


COUNCIL COMMUNICATION

	Number:	18-681	Meeting:	December 17, 2018
	Agenda Item:	47	Roll Call:	<input type="text"/>
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

A. Resolution approving preliminary terms of an Urban Renewal Development Agreement with Swaps Cash, LLC for the construction of a new 6-story, 112 room Element Hotel project located at 304 East Walnut Street.

B. Waiver of the Traffic Analysis Policy to allow submittal of a site plan prior completion of the Traffic Review.

SYNOPSIS:

(A) Swaps Cash, LLC (Lincoln and Lisa McIlravy, Members, 4220 210th Street NE, Solon, IA 52333) proposes the development of a new 6-story, 112 room Element Hotel project on a vacant quarter block site at 304 E. Walnut Street in the Historic East Village Neighborhood. The hotel would include at least 1,600 square feet of ground level commercial retail space for lease on East Walnut Street and approximately 99 parking stalls provided within an underground and 2nd floor covered ramp.

Total anticipated redevelopment costs and investment within the project are anticipated at \$22.7 million. Construction is anticipated to commence in the Spring of 2019 with an estimated completion date in the 2nd half of 2020.

The Office of Economic Development has negotiated preliminary terms of an Urban Renewal Development Agreement with Swaps Cash LLC, which provides for tax increment generated by the proposed project to serve as the core mechanism for responding to a financing gap presented by the developer. Additional details are provided in the fiscal impact section below.

(B) The City's Traffic Analysis Policy was adopted by Council resolution on November 21, 2016, with a provision stating that applications for development review processes may only proceed once the outcome of the traffic analysis report is completed. A traffic review analysis is currently underway for this project, which review is anticipated to be completed by the City's consultant by or around January 4, 2019, in order for review and analysis by City staff and the Developer to be completed by January 11, 2019. The City's Traffic Engineer is agreeable to allowing the receipt of the site plan application at this time, as preliminary study results show the project is not expected to cause significant impacts to the local road network and traffic signals. Action by Council to defer the provision to accept the application allows the project to remain on the January 17, 2019 Plan and Zoning Commission hearing date. The outcome of the traffic review analysis is expected prior to the hearing date. In the event that the traffic analysis report is not completed as anticipated, and/or the Developer appeals the traffic analysis report as provide in the Traffic Analysis Policy, and/or the report is delayed such that City staff

do not have adequate time to review its analysis in order to make recommendation to the Plan and Zoning Commission, then City staff will be required to request a continuation of the January 17, 2019 Plan and Zoning Commission hearing until such issue(s) are resolved.

FISCAL IMPACT:

Amount: 75% of the tax increment generated by the total project in years one (1) through 15. Total estimated assistance is \$3.2 million (\$2.4 million on a net-present value basis at a 4.5% discount rate). The assistance is estimated at 7.06% of the total project costs.

Year	Estimated Taxes Received without Project (land only)*	Estimated Taxes Received with Project**	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$397,189	\$4,889,270	\$2,491,195	\$2,398,075
Sum 20 Years	\$794,379	\$10,371,318	\$3,296,983	\$7,074,335
Sum 30 Years	\$1,191,540	\$13,366,783	\$3,296,983	\$10,069,800

*Taxes include all property taxing authorities (not just City property taxes).

**Taxes received estimates used the following assumptions: 2.5% growth in reassessment years.

Funding Source: Tax Increment generated by the project within the Metro Center Urban Renewal Area.

ADDITIONAL INFORMATION:

- The hotel will consist of 112 rooms and guest suites and includes a swimming pool, indoor fitness center, a hotel restaurant/lounge area, rooftop outdoor seating area, and will provide a minimum of 1,600 square feet of ground floor commercial retail space on East Walnut Street. Parking ramps are proposed to be accessed from East Walnut and East 3rd Streets. The first level will include hotel public spaces, check-in and amenities, the 2nd floor consists of above-ground parking and floors 3-6 are hotel guest rooms.
- The project was originally proposed as a 7-story structure with above ground structured parking above the lobby on floors two (2) and three (3). On November 28, 2018, the applicant sought a variance of the Capitol Dominance Overlay height provision, to construct an 82.5-foot tall building that would exceed the minimum 55-feet allowed for commercial structures. The variance request was denied by the Zoning Board of Adjustment; however, an exception to allow the building to be constructed up to 75-feet tall was approved. The result of the denial of the height variance was to install one (1) level of parking underground, which added to the project costs, and further increased the project financial gap.
- The proposed project-generated TIF assistance in the form of an economic development grant will aid in reducing the project construction cost gap, and allow the hotel to operationally stabilize during the early years of occupancy.

- Hotel/motel tax revenue generated from the project is estimated at \$4.4 million for the first 15 years of operation.
- The project is still in the conceptual design phase, but the anticipated building materials palette largely includes two (2) color tones of brick, stone veneer, full height-glass at the first floor to tie into the retail storefront area, and the signature architectural entry of the Element brand along E. 3rd Street. Attention will be given to blend the above-ground parking level to seamlessly blend with the remainder of the architecture of the building.
- Swaps Cash, LLC has agreed to maintain an active annual membership with the Convention and Visitor's Bureau (CVB) as well as working in good faith with CVB to help facilitate bringing convention and event business to the City.
- The developer will comply with Mid-American Energy's Commercial New Construction Energy Efficiency program. The Element Hotel brand by Marriott also incorporates many sustainability initiatives into the design of their brand, such as conservation of water and energy, evaluation of waste water reuse, trash recycling, and inclusion of materials that do not incorporate known toxins and carcinogens.

Vicinity Map:



PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S):

Board: Zoning Board of Adjustment

Date: November 28, 2018

Resolution Number: N/A

Action: Board voted to deny request of Variance of 27.5-feet to the building height limitations of the C-3B zoning district bulk regulations and “CDO” Capitol Dominance Overlay District, but approved a revised appeal for an Exception of 20-feet over the district regulations.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Acceptance of Conceptual Development Plan and approval of Final Terms of an Urban Renewal Development Agreement.

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