

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	May 5, 2014
	Agenda Item No.	24
	Roll Call No.	<u>14-0698</u>
	Communication No.	<u>14-213</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Approving Preliminary Terms of Agreement with Heart of America Group (HOA) for development of a hotel at East 4th and East Grand Avenue.

SYNOPSIS:

On November 18, 2013, by Roll Call No. 13-1850, the City Council directed staff to work with HOA (Mike Whalen, President, 1501 River Drive, Moline, IL 61265) on preliminary term of agreement for the development of a boutique hotel on City-owned property at the SE Corner of East 4th and East Grand.

Staff has negotiated an assistance package and more clearly defined the project parameters as defined below. The incentive package is less than originally requested by the developer, and is in line with previous hotel agreements approved by the City Council and utilizes only land sales proceeds and new project-generated tax increment without utilizing the general downtown tax increment financing (TIF) capacity.

The developer has also agreed to work with the City and neighboring businesses to identify alleyway enhancements to improve the appearance and safety of this highly utilized East Village alley.

FISCAL IMPACT:

Amount: Grant back of land sales proceeds of \$550,000 and 80% of project-generated tax increment for 20 years. The net present value of the TIF payments is estimated at \$3.8 million over the 20-year term. The exact annual installment amounts will fluctuate with the property’s actual property tax assessment.

Funding Source: Land sale proceeds and project generated tax increment financing.

ADDITIONAL INFORMATION:

HOA has acquired the Des Moines franchise rights for a new Marriott hotel concept named AC Hotels. Founded in 1998, AC Hotels has nearly 80 properties located in Spain, Italy, France, and Portugal. AC Hotels and Marriott formed a joint venture in 2011, leveraging the unique style and design of these upscale urban-inspired hotels with the portfolio power and distribution of Marriott International. AC Hotels by Marriott targets travelers searching for a design-led hotel in a great location.

The proposed 6-story, 100 room hotel will feature underground parking, a rooftop lounge, and a small fitness center. The restaurant offering will be limited, designed to encourage the “experience seeking”

guest to walk to the area's restaurants and other amenities. Once stabilized, the average daily rate is projected at \$130. Total project costs are estimated at \$18.125 million.

In addition to the hotel's property tax generation, it is estimated that the City will collect approximately \$5.7 million in hotel/motel tax over 20 years.

East Village residents and businesses have expressed concern over the appearance and safety of the east/west alley on this block. HOA has agreed to work with the City and Historic East Village on alleyway enhancements to improve the pedestrian experience through the block.

PREVIOUS COUNCIL ACTION(S):

Date: November 18, 2013

Roll Call Number: [13-1850](#)

Action: [Authorizing](#) the City Manager to negotiate preliminary terms of developer initiated proposals for the purchase and redevelopment of two separate City-owned parcels for two projects in the East Village Area (East 4th Street and Grand Avenue) and initiating a parking study of the affected area. ([Council Communication No. 13-567](#)) Moved by Hensley to adopt. Motion Carried 6-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board recommendation
- Items pertaining to land conveyance
- Consideration of final Urban Renewal Development Agreement

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