

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> January 12, 2015
	<b>Agenda Item No.</b> 22 <b>Roll Call No.</b> <u>15-0035</u> <b>Communication No.</b> <u>15-016</u> <b>Submitted by:</b> Matthew A. Anderson, Assistant City Manager

**AGENDA HEADING:**

Approving competitive process for the sale and redevelopment of Disposition Parcel 13-1/Metro Center Urban Renewal Area located at 401 East Grand Avenue and receipt of redevelopment proposal from Iowa Machine Shed Co.

**SYNOPSIS:**

In November 2013, the City Council directed staff to work with Heart of America Group (Mike Whalen, President, 1501 River Drive, Moline, IL 61265) on preliminary terms of agreement for development of a boutique hotel on City-owned property at the SE Corner of East 4<sup>th</sup> Street and East Grand Avenue. In May 2014, the City Council approved the preliminary terms of agreement relating to the development of the site and proposed economic development assistance.

At this time, Iowa Machine Shed Co., a related entity designated by Heart of America Group to undertake this project, has presented a formal development proposal with conceptual design plans and a proposed Urban Renewal Agreement for the purchase and redevelopment of the City-owned property. The project will consist of a 6-story 100 room hotel featuring underground parking, a rooftop bar and a small fitness center. The total estimated project cost is \$18.125 million.

Because this City-owned property was purchased through the urban renewal process, it is necessary to sell the property in accordance with Iowa Code requirements which include providing a full and fair opportunity for other potential developers to submit competing redevelopment proposals.

The roll call on the January 12, 2015 agenda provides for the following relating to the Iowa Machine Shed. Co. proposal and the process for competing proposals to be made to the City for the City-owned property at 401 East Grand Avenue:

- Receipt of the Iowa Machine Shed Co. proposal which shall be on file at the City Clerk’s Office.
- Provision of the terms and conditions that must met by a competing proposal including allowed property uses, financial capacity, development experience, maximum economic development assistance that may be available for the project with the proposal (s) due at the City by no later 1 p.m. on February 27, 2015.
- Set date of public hearing for March 9, 2015 with notice of the City’s intent to enter into the proposed Urban Renewal Agreement with Iowa Machine Shed Co. if no other responsive proposal is received.

**FISCAL IMPACT:**

Amount: Grant back of land sales proceeds of \$550,000 and 80% of the completed project generated tax increment for 20 years. This is estimated at \$6.15 million over 20 years or a net present value of \$3.8 million. 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:**

The developer has acquired the Des Moines franchise rights for a new Marriott hotel named AC Hotel. "AC Hotels by Marriott" specialize in creating upscale urban inspired hotels which target travelers searching for a design-led hotel in a great location. AC Hotels and Marriott formed a joint venture in 2011 and have about 20 new hotels planned in the United States for 2015.

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; it is estimated that the City will collect approximately \$5.7 million in hotel/motel tax over 20 years. Total project costs are estimated at \$18.125 million.

The mass of the building fronts on E. Grand Avenue with the southern boundary of the site abutting the mid-block east/west alley. The ground floor is occupied with the hotel's public uses including the main entry, lobby, breakfast area, meeting rooms along East Grand Avenue and a secondary walk-in entry on E. 4th Street. The entry and egress to the below-grade parking for about 50 vehicles is on East 4th Street. The project utilizes a mix of light colored gray/buff brick, grey limestone, metal panels, large expanses of glass curtain wall and fiber cement panels.

East Village residents and businesses have expressed concern over the appearance and safety of the east/west alley on this block over the past several years. The 350 E. Grand Avenue rowhouse project improved the trash collection aspect in 2014 by consolidating the multiple trash receptacles used by various businesses and providing a trash enclosure that meets current zoning standards. The proposed AC Hotel will further alleviate alley issues by providing a landscaped edge along the alley. The City will resurface the alley to correspond with the hotel's construction schedule. The Historic East Village neighborhood reviewed the project in November 2014 and were supportive of the proposal. Since that time, HOA has remained in close contact with the HEV stakeholders, residents, and businesses to continue dialogue about progress with this project and overall planning in the East Village.

The developer's proposed conceptual plans required Zoning Board of Adjustment relief for several items relating to its 75 height (55 feet height is permitted for a non-residential building at this location), signage size (requesting 146 square feet of signage over the 100 square feet permitted) and a conditional use permit for a business selling alcohol. The developer has received approval of these items at the November 19, 2014 meeting, subject to becoming the owner of the property and compliance with other City requirements. Attachments to the roll call show the site layout and an elevation of the proposed development.

