

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	March 8, 2018
	Agenda Item No.	29
	Roll Call No.	<u>18-0358</u>
	Communication No.	<u>18-097</u>
	Submitted by:	Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Resolution approving final 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, 2nd 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 applied to the State of Iowa’s Redevelopment Tax Credit Program for Grayfield sites and received an allocation of \$400,000 in tax credits. The project will also be 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 terms of an 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) through five (5); 85% in years six (6) through nine (9); 80% in years 10-12; and 75% in years 13-15. Total assistance is estimated at \$4 million on a cash basis (\$2.9 million on a net-present-value basis at a 4.5% discount rate). 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).

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.

PREVIOUS COUNCIL ACTION(S):

Date: October 9, 2017

Roll Call Number: [17-1748](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with 206 6th Avenue, LLC for the Historic redevelopment and conversion of the Midland Building at 206 6th Avenue to a 140 Room Hotel. ([Council Communication No. 17-714](#)) Moved by Hensley to receive, file and approve the preliminary terms of agreement set forth in Council Communication No. 17-714, and to direct the Office of Economic Development to proceed with negotiation of a formal agreement with 206 6th Avenue, LLC, consistent with such preliminary terms; refer to the City Manager to identify \$15,000 in hotel motel tax funding for the Des Moines Playhouse to secure a grant from the Enhance Iowa program. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: February 13, 2018

Action: A consensus of the members present recommend approval of the final design and financial assistance as presented noting Board comments:

- Be cautious with the copper detailing so we don't have two (2) materials touching and causing erosion.
- Allow for public access to the courtyard as much as possible.
- Further study on the overall lane usage on Mulberry Street and adding a bump out with parking along the north side of the street.
- Support for having gates installed in the alley.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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