

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	February 19, 2018
	Agenda Item No.	34
	Roll Call No.	<u>18-289</u>
	Communication No.	<u>18-073</u>
	Submitted by:	Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Agreement with 207 Crocker, LLC for a new hotel project at 207 Crocker Street.

SYNOPSIS:

207 Crocker, LLC (Ryan Jenson, Managing Member, 5050 Merle Hay Road, Johnson, IA 50131) is proposing to convert an existing, largely vacant office building at 207 Crocker Street into a 91-room Fairfield Inn hotel. A 4-story addition is proposed on the west side of the building that will increase the size of the building and allow a financially feasible amount of hotel rooms to be provided with the project. Total anticipated project cost is \$10.8 million.

Renovating and expanding this building for a new hotel use will add commercial vitality to the area near the Iowa Events Center, repurpose and modernize an underutilized building, and offer an additional new hotel product at a varying price point to supplement other hotels in the area.

The developer has provided the Office of Economic Development with a financial analysis of the \$10.8 million project, which indicated a gap between actual project costs and the project appraisal. The Office of Economic Development has negotiated preliminary terms of agreement with 201 Crocker, LLC for a financial assistance package to be provided from project-generated tax increment. Total assistance is estimated at \$1.4 million (\$1.2 million NPV at a 4.5% discount rate) over an 8-year term, which equates to approximately 10.7% of the total \$10.8 million project investment.

FISCAL IMPACT:

Amount: 90% of the tax increment generated by the project in years 1-8. Total assistance is estimated at \$1.4 million on a cash basis (\$1.2 million on a net-present-value basis at a 4.5% discount rate) over the 8-year term. Hotel/Motel tax revenue generated from the project to the City is estimated at \$1.4 million for the duration of the assistance (within the first 8 years).

Funding Source: Metro Center TIF - a specific fund code will be assigned by the Finance Department.

ADDITIONAL INFORMATION:

- The project will convert the existing office building at 207 Crocker Street to a 91-room Fairfield Inn Hotel. A 4-story building addition will be constructed on the west side of the existing building that allows parking and drive aisle circulation below the cantilevered portion of the building.

- The existing office building was originally constructed in 1971, and was purchased by Mercy Medical Center in 1999, where it is served as administrative office space ever since. Mercy has recently moved administrative offices to other locations, and the building currently has a high vacancy rate.
- The property is currently assessed at \$3,093,000, but receives a “charitable property tax exemption” of \$2,320,000, leaving only \$773,000 of valuation on the tax rolls. Upon completion of the project, the property will be fully assessed commercial property with a projected valuation of \$5,551,000.
- The estimated total value of financial assistance provided through an 8-year project-generated TIF grant is \$1.2 million (NPV). Staff financial projections indicate that the total net property tax increment generated to the City over a 20-year time span, less financial assistance will be \$1.7 million.
- The proposed building addition and much of the existing building will be re clad with a highly durable and contemporary building materials palette that represents the branding image of the Fairfield Inn hotel chain.
- In addition to Urban Design Review Board review, redevelopment of the property will be subject to applicable design guidelines per the Downtown Overlay District. Such design guidelines will apply to site landscaping, pedestrian connectivity, and other site-related aesthetic improvements.



PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

City Council consideration of an Urban Renewal Development Agreement.

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