

 <p style="text-align: center;"><b>Council</b> <b>Communication</b> Office of the City Manager</p>	<b>Date:</b>	March 9, 2015
	<b>Agenda Item No.</b>	<b>41</b>
	<b>Roll Call No.</b>	<b><u>15-0399</u></b>
	<b>Communication No.</b>	<b><u>15-125</u></b>
	<b>Submitted by:</b>	<b>Matthew A. Anderson, Assistant City Manager</b>

**AGENDA HEADING:**

Resolution Approving First Amendment to Urban Renewal Development Agreement with 201, LLC regarding the required size of the Staybridge Suites Hotel component of the City Square development at 201 East Locust Street.

**SYNOPSIS:**

On September 8, 2014, by Roll Call No. 14-1413, City Council approved an Urban Renewal Development Agreement with 201, LLC (Troy Hansen, Managing Member, 5665 Greendale Road Suite A, Johnston, Iowa 50131) as the master developer for a \$49 million project consisting of 124 market rate apartments, a 317 space parking structure and a 137 room Staybridge Hotel.

Preliminary terms of the development agreement were approved on February 10, 2014 by Roll Call No. 14-0241, and had proposed a \$45 million project consisting of 124 market rate apartments, a 236 space parking structure and a 120 room hotel. Through the process of finalizing the agreement between February and September 2014, 201, LLC worked with Siegeworks Lodging, LLC (Lincoln McIlravy, 4220 210<sup>th</sup> Street, Solon, Iowa 52333), who will independently own and operate the hotel, to increase the total number of hotel rooms from 120 to 137.

Following the start of construction in October 2014, and the review of hard construction costs and market reports, the hotel operator has now determined that a total of 111 eleven units is the amount that will provide the preferred rate of occupancy that they are seeking with the hotel’s entry into the market, and provide an acceptable level of financial risk for their business investment. The reduction of rooms will be achieved through the removal of one (1) floor, taking the building from six (6) stories to five (5) stories. Materials and all other aspects of the originally approved project remain the same.

The financial assistance package for the 201, LLC project was based on the ability to achieve the desired urban density on this key East Village block. The tax increment created by the hotel will provide the assistance for constructing the parking structure and the residential units; no assistance will be provided to the hotel.

**FISCAL IMPACT:**

Amount: The previously approved fiscal impact remains unchanged. Payment stream of \$5,000,000 has a net present value of \$3,546,845 over a 15 year term, or approximately 10% of the total project cost of \$49 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 Tax Increment Financing (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 (5) 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, L.L.C. worked for seven (7) years to develop a concept for the former Bud Mulcahy Jeep site in the at 201 East Locust in the East Village, and worked with the Office of Economic Development to evaluate several proposals and means of financing the project while they held the property, paying property taxes and maintenance. The approved project adds new 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's Urban Design Review Board reviewed the proposed design change on March 3, 2015. Board members requested additional information on the visibility of the north elevations of the residential units as they will appear with the removal of one (1) hotel floor. The presentation emphasized that the project materials and landscaping remain unchanged. The Board held a follow-up meeting on March 6, 2015 to review the additional material and discuss the project with the development team. A consensus of the members present approved the design change as presented 3-2.

**PREVIOUS COUNCIL ACTION(S):**

Date: September 8, 2014

Roll Call Number: [14-1413](#)

Action: [Urban](#) Renewal Development Agreement with 201, LLC for a \$49 Million Project constructing a 137 room hotel, 124 market-rate residential units and a 317 space parking garage at 201 E. Locust Street and Conceptual Development Plan. ([Council Communication No. 14-449](#)) Moved by Gatto to adopt. Motion Carried 7-0.

Date: April 21, 2014

Roll Call Number: [14-0624](#)

Action: [Application](#) to the Des Moines Enterprise Zone Commission and the Iowa Economic Development Authority for Enterprise Zone Benefits for the 201 East Locust, LLC housing project in the Gateway Enterprise Zone. ([Council Communication No. 14-183](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: April 7, 2014

Roll Call Number: [14-0542](#)

Action: On vacation and conveyance of the remaining segment of east/west alley right-of-way adjoining 306 E. 3<sup>rd</sup> Street to 201 East Locust, LLC, \$31,000, (4-21-14). Moved by Mahaffey to adopt. Motion Carried 7-0.

Date: February 10, 2014

Roll Call Number: [14-0241](#)

Action: Preliminary terms of agreement with 201 East Locust, LLC for a \$45 million project constructing a 120 room hotel, 104 market-rate residential units and a minimum of 236 space parking garage at 201 East Locust Street. ([Council Communication No. 14-057](#)) Moved by Voss to receive, File and approve the preliminary terms of agreement as set forth in council Communication No. 14-057, and to direct the City Manager to proceed with negotiation of formal agreement with 201 East Locust, LLC, consistent with the terms set forth in Council Communication No. 14-057. Motion carried 7-0.

**BOARD/COMMISSION ACTION(S):**

Board: Urban Design Review Board

Date: March 6, 2015

Resolution Number: N/A

Action: A quorum was not present. Approved by the consensus of members present.

Board: Urban Design Review Board

Date: March 3, 2015

Resolution Number: N/A

Action: No action taken.

Board: Plan and Zoning Commission

Date: September 4, 2014

Resolution Number: N/A

Action: Christine Pardee moved staff recommendation to approve the Site Plan subject to the following conditions:

1. Compliance with all administrative review comments by the Permit and Development Center.
2. Vacation of all necessary air and subsurface rights which would be necessary for awning and roof overhang encroachments, a for subsurface storm water features.

3. Provision of water quality detention methods for storm water management, with any features within the public right-of-way as approved by the City Engineer.
4. Installation of all street tree plantings per the requirements of the Municipal Arborist.

THE VOTE: 11-2 (CJ Stephens and Dann Flaherty voted in opposition).

Board: Urban Design Review Board

Date: August 19, 2014

Resolution Number: N/A

Action: Recommendation against approval of the design due to the lack of retail space: Yes = 3, No = 3, abstain = 2, and absent = 2.

Board: Urban Design Review Board

Date: May 6, 2014

Resolution Number: N/A

Action: Approve preliminary design as submitted: Yes = 5, No = 0, abstain = 1, and absent = 3.  
Recommend approval of the financial package as presented by a consensus of the members present: Yes = 4, No = 0, abstain = 1, and absent = 4.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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