

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	February 10, 2014
	Agenda Item No.	40
	Roll Call No.	<u>14-0241</u>
	Communication No.	<u>14-057</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Approving Preliminary Terms of Agreement with 201 East Locust, L.L.C. for a \$45 million project constructing a 120 room hotel, 104 market rate residential units and a minimum 236 space parking garage at 201 East Locust.

SYNOPSIS:

201 East Locust, L.L.C. (Troy Hansen, Managing Member, 5665 Greendale Road Suite A, Johnston, Iowa 50131) has proposed a \$45 million project for the former Bud Mulcahy Jeep site in the East Village. The project will introduce 104 market rate apartment units, a 120 room extended stay hotel with additional first floor commercial lease space, and a parking garage with a minimum of 236 spaces for residents and hotel guests. The project will provide high quality urban density development on a key East Village infill site, add new residents to support existing and proposed businesses, and add hotel rooms and commercial services to the downtown market. The hotel will also contribute over \$200,000 in annual hotel-motel taxes to the City.

The Office of Economic Development has negotiated preliminary terms of agreement to respond to the financing gap presented by 201 East Locust, L.L.C. The financial assistance package proposes an economic development grant to be paid annually over a 15 year term, with project generated tax increment being the primary source for the grant. Additional information is provided below.

Staff will negotiate a final development agreement to present to the City Council, following review of the proposed project design and financial assistance package by the Urban Design Review Board.

FISCAL IMPACT:

Amount: Payment stream has a net present value of \$3,546,845 over a 15 year term, or approximately 8% of the total project cost of \$45 million. (Payments in years 1-5 will not exceed \$400,000; payments in years 6-15 will not exceed \$300,000) New tax increment generated by the project will be the primary funding source, however the first five (5) years will require \$95,147 annually from the Metro Center TIF District. Over the remainder of the 15 year term, the project will generate more than 100% of the amount needed for the economic development grant, repaying the first five years of the City’s payments from Metro Center.

Funding Source: Metro Center Urban Renewal Area tax increment, majority to be generated by the project. Account, fund and organizational code to be provided by the Finance Department.

ADDITIONAL INFORMATION:

201 East Locust, L.L.C. has been working for several years to develop a concept for the former Bud Mulcahy Jeep site in the East Village, and has worked with the Office of Economic Development to evaluate proposals and means of financing the project. The current proposal has been received as positive, adding taxable valuation and desired urban density, while also providing a parking solution that will address the parking needs brought by the project without straining existing parking resources in the East Village. The City has requested that 201 East Locust, L.L.C. evaluate the ability to offer the proposed parking garage as an occasional public parking option during special events. Though the parking garage spaces are projected to be utilized by residents and extended stay hotel guests, the developer has committed to evaluate this request to determine what may be feasible.

With reduced valuation in the Metro Center TIF District, the impact of property tax rollbacks, and the need to prioritize available tax increment for capital projects where possible, it has been imperative to identify ways for economic development projects to be primarily self-supporting, generating enough new increment to meet developer requests for City TIF assistance. Creating new taxable valuation is also critical, and the proposal for 201 East Locust, L.L.C. is presented in effort to meet both of these goals for the City.

The proposal has been evaluated under a 20 year examination to determine the City's return on investment. It has been vital to be able to demonstrate that the project will be able to return the upfront investment provided for the first five years, when the Metro Center TIF District will provide a portion of the economic development grant payment. The evaluation has shown that the project itself will produce 76% of the TIF for the economic development grant in the first five years, and that the project will be able to repay the full amount of the Metro Center's early years contribution over a three year period after year 12, when the project is producing well over 100% of the amount requested.

In no event shall the actual amount of the annual installments in years 6 through 15 exceed the amount of the project generated tax increment. The tax levy and revenues generated by the Downtown Self-Supported Municipal Improvement District (SSMID) shall be excluded in the calculation of the project generated TIF. Those revenues have already been pledged to support the Downtown SSMID.

Developer sources for the project will include conventional financing through a new first mortgage, owner equity, and State of Iowa Workforce Housing Tax Credits, a new program proposed by the Iowa Economic Development Authority that is designed to replace the current Enterprise Zone Housing program.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

The Urban Design Review Board will meet to review the proposed project design and financial assistance request. Final terms of a development agreement will be presented to City Council.

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.