


# COUNCIL COMMUNICATION

	Number:	<b>19-377</b>	Meeting:	<b>August 19, 2019</b>
	Agenda Item:	<b>46</b>	Roll Call:	<b>19-1347</b>
	Submitted by:	<b>Erin Olson-Douglas, Economic Development Director</b>		

**AGENDA HEADING:**

A resolution approving the final 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 333 East 3rd Street.

**SYNOPSIS:**

Swaps Cash, LLC (Lincoln and Lisa McIlravey, Members, 4220 210th Street, Solon, IA 52333) proposes to construct a new 6-story, 112 room Element Hotel by Marriott project on a vacant quarter block site at 333 East 3rd Street in the Historic East Village Neighborhood. The hotel would include at least 2,000 square feet of ground level commercial retail space for lease on East Walnut Street and approximately 63 parking stalls provide within a 2nd floor structured parking ramp.

Total anticipated redevelopment costs and investment are anticipated at \$21.5 million. Construction is anticipated to commence on September 23, 2019 with an estimated completion date in the second half of 2021.

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

**FISCAL IMPACT:**

Amount: An Economic Development Grant capped at a maximum total of \$2 million dollars on a net present value (NPV) basis. Staff estimates this total can be achieved by providing 85% of the project-generated tax increment for years 1-5, and 80% of the project generated tax increment in years 6-10. The assistance is estimated at 9.3% of 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	\$418,633	\$4,229,305	\$2,000,000	\$2,229,305
Sum 20 Years	\$892,509	\$9,016,711	\$2,000,000	\$7,016,711
Sum 30 Years	\$1,405,336	\$14,197,613	\$2,000,000	\$12,197,613

\*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 include 112 rooms and guest suites and will feature a swimming pool, indoor fitness center, a hotel restaurant/lounge area, rooftop outdoor seating area, and will provide a minimum of 2,000 square feet of ground floor commercial retail space on East Walnut Street. The ground floor level will include hotel lobby area, public space amenities, and a business center/meeting room, the second floor will include structured parking that is accessed from East 3rd Street, and floors 3-6 are hotel guest rooms. A rooftop deck area will be located on a recessed courtyard of the building on the 3rd floor. A total of 63 parking stalls will be provided on site, with the use of an additional 32 parking stalls proposed in the privately-owned parking ramp east of the site, providing a total of 95 guest parking spaces.
- The project was originally proposed as a 7-story structure with above ground structured parking 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 85.5-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 proposed project-generated tax increment financing (TIF) assistance in the form of an economic development grant will aid in reducing the project cost gap largely related to the costs to provide structured parking and allow the hotel to operationally stabilize during the early years of occupancy.
- There is a modest change to the TIF percentages in the agreement from what the Council saw in the preliminary terms of the Urban Renewal Agreement. The TIF percentage went from a 10-year, 80% TIF schedule, to 85% in years 1-5, then 80% in years 6-10. The total amount of incentive is still capped at \$2 million on a net present value basis and ends at year 10, but provides greater certainty to the developer that the \$2 million in TIF assistance can be realized within the span of the financial assistance.
- Hotel/motel tax revenue generated from the project is estimated at \$4.4 million for the first 15 years of operation.
- The building materials palette largely includes two (2) color tones of brick, commercial grade fiber cement board panels, full-height glass and commercial storefront on the first level, and the signature architectural entryway of the Element Hotel brand along East 3rd Street.
- Swaps Cash, LLC has agreed to maintain an active annual membership with the Convention and Visitor's Bureau (CVB), and will work in good faith with the CVB to help facilitate bringing convention and event business to the City.

- The developer has agreed to limit the hours of construction that exceeds minimum City sounds ordinance requirements to be respectful of nearby residents. Under the agreement, construction would end at 7:30 p.m. on weekdays and 9:00 p.m. on weekends. Construction on the project would commence no sooner than September 23, 2019.
- 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.

**PREVIOUS COUNCIL ACTION(S):**

Date: July 15, 2019

Roll Call Number: [19-1095](#)

Action: [Regarding](#) request from PRKG 1212, LLC (Ken Tharp, Officer) for vacation of subsurface portions of Walnut Street, East 3rd Street and east/west alley right-of-way adjoining 304 East Walnut Street, to allow accommodation of structural footings for the proposed hotel and retail development. Moved by Gatto to receive and file the communication from the Plan and Zoning Commission, and refer to the Engineering Department, Real Estate Division. Motion Carried 7-0.

Date: April 8, 2019

Roll Call Number: [19-0557](#)

Action: [Preliminary](#) Terms of an Urban Renewal Development Agreement with Swaps Cash, LLC (Lincoln and Lisa McIlravy, Members) for the construction of a new six-story, 112 room Element Hotel project at 304 East Walnut Street. ([Council Communication No. 19-166](#)) Moved by Gatto to adopt and refer to the City Manager for review and recommendation on this Development Agreement and future Development Agreements, to consider the following: 1. Incentives for hotel projects that include parking, commercial or historic renovation. 2. Changing the hours construction activities are allowed downtown. 3. At least 80% of the workers on projects involving City financial assistance are paid by W-2. Motion Carried 6-1. Nays: Mandelbaum.

#### **BOARD/COMMISSION ACTION(S):**

Board: Urban Design Review Board

Date: July 2, 2019

Resolution Number: N/A

Action: A consensus of the members present voted in support to approve the conceptual development plan and recommend approval of the financial assistance package.

Board: Plan and Zoning Commission

Date: June 20, 2019

Resolution Number: N/A

Action: Plan and Zoning Commission voted 11-01-1 (one abstention) to approve a site plan for the “Des Moines Element Hotel” under design guidelines in “C-3B” Districts, to allow development of a 6-story, 112-guesroom hotel with ground floor retail space and indoor parking space.

Board: Zoning Board of Adjustment

Date: November 28, 2018

Resolution Number: N/A

Action: The Board voted to deny the request of a Variance of 27.5 feet to the building limitations of the C-3B zoning 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:**

Approval of Certificate of Completion when construction is finished.

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](mailto:cityclerk@dmgov.org).