


COUNCIL COMMUNICATION

	Number:	19-413	Meeting:	September 23, 2019
	Agenda Item:	35	Roll Call:	19-1503
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with Terrace Hill 1, LLC for the redevelopment of an 87-room hotel at 2525 Grand Avenue and redevelopment of the 2,100-square-foot commercial building at 2515 Grand Avenue.

SYNOPSIS:

The Developer, Terrace Hill 1, LLC (Jake Christensen, Christensen Development, 215 East 3rd Street, Suite 300, Des Moines, IA) is proposing to renovate and restore the existing building at 2525 Grand Avenue back to its original use as a hotel. The hotel will be boutique in feel, unique to the 1950-60's era, include significant art as part of the common areas, and have a local restaurant as part of the project. The development team is still researching options for hotel flags and/or independent boutique branding and operations. The project would also renovate and redevelop the 2,100-square-foot commercial building located adjacent to the site at 2515 Grand Avenue. Total project costs are estimated at \$18.2 million.

The Office of Economic Development has negotiated preliminary terms of an urban renewal development agreement with Terrace Hill 1, LLC, which provides for a declining schedule of 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.

FISCAL IMPACT:

Amount: The proposed terms provide for a declining schedule of the project generated tax increment from the taxable building valuations (exclusive of land) in years 1-14, starting at 100% for years 1-4, 80% in years 5-8, and 75% in years 9-14, capped at a maximum of \$2.5 million (NPV at a 4.5% discount rate). The assistance is estimated at 13.7% of total project costs. The project is anticipated to contribute approximately \$3.6 million in hotel/motel taxes over the duration of the assistance.

Year	Estimated Taxes Received without Project*	Estimated Taxes Received with Project**	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$924,099	\$3,734,331	\$1,964,133	\$1,770,198
Sum 20 Years	\$2,050,436	\$8,813,917	\$3,412,850	\$5,401,066
Sum 30 Years	\$3,356,436	\$15,002,332	\$3,412,850	\$11,589,482

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

*Taxes received estimates used the following assumptions: 2.5% growth in re-assessment years, 1.5% growth in non-re-assessment years.

Building and land valuation assumptions at completion of construction:

\$8,464,200 commercial building assessment

\$ 474,400 land assessment

Funding Source: Tax Increment generated by the project in the Ingersoll Grand Commercial Urban Renewal Area.

ADDITIONAL INFORMATION:

- The development team is seeking federal and state historic tax credits and is working with the State Historic Preservation Office (SHPO) on design requirements.
- The development team is partnering with Primary Health Care Inc. to assist with the relocation of existing tenants.
- Excess tax-increment generated from the project starting in year five (5) (fiscal year {FY} 2026-2027) and continuing through year 14 (FY 2035-2036) is proposed to be used for the provision of public improvements related to housing and residential development to provide assistance for low and moderate-income family housing in the Ingersoll Grand area.
- Current projections show an estimated \$723,000 (\$469,000 NPV at a 4.5% discount rate) in available tax-increment dollars generated from this specific project that could be utilized for affordable housing efforts in years 5-14 of the project.
- The Developer will comply with Mid-American Energy's Commercial New Construction Energy Efficiency Program. The development agreement will require the project to exceed energy code standards by 15-20%. The development agreement will also require the installation of an electric vehicle charging station on the site.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – design and financial assistance recommendations
- Plan and Zoning Commission – site plan review
- City Council – consideration of final terms of an Urban Renewal Development Agreement

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