


COUNCIL COMMUNICATION

	Number:	20-245	Meeting:	June 8, 2020
	Agenda Item:	34	Roll Call:	20-0915
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Resolution approving final terms of an Urban Renewal Development Agreement with Lawmark, LP, for renovation of the Financial Center building located at 207 7th Street converting floors one (1) through 13 to a full-service hotel with approximately 190 rooms.

SYNOPSIS:

Lawmark, LP (Mark Buleziuk, 666 Walnut Street, Suite 1540, Des Moines, IA 50309) is proposing a major renovation of the Financial Center Building located at 207 7th Street. The \$59.3M project would convert floors one (1) through 13 of the building to a full-service, upscale hotel with approximately 190 rooms. The first floor is proposed to have an upscale restaurant, coffee shop and a market. The second and third floors will include a fitness room, meeting rooms, business center and skywalk access. The project proposes a rooftop bar, pool and lounge on the lower level roof. Floors 14-25 will continue to remain as office space. The amenities of the hotel will be available to the office tenants and will elevate the experience and value of the office space.

The Office of Economic Development has negotiated terms of an urban renewal development agreement with Lawmark, LP, 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 development team. 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 one (1)-15, starting at 90% in years one (1)-five (5), 85% in years six (6)-10, and 75% in years 11-15, capped at a maximum of \$7.5M (net present value {NPV} at a 4.5% discount rate). The assistance is estimated at 12.7% of total project costs. The project is anticipated to contribute approximately \$9.8M 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	\$ 5,743,186	\$13,973,136	\$ 6,348,316	\$ 7,624,821
Sum 20 Years	\$12,743,257	\$33,099,634	\$10,576,567	\$22,523,067
Sum 30 Years	\$21,275,278	\$56,480,477	\$10,576,567	\$45,903,910

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

*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:

\$31,715,000 commercial building assessment

\$2,140,000 land assessment

Funding Source: Tax Increment from the Metro Center Urban Renewal Area

ADDITIONAL INFORMATION:

- The 363,000-square-foot, 25-story building was originally constructed in 1972, is skywalk connected, and has historically been used primarily as commercial office space with ground level retail and commercial uses.
- The building valuations peaked in 2007 with a building valuation of \$21.5M and has been steadily declining since. The assessment on the building for 2019 was \$12.2M and is projected to decline another \$2.6M down to approximately \$9.6M with a 2020 re-assessment due to a large vacancy in the building.
- A major tenant in the building, which occupied slightly more than half of the building, vacated their space in January 2020. Without the project, additional reductions in the future building assessments are expected as a large portion of the building would be returned to shell space until future tenants could be identified.
- The Developer will comply with Mid-American Energy's Commercial New Construction Energy Efficiency Program and the project will exceed the applicable 2012 Energy Code requirements by 20-25%.
- The development agreement requires a minimum of two (2) level-2 electric vehicle charging stations be installed that can service up to four (4) vehicles.
- Additional energy efficiency efforts will include:
 - Conversion to high efficiency lighting on all floors including the garage.
 - Occupancy sensor lighting controls on the hotel floors.
 - Building mechanical system upgrades.
 - Elevator equipment and motor upgrades.
 - Consideration will be given to hotel room occupancy controls to setback temperatures and shut down lighting and equipment upon key-card removal.

PREVIOUS COUNCIL ACTION(S):

Date: March 23, 2020

Roll Call Number: [20-0554](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with Lawmark, LP (Mark Buleziuk, Developer) for renovation of the Financial Center Building located at 207 7th Street converting floors 1-13 to a full service, 190-room hotel. ([Council Communication No. 20-153](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: June 2, 2020

Resolution Number: N/A

Action: Motion to recommend approval of the financial assistance as presented by Clark. Seconded by Huggins. Motion carried. Yes = 7, No = 0, Abstain = 1, Absent = 1. Motion to recommend approval of the project design as presented by Hielkema. Seconded by Clark. Yes = 8, No = 0, Abstain = 1, Absent = 0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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