


COUNCIL COMMUNICATION

	Number:	19-046	Meeting:	January 28, 2019
	Agenda Item:	24	Roll Call:	19-132
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Resolution approving an urban renewal development agreement with Nelson Development for the construction of a Home2Suites hotel/retail building along University Avenue, between 26th and 27th Streets across from Drake University (Drake).

SYNOPSIS:

Nelson Development (Alexander Grgurich, 505 5th Avenue, Des Moines, IA 50309) proposes to construct an 86,300-square-foot, 5-story hotel/retail building along University Avenue, between 26th and 27th Street, across from Drake. The project is proposed to house a Home2 Suites hotel with lobby and amenities on the first floor and 124 hotel rooms on floors 2-5. The building will also include 11,000 square feet in retail/restaurant space on the ground floor facing University Avenue. The project is anticipated to cost \$27 million and would begin construction in Spring 2019.

The Drake Urban Renewal Plan/TIF District, which was approved at the January 14, 2019 Council agenda will provide project-generated TIF assistance.

FISCAL IMPACT:

Amount: The project will receive 75% of the project-generated tax increment from the building valuations (exclusive of land) for 15 years, estimated at \$3.1 million (NPV at 4.5% discount rate). The assistance is estimated at 11.54% of total project costs. Hotel/motel tax revenue generated from the project to the City is estimated at \$5.9 million for the duration of the assistance (15 years). Land sales proceeds of approximately \$35,500 (revenue) of the vacated alley are also expected.

Years	Estimated Taxes Received without Project *	Estimated Taxes Received with Project *	Estimated Incentives Paid	Estimated Net Taxes Received
Sum 10 Years	\$31,751	\$4,964,772	\$2,837,825	\$2,126,947
Sum 20 Years	\$68,256	\$10,725,893	\$4,422,313	\$6,313,580
Sum 30 Years	\$108,732	\$17,411,098	\$4,422,313	\$12,988,785

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

*Taxes received estimates used the following assumptions: 1% growth in even years; 2% growth in odd years.

Building and Land Valuation Assumptions at Completion of Construction:

- \$9,775,000 hotel/retail building
- \$975,290 land assessment (\$8.05 per square feet)

One (1) residential lot was taxable. The balance of the property previously consisted of the publicly owned alley and Drake-owned property, which is non-taxable.

Funding Source: Project-generated tax increment generated by the proposed Drake Urban Renewal Plan/TIF District. Land sales proceeds will be deposited to the Economic Development Enterprise Fund.

ADDITIONAL INFORMATION:

- The majority of the property had previously been owned by Drake and had served as a parking lot for Drake. Nelson also purchased three (3) adjacent residential properties, two (2) of which were owned by Drake. A portion of the City-owned alley will be vacated and sold to the developer.
- The parking lot portion of the property was the subject of a Request for Proposal (RFP) process by Drake in 2016. That RFP process also included the property to the east. Nelson is proposing to start design work on a multi-family project on that property in 2020.
- The developer is participating in MidAmerican's Commercial New Construction (CNC) program and will be working with the Weidt Group to maximize energy performance. The final development agreement includes language regarding the energy efficiency of the project. The developer has agreed to exceed energy code standards by 15-20%.
- Parking will be provided on site (117 stalls) within a surface parking lot, as well as on street (28 stalls).

PREVIOUS COUNCIL ACTION(S):

Date: November 19, 2018

Roll Call Number: [18-1938](#)

Action: [Resolution](#) approving preliminary terms for an urban renewal development agreement with Nelson Development for the construction of a Home2 Suites hotel along University Avenue, between 26th and 27th Street across from Drake University. ([Council Communication No. 18-606](#)) Moved by Mandelbaum to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: December 11, 2018

Resolution Number: N/A

Action: A consensus of members present recommended approval of the project.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.