

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	May 21, 2018
	Agenda Item No.	45
	Roll Call No.	<u>18-0887</u>
	Communication No.	<u>18-258</u>
	Submitted by:	Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Approving final terms of an Urban Renewal Development Agreement with 207 Crocker, LLC and approval of a conceptual development plan for a new hotel project located at 207 Crocker Street.

SYNOPSIS:

207 Crocker, LLC (Ryan Jensen, Managing Member, 5050 Merle Hay Road, Johnston, IA 50131) is proposing to convert an existing, vacant office building at 207 Crocker Street into a 91-room Fairfield Inn and Suites by Marriott hotel. A 4-story addition is proposed to be built on the west side of the existing 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 (OED) with a financial analysis of the \$10.8 million project, which indicated a gap between actual project costs and the project appraisal. OED has negotiated final terms of agreement with 207 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 net-present-value {NPV} at a 4.5% discount rate) over an 8-year term, which equates to approximately 10.7% of the total project investment.

This project appeared before the Urban Design Review Board for a recommendation on the financial assistance package and design review of the Conceptual Development Plan. While the Board did recommend approval of the financial assistance package, there were several design issues raised, and the project failed to obtain the support of a majority of the members of the Urban Design Review Board. Further details about this are found in the Additional Information section and the attached letter from the Chair of the Urban Design Review Board.

FISCAL IMPACT:

Amount: 90% of the tax increment generated by the project in years one (1) through eight (8). Total assistance is estimated at \$1.4 million on a cash basis (\$1.2 million on a NPV 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 eight {8} years).

Funding Source: Metro Center Tax Increment Financing (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 and Suites by Marriott 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 a portion of the building that will cantilever over the parking lot and drive aisle.
- The existing office building was originally constructed in 1971 and was purchased by Mercy Medical Center in 1999, where it served as administrative office space ever since. Mercy Medical Center has recently moved administrative offices to other locations, and the building remains largely vacant.
- 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 assessed 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 property tax increment generated to the City over a 20-year span, less financial assistance will be \$1.7 million.
- The proposed building addition and portions of the existing building will be re-clad with a durable and contemporary building materials palette that represents the branding image of the Fairfield Inn and Suites by Marriott hotel chain.
- The Conceptual Development Plan design has been reviewed by the Urban Design Review Board, but members of the Board voiced concern with aspects of the design related to the use and proportionality of building materials on the project. While the development team did address several of the design issues raised, the Board made a motion to deny the design review of the project that resulted in a 4-4 tie vote. The Board did not opt to pass additional motion(s) to either support or deny the conceptual development plan. See the attached letter from the Chair of the Urban Design Review Board.
- The project is subject to applicable design guidelines per the Downtown Overlay District. These design guidelines will apply to site landscaping, downtown streetscaping, pedestrian connectivity, and other-site related aesthetic improvements.



PREVIOUS COUNCIL ACTION(S):

Date: February 19, 2018

Roll Call Number: [18-0289](#)

Action: [Preliminary](#) Terms of Agreement with 207 Crocker, LLC for converting an office building at 207 Crocker Street to a 91-room hotel. ([Council Communication No. 18-073](#)) Moved by Mandelbaum to approve the preliminary terms of agreement as set forth in Council Communication No. 18-073, and to direct the City Manager or his designee to negotiate final terms of agreement for future consideration by the City Council; refer to the City Manager to review the TIF policy on hotels. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: May 8, 2018

Resolution Number: N/A

Action: Motion made to deny the final design of the Conceptual Development Plan, motion failed on a 4-4 vote. No motion made to approve the final design of the Conceptual Development.

Board: Urban Design Review Board

Date: April 10, 2018

Resolution Number: N/A

Action: Preliminary design review with motion made to continue discussion to the May 8th meeting date. Board made suggestions on amendments to the building materials palette and proportionality of materials on the building to simplify the design, and requested additional information on proposed walkway on the west side of the building.

Board: Zoning Board of Adjustment

Date: March 28, 2018

Resolution Number: N/A

Action: Zoning Board of Adjustment voted 6-0 to grant appeals to the Zoning Code for an exception of 12.5 feet less than the minimum required 25-foot front building setback to allow the construction of an enclosed patio on the east side of the building, and an exception of 2.3 feet less than the minimum required 5 foot paving setback to allow retention of the existing off-street parking lot.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Issuance of Certificate of Completion when construction of the project is finished.

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