


# COUNCIL COMMUNICATION

	Number:	<b>19-546</b>	Meeting:	<b>December 16, 2019</b>
	Agenda Item:	<b>31</b>	Roll Call:	<b>19-2016</b>
	Submitted by:	<b>Erin Olson-Douglas, Economic Development Director</b>		

**AGENDA HEADING:**

Resolution approving final terms of an urban renewal Development Agreement with Terrace Hill I, 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 I, LLC (Jake Christensen, Christensen Development, 215 East 3<sup>rd</sup> 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 project will 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 final terms of an urban renewal Development Agreement with Terrace Hill I, 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 (net present value {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 requires the project to exceed energy code standards by 15-20%. The Development Agreement also requires installation of a minimum of two (2) electric vehicle charging stations on the site.

**PREVIOUS COUNCIL ACTION(S):**

Date: September 23, 2019

Roll Call Number: [19-1503](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with Terrace Hill I, LLC (Jake Christensen, Developer) for the redevelopment of an 87-room hotel at 2525 Grand Avenue and for redevelopment of the 2,100 square-foot commercial building at 2515 Grand Avenue, to restore the building to its original use as a hotel. ([Council Communication No. 19-413](#)) Moved by Gatto to adopt. Motion Carried 7-0.

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

Board: Urban Design Review Board

Date: December 3, 2019

Resolution Number: N/A

Action: Motion to approve final design as presented by Weisenbach. Seconded by Heiman-Godar. Motion carried. Yes – 7, No – 0, Absent -3, Abstain – 0.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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