquid form of security.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby releasing the City's interest in the current mortgage on 3908 Marigold Drive (Outlot R, South Fork Subdivision, 1st Addition) and replacing it with a letter of credit for \$280,000.00 on behalf of Pinnacle Properties Ames, LLC with the City of Ames as beneficiary as security for the Lincoln Way and Franklin Avenue improvements.



OUTLOT R
3908 MARI GOLD DR.
NET VALUE \$200,000

OUTLOT U
500 DOTSON DR.
VALUE ≈ \$175,100

FS-RL Zoning

Marigold Drive

Marigold Drive

FS-RM Zoning

Coy Street

FS-RL Zoning

Dotson Drive

Harris Street

16' Dedicatoff Alley

15' Dedicated Alley

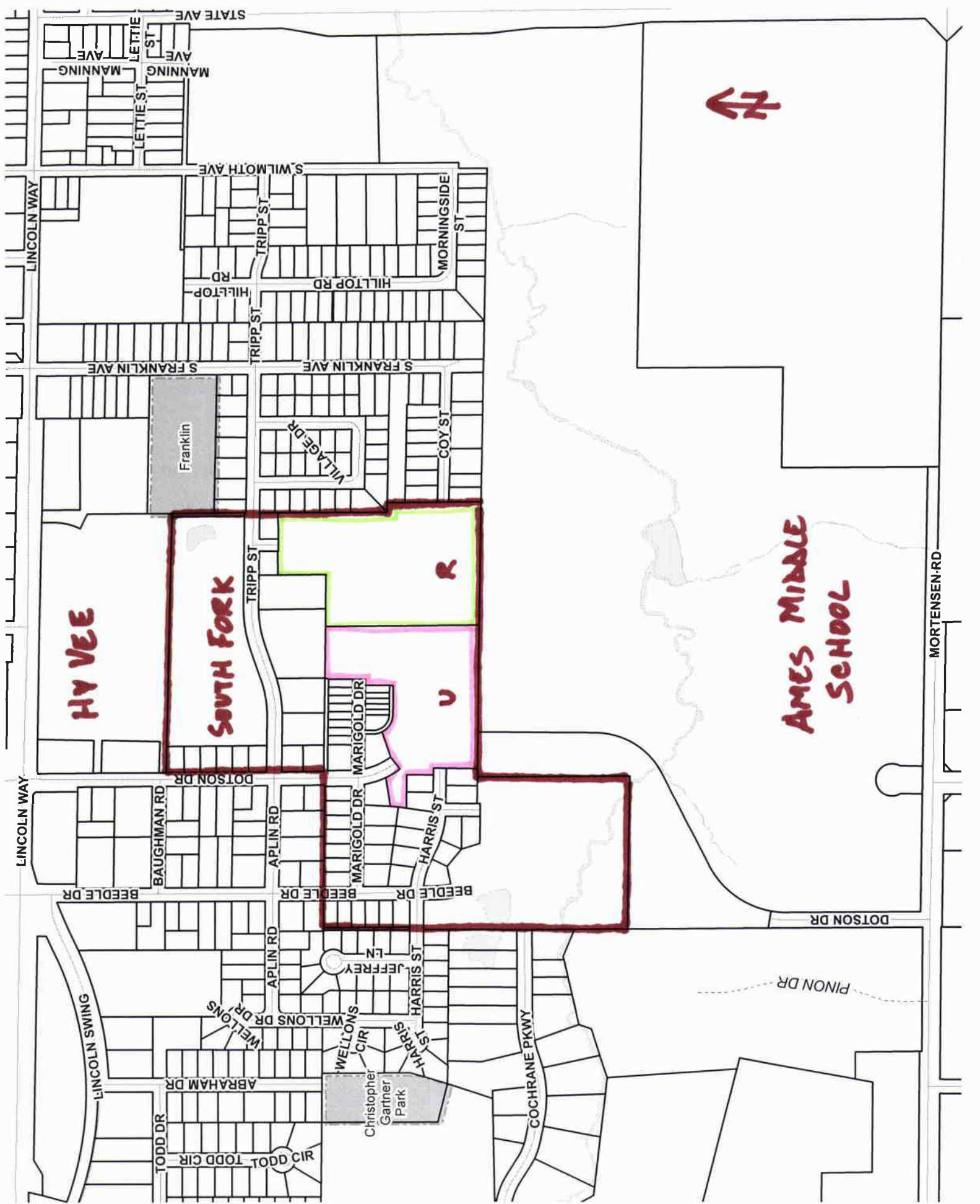
10' Townhomes 50'

10'

10'

10'

10'



HY VEE

SOUTH FORK

R

U

AMES MIDDLE SCHOOL

CHRISTOPHER GARTNER PARK