**PREVIOUS COUNCIL ACTION(S):**

Date: December 22, 2014

Roll Call Number: [14-1928](#)

Action: [Regarding](#) a request from Iowa Machine Shed Company (Purchaser/Developer) for vacation of air, surface and subsurface rights within E. 4<sup>th</sup> Street adjoining 409-423 E. Grand Avenue. Moved by Hensley to receive and file the communication from the Plan and Zoning Commission. Motion Carried 7-0.

Date: May 5, 2014

Roll Call Number: [14-0698](#)

Action: Preliminary Terms of Agreement with Heart of America Group for development of a hotel at E. 4th Street and E. Grand Avenue. ([Council Communication No. 14-213](#)) Moved by Gatto to receive, file and approve the preliminary terms of agreement as set forth in Council Communication No. 14-213 and to direct the City Manager to proceed with the terms set forth in Council Communication No. 14-213. Motion Carried 7-0.

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 (E. 4<sup>th</sup> 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):**

Board: Urban Design Review Board

Date: October 21, November 18, and December 2, 2014

Resolution Number: NA

Action: The Urban Design Review Board has reviewed the proposed design plans and the economic development assistance request and made the following recommendations to the City Council.

*Design:*

At its December 2, 2014 meeting, the Board voted 9-0 with two (2) members absent to recommend approval of the final design. The Board offered the following comments:

- The pocket park is a great addition to the project and has an East Village scale and character.
- The revised circulation that eliminates E. Grand Avenue access is appreciated.
- Appreciate the green screen at the E. Grand Avenue entry.

At its November 18, 2014 meeting, the Board voted 7-1-1 with two (2) members absent that it was supportive of the project but feel the following issues need to be reviewed and the developer to return to the Board with further updated design revisions:

- Use of a single-drive, shared with adjoining new development at 350 E. Grand Avenue, rather than creating a second sidewalk cut and driveway directly adjacent to the 350 East Grand Avenue driveway.
- The East Grand Avenue canopy and entrance form needs to be scaled appropriately for human scale on the north side as well as the south side coming from the hotel parking lot. It may be accomplished with a change of material and with the incorporation of warmer color tones around the entrances.
- Need to see the streetscape in entirety; the use of trees on East 4<sup>th</sup> Street and opportunities on the west side, including public art.

At its October 21, 2014 meeting, the Board voted 7-1-1 with one (1) member absent to approve the preliminary design subject to Board comments (as follows):

- Unusual to see limestone make contact with the ground, concerned that the limestone may deteriorate more than if it were separated from the ground.
- Would encourage the team to look at carrying the concrete base on the west side of the building around the building to create a “podium” expression that is fairly consistent in the area.
- The context of materials in the area are more warm and inviting than the current design.
- Suggest moving the emphasis to the entrance form rather than a bay off on the main elevation
- Believe there is value to the neighborhood to bring a different demographic than is already staying in the area.
- Feel that there may be parking education issues and challenges that need to be addressed. Encourage HOA to explore options for employee parking.
- Work on the exiting of the parking area on E. 4th Street. This area is already creates some pedestrian/vehicle conflicts due to the existing underground parking access to SoHo and the E-W alley with the current on-street parking and roadway configuration.
- Concern that the color palette does not fit in to the East Village neighborhood. Would feel more comfortable if the limestone were more yellow and the brick were similar to other buildings in the East Village.

*Economic Development Assistance:* At its October 21, 2014 meeting, the Board voted 7-1-1 with one (1) member absent to approve the proposed financial assistance package as appropriate for this project.

Board: Plan and Zoning Commission

Date: December 22, 2014

Resolution Number: [14-1928](#)

Action: **Regarding** a request from Iowa Machine Shed Company (Purchaser/Developer) for vacation of air, surface and subsurface rights within E. 4th Street adjoining 409-423 E. Grand Avenue. Moved

by Hensley to receive and file the communication from the Plan and Zoning Commission. Motion Carried 7-0.

Board: Board of Adjustment

Date: November 19, 2014

Resolution Number: NA

Action: Docket # 2014-00201 starting at page 38.

<http://www.dmgov.org/Government/Boards/ZoningBoardofAdjustment/Findings/20141119BOAFindings.pdf>

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Consideration of Urban Renewal Development Agreement and related land conveyance items.

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