

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> April 25, 2016
	<b>Agenda Item No.</b> 38 <b>Roll Call No.</b> <u>16-688</u> <b>Communication No.</b> <u>16-229</u> <b>Submitted by:</b> Matthew A. Anderson, Assistant City Manager

**AGENDA HEADING:**

Approving Preliminary Terms of an Urban Renewal Development Agreement with Janssen Lodging, Inc. for the renovation of 1000 Walnut Street.

**SYNOPSIS:**

Janssen Lodging, Inc. (Raj Patel, Chief Development Officer Hawkeye Hotels 1601 N. Roosevelt Avenue Burlington, Iowa 52601) proposes a \$37 million project to renovate the Hotel Fort Des Moines, upgrading and remodeling the rooms, increasing the room count from 260 to 275 and re-establishing the facility as a premier full-service hotel for the Des Moines market.

The hotel was originally constructed in 1917, and is currently closed due to the need for significant capital improvements. The building is in need of complex and capital-intensive construction work to achieve a successful renovation. Numerous construction, material and design protocols must be followed due to the building’s status on the National Historic Register. Without this investment and the proposed assistance to help offset these high redevelopment costs, it is anticipated that the hotel would remain vacant and continue the decline in taxable valuation that began following a peak value in 2009 of \$6.8 million. The current valuation is \$3,562,500.

The Office of Economic Development (OED) has negotiated preliminary terms of an Urban Renewal Development agreement with Janssen Lodging, Inc. that are detailed below.

**FISCAL IMPACT:**

Amount: Economic development grant in the amount of 90% of the project’s annually generated tax increment for a period of 20 years paid out in semi-annual installments.

Funding Source: Project generated tax increment in the Metro Center Urban Renewal Area.

Additionally, the hotel is estimated to generate \$23,740,140 in total hotel/motel taxes during the next 20 years.

**ADDITIONAL INFORMATION:**

- Janssen Lodging, Inc. proposes to initiate work on the project in 2016 and anticipates completion in 2018.

- The barroom area will be re-established as a gathering area for the business and political community, lunch and dinner services will continue to be provided by Django for guests and the community, and a new breakfast offering will be initiated by Janssen Lodging, Inc.
- Streetscape enhancements in accordance with adjacent projects including the Clemmons Building and the Davis Brown Tower will be proposed to be undertaken by the developer.
- The renovation project will be 100% funded by developer equity and conventional construction financing secured by Janssen Lodging, LLC. The 20 year time frame of the proposed financial assistance will provide a consistent and predictable model for servicing debt and keeping the high level of service and reinvestment necessary for a full service historic hotel with the status of the Hotel Fort Des Moines.
- The renovated Hotel Fort Des Moines will complement the offerings of other downtown hotels and offer a convenient option for employers such as Nationwide, Meredith, Wellmark, and Kum & Go on downtown's rapidly expanding Western Gateway. Meeting and ballroom space improvements will be designed in a fashion that will allow the spaces to again be available for weddings and receptions, the primary events booked historically in the hotel.



**PREVIOUS COUNCIL ACTION(S): NONE**

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

- Review of proposed design and financial assistance by Urban Design Review Board.
- Final Terms of Urban Renewal Development agreement presented to City Council.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to [cityclerk@dmgov.org](mailto:cityclerk@dmgov.org).