

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	October 9, 2017
	Agenda Item No.	31
	Roll Call No.	<u>17-1748</u>
	Communication No.	<u>17-714</u>
	Submitted by:	Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with 206 6th Avenue, LLC, for the historic redevelopment and conversion of the Midland Building to a 138-room hotel.

SYNOPSIS:

Aparium Hotel Group, d.b.a. 206 6th Avenue, LLC (Mario Tricoci, 833 W Washington Boulevard, Second Floor, Chicago, IL 60607) proposes to renovate the existing 12-story Midland Building, located at the corner of Mulberry Street and 6th Avenue, into a full service independently operated hotel to be positioned with a 4 plus star level of service. The hotel will include a full-service restaurant, 200-person ballroom, meeting and conference rooms, and a spacious outdoor courtyard among its amenities. The project has submitted an application to the State of Iowa’s Redevelopment Tax Credits Program for Grayfield sites and is pursuing state and federal historic tax credits.

Total anticipated redevelopment costs and investment within the project are anticipated at \$39.7 million. Construction is anticipated to commence in the first quarter of 2018 with an opening date in the second quarter of 2019. The Office of Economic Development has negotiated preliminary terms of agreement that provide for a declining scale of the project generated tax increment to serve as the core mechanism for responding to the financing gap presented by the developer. Additional details are provided in the fiscal impact section below.

FISCAL IMPACT:

Amount: 100% of the tax increment generated by the project in years one (1) – five (5); 85% in years 6-9; 80% in years 10-12; and 75% in years 13-15. Total assistance is estimated at \$4 million (\$2.9 million on a net-present-value basis at a 4.5% discount rate).

Funding Source: Tax increment generated by the project in the Metro Center Urban Renewal Area.

ADDITIONAL INFORMATION:

- Aparium group has agreed to maintain an active annual membership with the Convention Visitors Bureau (CVB) as well as working in good faith with the CVB to help facilitate bringing convention and event business to the City.

- Hotel/motel tax revenue generated from the project to the City is estimated at \$8.7 million for the duration of the assistance (within the first 15 years of operations).

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – financial review, preliminary and final design review.
- City Council – consideration of final terms of urban renewal development agreement.

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