 <p style="text-align: center;"><b>Council</b> <b>Communication</b> Office of the City Manager</p>	<b>Date:</b> April 8, 2013
	<b>Agenda Item No.</b> 56 <b>Roll Call No.</b> <u>13-0612</u> <b>Communication No.</b> <u>13-157</u> <b>Submitted by:</b> <b>Matthew A. Anderson,</b> <b>Assistant City Manager</b>

**AGENDA HEADING:**

There are two roll calls relating to the redevelopment of the Hotel Randolph and its adjacent properties for a mixed use project with commercial on the first floor and residential on the upper floors:

- a) Preliminary Terms of Agreement for Economic Development Assistance for the Redevelopment of the Hotel Randolph, Earle & Le Bosquet and Youngerman Block Buildings (NW corner of 4th Street and Court Avenue);  
*and*
- b) Application for Enterprise Zone Benefits for Housing Project to be referred to the Des Moines Enterprise Zone Commission and the Iowa Economic Development Authority.

**SYNOPSIS:**

The first roll call directs staff to negotiate a final development agreement in accordance with the general terms detailed in this Council communication. The developer, Randolph Apartments GP.LLC (George Sherman, president of George Sherman and Associates, 233 Park Avenue S/Suite 201, Minneapolis, Minnesota) has proposed redevelopment of the Hotel Randolph and its adjacent buildings for a mixed use project that will create 55 residential units and first floor commercial space. Total project costs are approximately \$15 million; the developer has asked for an economic development grant to fill a \$2.5 million gap between project costs and sources of funding to undertake the needed major renovations for this key location.

The second roll call directs that the City receive the Enterprise Zone application for a \$488,274 State of Iowa Investment Tax Credit and \$165,000 Iowa Sales Tax Refund.

**FISCAL IMPACT:**

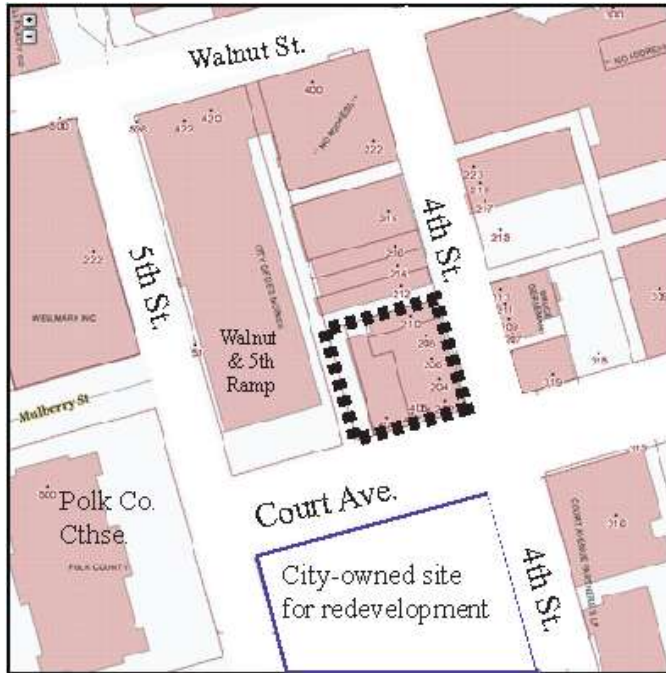
Amount: Up to \$3.3 million over a ten year period based on an initial payment of \$200,000 starting in late 2014 which shall increase by \$25,000 each year. These payments are equivalent to the \$2.5 million gap, based on a ten year payout at 4.5 %.

Funding Source: Metro Center Urban Renewal Area Tax Increment Financing District Revenues. Enterprise Zone benefits are State of Iowa tax credits and do not impact the City’s general fund.

**ADDITIONAL INFORMATION:**

Redevelopment of the Randolph Hotel “complex”—the Hotel Randolph at 202 4th Street, the Youngerman Block Building directly north of the Randolph at 201 4<sup>th</sup> Street, and the currently vacant adjacent Earle & Le Bosquet Building at 407 Court Avenue—has been proposed by George Sherman and Associates. Project costs total nearly \$15 million.

The upper levels of the Randolph, Earle & Le Bosquet and the Youngerman Block Buildings will be converted from its current 88 transient/hotel rooms into 55 apartments (14 studio, 30 one-bedroom, and 11 two-bedroom units) and about 7,500 first floor commercial space.



Amenities include a common area with a 24-hour exercise room with a full range of equipment, a business center, laundry facilities and on-site management. Monthly rents range from \$425-\$775 as per affordable housing requirements.

The three buildings are on the National Register and will receive federal and state historic tax credits. Improvements will be done in accordance with National Register of Historic Places standards.

Major exterior components of the project will be refurbishment of the masonry and windows with interior installation of all new safety and energy code systems, including fire sprinklers. Substance Architecture (1300 Walnut Street/Des Moines) are project architects.

Project financing will be provided from a variety of sources including State of Iowa and federal historic tax credits, Low-Income Housing Tax (LIHTC) credits and Enterprise Zone credits. The developer is requesting economic development assistance to fill \$2.5 million gap between costs to undertake project and funding identified for the project. The higher costs are due in large part to the historic level of renovations and the overall poor condition of the structures.

At this time, it is not known if the State Legislature will make changes to the commercial property taxes. The development agreement will note the current proposed financial assistance is subject to change if the commercial property tax structure is changed with its concomitant impact on tax increment revenues derived from property taxes.

Payments will be made for ten years with the first payment to begin at the time when the City issues the Certificate of Completion which is anticipated to be in October/November 2014; the remaining nine annual payments will start on July 1, 2015. The payments are based on an existing \$2.5 million gap; the annual payment will increase annually by \$25,000 starting from a base payment of \$200,000. Based on cost of borrowing at a 4.5% interest rate, the sum of the City's payments (approximately \$3.3 million over ten years) totals a net present value of \$2.5 million.

Relocation of the existing hotel customers will be undertaken in conjunction with a relocation/moving provider and assistance from social services agencies to reduce problems in finding replacement locations. Each occupant will receive a hand-delivered notice at least 60 days prior to the start of construction. In addition, financial assistance, based on current length of the customer's stay at the Hotel Randolph will be provided by the developer to help with relocation.

This is a much needed project at a highly visible linchpin location that impacts many other properties.

-- It retains and greatly improves these buildings which provide a major historic component to the area.

- Overall, Court Avenue and the 4<sup>th</sup> Street corridor linking Walnut Street to the Science Center get a large boost with this new investment on a large site that has deteriorated significantly over the years.
- With the much-improved appearance of these structures, there will be a major positive impact with enhanced marketability on the City-owned site to the south.

**Exterior Pictures of  
Hotel Randolph Buildings “Complex”**



Hotel Randolph  
202 4<sup>th</sup> Street



Youngerman Block Building  
210 4<sup>th</sup> Street



Earle & Le Bosquet Building  
409 Court Avenue

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

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

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

*EZ Application*

The Des Moines Enterprise Zone Commission will meet in April 2013 to review the application. Following its review, the application will be forwarded to the Iowa Economic Development Authority.

*General Timing*

City approval of the development agreement for the economic development grant is anticipated to occur in June 2013. The Urban Design Review Board will review the final terms of the tax increment financial assistance prior to the City Council meeting on the final development agreement. Construction would begin in mid-fall 2013 with the project completed in mid-fall 2014.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).