



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

99-561

SYNOPSIS -

AGENDA:

DECEMBER 20, 1999

SUBJECT:

APPROVAL OF A
LOCAL
CONTRIBUTION TO
PRINCIPIANT
HOTEL COMPANY,
L. C.

In June 1999, Principiant Hotel Company, L. C., owned by Jeffrey Hunter, purchased the Hotel Fort Des Moines and adjoining property including the parking ramp at 10th and Walnut Streets. The Hotel Fort Des Moines was previously owned by a partnership, which included Mr. Hunter. Mr. Hunter resides in Des Moines. He has begun a \$2.6 million project including restoration and upgrade to the hotel and necessary renovation of the parking structure. Revenues are not sufficient to fund both hotel and ramp renovation and the company has secured a \$1 million loan from Iowa State Bank to supplement \$1.2 million of cash flow needed to carry out the project. A request is being made to the City for a \$400,000 loan to fund the remaining financial gap. Michael Ryan is the Office of Economic Development staff person working with the company.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

FISCAL IMPACT -

SUBMITTED BY:

RICHARD A. CLARK
DEPUTY CITY
MANAGER

The proposed loan will be repaid at 3 percent over a ten-year term. Funds would be disbursed from either tax increment funds (TIF) or from the Economic Development Enterprise Fund. The funds will be disbursed in annual increments of \$100,000 beginning in 2001 and ending in 2004. Interest only would be repaid on outstanding loan balances during this time frame. The loan would be fully amortized in years 2005-2010.

The project may also apply for tax abatement but preliminary calculations indicate that the \$400,000 investment can be recaptured on a net present value basis by 2010. It is anticipated that a minimum assessment agreement will be negotiated. This will be presented to Council when loan documents are approved.

The loan will be secured by a subordinate mortgage on the real estate and will be guaranteed by Jeffrey Hunter.

RECOMMENDATION -

Approval.

BACKGROUND -

Jeffrey Hunter has formed a new company, Principiant Hotel Company, L. C., and purchased the Hotel Fort Des Moines from his partners. He has also acquired the Tenth Street Parkade, a 440-stall parking ramp across from the Hotel at Tenth and Walnut Streets.

As a result, he has begun a \$2,600,000 project that will be the final phase of the restoration of the Hotel Fort Des Moines and begin the renovation of the Tenth Street Parkade.

The Hotel Fort Des Moines, opened in 1919, is a full-service business and convention hotel and a downtown landmark listed in the National Register of Historic Places.

The Fort Des Moines project features:

- 240 hotel rooms, including:
- Seven apartments and fifty-five suites that provide housing for permanent residents and extended stay accommodations for executives relocating to the Des Moines area.
- 32,000 square feet of ballroom, conference and meeting space.
- 30,000 square feet of office space, (including 1500 square feet donated to the Iowa Council for International Understanding).
- Four entertainment venues including fine dining, a corner bar, a coffee shop and a brewpub (tenant).
- One retail outlet - a combination newsstand, sundries, and gift shop.

The Tenth Street Parkade opened in 1957 and serves hotel guests and tenants as well as other office users in the area - 260 spaces are reserved parking and 180 spaces are open for daily

parking.

The parking ramp, when built, had an estimated useful life of 30 years. An engineer's report shows a rate of deterioration approaching a very critical stage. The ramp's value has been steadily declining. The repairs required to prevent its demolition within the next several years exceed its assessed value.

Hotel improvements will keep the hotel competitive and protect its contribution to Des Moines as an anchor to the commercial and retail development of downtown's west side. The City's assistance is needed to insure that the ramp can be renovated without inhibiting the continued restoration of the Hotel Fort Des Moines.

Iowa State Bank will provide \$1 million in loan funds; the Hotel will provide \$1.2 million; the proposed City loan is \$400,000. The hotel and ramp renovations are important components of a revitalization of the west end of downtown. Large development projects are being considered in the west end of downtown and the Tenth and Walnut Parkade has capacity for additional decking that could be important in planning for these developments. It is possible that this proposed project could be amended in the future to help meet parking demand in the area.

This project meets the following policy standards:

- The project is in accordance with the approved district plan;
- It will result in a significant increase in the taxable value of property within the district;
- It will create or retain permanent job opportunities in the district; and
- The amount of the TIF assistance will be the least amount necessary for the project to proceed and produces an acceptable rate of return to the City.



[[Council Members](#) | [Leave a Message](#) | [Meeting Agendas/Info](#) | [Recent Ordinances](#)]
[[Board/Commission List](#) | [Meeting Schedule](#) | [Request to Speak](#) | [Election/Voter Reg](#)]