

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	February 22, 2016
	Agenda Item No.	Ex 2
	Roll Call No.	<u>16-0356</u>
	Communication No.	<u>16-100</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Approving preliminary terms for revised financing of the Iowa Events Center (IEC) Hotel.

SYNOPSIS:

On November 9, 2015, by roll call 15-1913, the City Council approved a development agreement with Polk County and IEC Hotel Corporation for the development of a full-service convention hotel connected to the IEC.

At that time, the proposed financing included use of the Federal EB-5 loan program. Due to timing and legislative uncertainty, the EB-5 component has been replaced by additional funding from Polk County.

The originally proposed EB-5 financing included a \$5 million loan guarantee from the City of Des Moines. With the elimination of EB-5, the City now proposes to shift the guarantee to a portion of the State of Iowa’s Iowa Reinvestment Act (IRA) proceeds. The City guarantee will lower IEC’s borrowing cost.

Because the IRA guarantee is viewed as carrying less risk to the City, the guarantee is proposed to be increased to \$8.5 in principle and up to \$10 million with the inclusion of interest. The amount of this guarantee will decrease annually as IRA funds are received and bonds are repaid.

The terms of this proposed financing will be incorporated into an upcoming Development Agreement amendment to be presented at a subsequent City Council meeting.

FISCAL IMPACT:

Amount:

- These preliminary terms proposed to eliminate the City’s guarantee of \$5 million of the \$20 million EB-5 loan and replace it with a guarantee of up to \$10 million of the Iowa Reinvestment Act proceeds.
- Other components previously approved by the City Council and unchanged as part of this action include:
 - \$9.2 million in GO TIF Bonds (Par Amount: \$9,710,000 includes \$536,000 in capitalized interest).
 - \$5 million in GO TIF Annual Appropriation Bonds (Par Amount: \$5,535,000 includes \$234,000 in capitalized interest).

- \$4 million in Urban Renewal Revenue Bonds that are secured with a first-lien on the IRA (State funding). Local investors will purchase this debt.
- Up to \$29,151,850 IRA funding to be passed through to IRA loan holders.

Funding Source: see above

ADDITIONAL INFORMATION:

The City of Des Moines and Polk County have long envisioned an IEC headquarters hotel that would not only strengthen Des Moines' position as a regional convention destination, but could serve as a bridge between the activity in the downtown core and the IEC a few blocks north of the core. The Polk County-owned site at the northeast corner of 5th & Park Streets and south of Community Choice Credit Union Convention Center has been secured for a convention hotel and provides skywalk access to the IEC, connectivity to downtown amenities, and space for a 330-room hotel with meeting and banquet facilities. A nonprofit, IEC Hotel Corporation, has been formed by Polk County to own and operate the hotel; they have secured Hilton as the hotel flag. There is broad community support participating in the funding for this \$101 million project (\$111 million with required reserves), including Polk County and members of the business community. The hotel includes demolition of an existing office building and existing skywalk bridge, environmental remediation, construction of approximately 330 hotel rooms, approximately 17,000-square-foot ballroom/meeting space, one (1) level of underground parking, a small surface parking lot, a full-service restaurant and new skywalk corridors. The City will construct a replacement skywalk bridge across Park Street.

A complex incentive package has been negotiated to meet the needs of the convention headquarters hotel while maintaining a level of City financial participation that is commensurate with City funding levels in recent hotel projects in downtown. At the August 24, 2015 meeting, Council approved a joint agreement with Polk County that allowed for a concurrent urban renewal area over the convention hotel site within the current Metro Center Urban Renewal District. The amendment to this agreement adds security to the TIF funding stream necessary to fund the hotel's construction. DSM Convention Hotel, LLC, the entity formed by The Weitz Company to design and build the hotel, has recently received a Loan Commitment Letter from Banker's Trust to provide construction period financing for the project.

