



**Council  
Communication**  
Office of the City Manager

**Date**

September 11, 2006

**Agenda Item No.**      **Extra Item 1**  
**Roll Call No.**          **06-**  
**Communication No.** **06-590**  
**Submitted by: Richard A. Clark, City Manager**

**AGENDA HEADING:**

Approving preliminary terms of agreement with Polk County and Nelson Development 14, LLC for redevelopment of 215 Watson Powell Jr. Way.

**SYNOPSIS:**

Nelson Development 14, LLC (Jake Christensen, 1045 76<sup>th</sup> Street, Suite 2000, West Des Moines, IA 50266) has purchased the former General Growth Building located at 215 Watson Powell Jr. Way. Nelson Development desires to rehabilitate the long-vacant office building for inPlay (inPlay Franchise Services, LLC, Mike Stessman, Managing Partner, 2775 86<sup>th</sup> Street, Urbandale, IA 50322). inPlay is a full-service family entertainment venue offering a gaming center with over 100 popular virtual reality, interactive, sports, action, and classic games. The facility will also feature banquet and conference accommodations, a full-service restaurant and sports bar, indoor football passing and basketball hoops, and a 3-story indoor rock-climbing wall.

inPlay will complement other downtown entertainment venues such as the Principal Riverwalk, Science Center of Iowa, Principal Park and the Iowa Events Center. The goal of locating such a facility downtown will be to extend a visitor's stay before or after enjoying one of the many other entertainment options in the area. The location at 215 Watson Powell will also begin to bridge the physical gap between the Iowa Events Center and the core of downtown.

**FISCAL IMPACT:**

Amount: \$1,875,000

Funding Source: Polk County pledges to make a \$1,875,000, 0% interest loan to the City of Des Moines. The City will then advance that amount as a grant to Nelson Development 14, LLC. The City will repay the County's loan in ten equal annual installments. The City will utilize new tax increment revenue generated by the project to repay the loan. This tax increment will be guaranteed by a minimum assessment agreement with Nelson Development 14, LLC. The Finance Department will be asked to establish a new URR account code for this project.

## **ADDITIONAL INFORMATION:**

inPlay serves 3 distinct segments of the downtown entertainment market:

- Gaming – The family-oriented gaming area will offer party rooms with areas for younger children's parties. This area will be separated from a teen and adult section with more challenging games. A 3-story rock-climbing wall will cut through the middle of the building. This function will nicely complement the Science Center and Iowa Cubs to help keep families downtown for a full day of entertainment.
- Restaurant and Sports Bar – Legend's American Grill (Mark Rogers, President, 5906 Ashworth Road, West Des Moines, IA 50266) will operate a restaurant and sports bar on the second level. The main entrance at 3rd and Park will be clearly visible from the Iowa Events Center. This use will pair well with concerts and sporting events at Wells Fargo Area.
- Banquet Facilities – A 6,000 square feet banquet facility with full banquet kitchen will be added to the east end of the building. Weddings and corporate events will target a middle-market that will complement other higher-end venues in the market.
- Des Moines will become inPlay's flagship operation. In addition to existing facilities in Peoria, Illinois and Omaha, Nebraska, inPlay has begun franchising the concept throughout the Midwest, including facilities already planned for Fox Land, Illinois and Little Rock, Arkansas. All franchise management staff will come to Des Moines for up to 2 months of training at the downtown location.

inPlay's business model can support a rental rate of approximately \$10 per square foot. Typically, this rate could be accomplished on the downtown fringe in large flex space. However, inPlay desires close proximity to the Iowa Events Center to leverage both venues' entertainment draws. Nelson Development has purchased the building for \$2.5 million. Total project costs, including remodeling the top floor for office space and adding a large banquet facility for inPlay, are approximately \$10.8 million. Approximately \$8.3 is related to building acquisition and improvements and \$2.5 is for inPlay's furniture, fixtures and equipment.

In order to move forward with inPlay as a tenant, Nelson Development requires a rental rate of approximately \$15 to earn a 10% return. The difference between Nelson's required rental rate and what inPlay's business model can sustain creates a financial gap of approximately \$2 million during inPlay's 15-year lease.

Proposed Assistance Package:

- Polk County would provide a \$1.875 million loan to the City of Des Moines. The loan would be advanced in 3 annual installments: \$1 million, \$437,500, and \$437,500. The City will then advance these amounts to Nelson Development. These grant installments to Nelson Development will allow them to lower inPlay's rental rate.
- The County's loan will be non-interest bearing.
- The City will repay the County's full loan amount in 10 annual installments of \$187,500.
- Recognizing that there is some upside in inPlay's operations at this prime location, Nelson development has agreed to structure a percentage rent lease with inPlay. When inPlay's percentage rent reaches a predetermined amount, the County, City, and Nelson, will split every dollar above that amount equally. This allows all parties to participate in inPlay's success. (Exact

details of this structure will be clearly identified in the final loan documents and presented to the City Council for review and approval).

- The property's improvements are currently only assessed at \$5,000. The minimum assessment agreement will increase the property's taxable value by approximate \$4.7 million. This new tax increment will generate annual TIF levy of approximately \$188,000 in year 1 and climbs quickly assuming 2% annual inflation.
- Using an 8% discount rate, the net present value of the City's assistance package is approximately 11.65% of the total project cost.

**PREVIOUS COUNCIL ACTION(S): NONE**

Date:

Roll Call Number:

Action:

**BOARD/COMMISSION ACTION(S): NONE**

Date:

Roll Call Number:

Action:

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Urban Design Review Board review and recommendation of project design and financial assistance package.

City Council review and approval of final loan terms and conditions.