

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	March 21, 2016
	Agenda Item No.	52C
	Roll Call No.	<u>16-517</u>
	Communication No.	<u>16-158</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Approval of the First Amended and Restated Development Agreement by and among Polk County, Iowa, City of Des Moines, Iowa, and IEC Hotel Corporation, Consents to Collateral Assignment from IEC Hotel Corporation to DSM Convention Hotel, LLC, and an amended joint agreement with Polk County for the IEC urban renewal plan to reflect an updated property description.

SYNOPSIS:

- On February 22, 2016, by Roll Call No. 16-0356, City Council approved the preliminary terms of an amendment to the development agreement for a full-service convention hotel connected to the Iowa Events Center.
- The proposed financing in the original development agreement, approved November 9, 2015, by Roll Call No. 15-1913, 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 Due to timing and legislative uncertainty, the EB-5 component has been replaced by additional funding from Polk County.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.
- DSM Convention Hotel, LLC and their construction lender, Banker’s Trust, have requested assignment of the development agreement for the hotel construction period.
- The amendment to the joint agreement with Polk County for the IEC urban renewal plan amendment will reflect an updated property description. City Council initially amended the joint agreement with Polk County for the IEC urban renewal plan on November 9, 2015 by Roll Call No. 15-1914.
- Related actions on the March 21, 2016 Council agenda include the 18th Amendment to the Metro Center Urban Renewal Plan and bond hearing to consider necessary proceedings should the guaranty be called.

FISCAL IMPACT:Amount:

- Eliminate the City's guarantee of \$5 million of the \$20 million EB-5 loan and replace it with a guarantee of the principal and interest on approximately \$8.504 million of the Iowa Reinvestment Act funded bonds (maximum cost of guarantee will not exceed \$10 million and would be funded by GO TIF Bonds).
- 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: February 22, 2016

Roll Call Number: [16-0356](#)

Action: [Approving](#) preliminary terms of agreement for revised financing of the Iowa Events Center Hotel. Sponsor: Council Member Hensley. ([Council Communication No. 16-100](#)) 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:

- 18th Amendment to Metro Center Urban Renewal Plan to adjust debt amounts required to net the financial commitment.
- Bond proceedings relating to financial commitments.
- Consideration of a trust agreement with IEC Hotel Corporation and Polk County for distributing IRA funding.
- 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).
- 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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