Funding from the State's recently-enacted IRA is key to implementing the convention hotel. In 2013, the IRA established a \$100 million program administered by the IEDA that allows certain state hotel/motel, and sales tax revenues generated by new business to be reinvested in designated reinvestment districts for 20 years from the opening of the largest investment in the District. The IRA program prioritized funding for projects that are most likely to improve the quality of life, create and enhance unique opportunities, and substantially benefit the municipality, the surrounding region, and the state as a whole. In June 2015, the City secured \$36.4 million funding from the inaugural round of IRA allocations. In the application submitted to IEDA in February 2015, the City presented a 23.5-acre District, which included a convention hotel, the Randolph Hotel renovation, the mixed-use Hy-Vee development at 420 Court Avenue, renovation of the 5th and Keo parking ramp, and associated streetscape improvements that strengthen the connection between the IEC and other places in downtown. Formation of the Iowa Events & Entertainment Reinvestment District and approving the contract with IEDA are necessary for collecting the IRA funds.

PREVIOUS COUNCIL ACTION(S):

Date: November 9, 2015

Roll Call Number: [15-1913](#), [15-1914](#), [15-1915](#), [15-1916](#), [15-1917](#), [15-1918](#) and [15-1919](#)

Action: Items regarding the Full-Service Convention Center Hotel connected to the Iowa Events Center: ([Council Communication No. 15-602](#))

- (A) [Approving](#) Development Agreement with Polk County, Iowa and IEC Hotel Corporation. Moved by Hensley to adopt; refer to the City Manager to provide Council with a timeline for the City's obligations. Motion Carried 7-0.
- (B) [Approval](#) of Amended Joint Agreement authorizing Polk County to proceed with the Iowa Events Center Urban Renewal Area. Moved by Hensley to adopt. Motion Carried 7-0.
- (C) [Approving](#) Reinvestment District Contract with the Iowa Economic Development Authority for the Iowa Convention and Entertainment Reinvestment District. Moved by Hensley to adopt. Motion Carried 7-0.
- (D) [First](#) consideration of ordinance establishing the Iowa Convention and Entertainment Reinvestment District pursuant to Iowa Code Chapter 15J. Moved by Hensley that this ordinance be considered and given first vote for passage. Motion Carried 7-0.
 - 1. [Final](#) consideration of ordinance above (waiver requested by the City Manager), requires six votes. Moved by Hensley that the rule requiring that an ordinance must be considered and voted on for passage at two Council meetings prior to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, [#15,423](#). Motion Carried 7-0.
- (E) [Acknowledgement](#) of Convention Center Hotel Construction Loan Commitment Letter. Moved by Hensley to adopt. Motion Carried 7-0.
- (F) [Agreement](#) with DSM Convention Hotel, LLC and Polk County for demolition of Skywalk Bridge 4J-4K in preparation for the construction of the Iowa Events Center Hotel. Moved by Hensley to adopt. Motion Carried 7-0

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: February 16, 2016

Resolution Number: N/A

Action: Motion to approve as presented with continued refinements to integration of the skywalk and development of the landscape on the north side with staff and the ad hoc committee by Hielkema. Seconded by Reynolds. Motion carried. Yes – 8, No – 0, Absent -1, Abstain – 1.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Consideration of first amendment to the development agreement.
- Consideration of trust agreement with IEC Hotel Corporation and Polk County for distributing IRA funding.
- 18th Amendment to Metro Center Urban Renewal Plan to adjust debt amounts required to net the financial commitment.
- Assignment of the development agreement to DSM Convention Hotel, LLC for the hotel construction period.
- Bond proceedings relating to financial commitment.
- Consideration of skywalk agreement with IEC Hotel Corporation, Polk County, and/or DSM Convention Hotel, LLC including actions necessary to reconstruct Park Street skywalk bridge (bridge 4J-4K).
- Urban Design Review Board final design review and Council approval of Conceptual Development Plan for the IEC Hilton hotel.
- Plan and Zoning Commission review any right-of-way encroachments of IEC Hilton hotel.
- Disposition Proceeds Agreement with Polk County to outline sharing of any excess proceeds upon sale of hotel.

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