

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date	December 21, 2009
	Agenda Item No. 51 Roll Call No. <u>09-</u> Communication No. <u>09-873</u> Submitted by: Matt Anderson Economic Development Administrator	

AGENDA HEADING:

Approving Preliminary Terms of Agreement with Liberty Building Development Group LLC for a \$15 million renovation of 5 floors of the Liberty Building for a 95 room Hyatt Place hotel.

SYNOPSIS:

On April 6, 2005, by roll call 05-814, the City Council approved a development agreement to assist with construction of a private parking ramp to facilitate redevelopment of the Liberty and Equitable Buildings. The parking garage was completed in 2006 and improvements made to the Liberty Building exceed the values required per the Minimum Assessment Agreement. However, due to weakness in the condominium and office markets, many floors of the building remain vacant. The Liberty Building currently has 77,000 square feet of vacant office space. Liberty Building Development Group LLC (Jake Christensen, Managing Member, 321 East Walnut Street, Des Moines, IA 50309) proposes a \$15.5 million renovation of 5 floors for a 95 room Hyatt Place hotel. The Hyatt Place will be downtown’s first new nationally flagged hotel since 1992 and Iowa’s only Hyatt.

The hotel rooms will occupy floors 4 thru 8. This space was originally planned as condominiums but has most recently been marketed as office space. The hotel floors will generate nearly 3 times the property tax increment as was projected for the residential units. Repurposing these floors for a hotel will also help alleviate downtown’s projected office vacancy of nearly 1.5 million square feet.

Despite an aggressive occupancy rate of 71%, the project’s financial gap is too large for the developer to proceed without city assistance. The Office of Economic Development has negotiated an economic development package with a net present value of \$1.54 million to assist the project. The long term payback from the hotel will generate \$5.2 million in property tax and \$7.2 million in hotel motel tax versus the projected \$1.8 million of residential taxes from these floors over a 20 year period.

The original development agreement was a three party agreement that also included the owner of the Equitable Building, Equitable, L.P. Equitable L.P. has not followed through on development of that project and the building has been foreclosed on by its lender. No direct financial incentives were provided to Equitable, L.P. The Office of Economic Development recommends drafting a new development agreement which will incorporate the new hotel development and remove Equitable L.P. from the agreement.

FISCAL IMPACT:

Amount: Annual grant installments of \$240,000 for 10 years

Funding Source: Metro Center Urban Renewal Area Tax Increment Financing

ADDITIONAL INFORMATION:

The historic renovation process will include a new entrance on 6th Avenue for the hotel patrons into the 16 foot high lobby complete with hotel lounge and restaurant. The basement will include a pool, workout room (to supplement Gym/FX options) meeting rooms, and hotel operation offices. The guests will take elevators to guest rooms on floors 4,5,6,7,and 8. The office floors on 2, 3 and 12 and condo floors on 9, 10 and 11 will remain and residents will enjoy overlapping services from the hotel including room service and housekeeping services. The building will be 98% occupied.

PREVIOUS COUNCIL ACTION(S):

Date: April 6, 2005

Roll Call Number: 05-814

Action: Approving Urban Renewal Development Agreement with K.C. Holding VI, L.L.C., (Mike Nelson, Managing Member, Urbandale, IA) and Equitable, L.P., (Bob Knapp, Managing Member, WDSM, IA) for redevelopment of Liberty and Equitable Buildings and construction of privately owned parking ramp. (Council Communication No. 05-178) Moved by Hensley to adopt. Motion Carried 4-1-2. Nays: Vlassis.

BOARD/COMMISSION ACTION(S): NONE**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Approval of Urban Renewal Development Agreement and receive and file of Urban Design Review Board Recommendation.

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