

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

00-582

SYNOPSIS -

AGENDA:

DECEMBER 18, 2000

SUBJECT:

LOAN TO
PRINCIPIANT
HOTEL COMPANY,
L. C.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

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. On December 18, 1999, City Council approved a \$400,000 gap financing loan for the project. Loan and collateral documents have been prepared for City Council and approval. Michael Ryan is the Office of Economic Development staff person working with the company.

FISCAL IMPACT -

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 through 2005. The loan would be fully amortized in years 2006-2011.

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

RECOMMENDATION -

Approval.

BACKGROUND -

Mr. 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 10th Street Parkade, a 440-stall parking ramp across from the Hotel at 10th 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 10th 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 Hotel Fort Des Moines project features:

- 240 hotel rooms, including: seven apartments and 55 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 10th 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.

The hotel and ramp renovations are important components of a revitalization of the west end of downtown. The 10th and Walnut Parkade has capacity for additional decking that could be an important component for west downtown 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.