

COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number:	22-215	Meeting:	May 9, 2022
	Agenda Item:	40	Roll Call:	22-0703
	Submitted by:	Erin Olson-Douglas, Development Services Department Director		

AGENDA HEADING:

Resolution approving the First Amendment to Urban Renewal Development Agreement for the property located at 207 Crocker Street, with 207 Crocker, LLC and Jensen Oswald, LLC, and approval of a Minimum Assessment Agreement.

SYNOPSIS:

On May 21, 2018, by Roll Call Number 18-0887, the City Council approved the final terms of an Urban Renewal Development Agreement with 207 Crocker, LLC (Ryan Jensen, Managing Member, 1909 Sycamore Street, Granger, IA 50109), for the conversion of a formerly vacant office building for use as a 91-room Fairfield Inn and Suites hotel. The project was completed in 2019 and has been in operation since that time.

Several partners on the development team wish to buy out the remaining financial interest and ownership stake of two (2) original partners on the project, create a new LLC entity known as Jensen Oswald, LLC, and establish a minimum assessment agreement for the property. The new minimum assessment agreement will be for a minimum assessed value of \$8 million dollars, which was the January 1, 2020, pre-covid valuation of the property. The minimum assessment agreement was not a part of the originally approved document, which will necessitate the First Amendment to the Urban Renewal Development Agreement.

FISCAL IMPACT:

Amount: No change to previously agreed terms. 90% of the tax increment generated by the project in years one (1) through eight (8). Total assistance is estimated at \$1.4 million on a cash basis (\$1.2 million on a net present value {NPV} basis at a 4.5% discount rate) over the 8-year term. In addition, the project will generate hotel/motel tax revenue to the City.

Funding Source: Metro Center Tax Increment Financing District (TIF).

ADDITIONAL INFORMATION:

- The project successfully converted the existing office building at 207 Crocker Street to a 91-room hotel Fairfield Inn and Suites by Marriott. A 4-story building addition was constructed on the west side of the existing building that allows parking and drive aisle circulation below a portion of the building that cantilevers over the parking lot and drive aisle.

- The project was completed in late 2019 and has been open for business since completion.
- The January 1, 2020, pre-covid valuation for the property was \$8 million dollars, including both property and land. The Polk County Assessor's Office has since lowered the value of the property to \$5.6 million for the 2021 valuation, which was a reduction in value that was commonly seen throughout many hotel/lodging properties throughout Polk County based on lower operating incomes during the pandemic. The new ownership entity has opted to refinance the construction loan for the project, and the lender has requested a desire to have more stability on the future assessed valuation to minimize large swings in the property assessment and allow more certainty on financial projections.
- To allow the new ownership entity to refinance the loan for the project, a minimum assessment agreement in the amount of \$8 million (includes both building and land values) has been negotiated, which is a number that has been supported by outreach with the Polk County Assessor's Office. If approved, the valuation indicated in the new minimum assessment agreement will be applied to the 2022 property valuation.
- The original Urban Renewal Development Agreement allowed for an economic development grant of 90% of the project-generated tax increment over a period of eight (8) years, but did not include a minimum assessment agreement. The proposed First Amendment to the agreement does not change the TIF percentages or duration of assistance but does include provision for the minimum assessment agreement to be applied. There are six (6) years of TIF installments remaining upon approval of the First Amendment of the agreement and implementation of the minimum assessment agreement.
- Based on revised financial projections, the estimated level of TIF assistance for the project is comparable to what was originally anticipated with the final terms of the development agreement that were approved in 2018. The property value within the minimum assessment agreement is slightly higher than original financial projection, but this is counteracted by lower TIF grant installments that will be paid for the 2021 assessment year when the assessed valuation was reduced.

PREVIOUS COUNCIL ACTION(S):

Date: November 18, 2019

Roll Call Number: [19-1838](#)

Action: [Issuance](#) of Certificate of Completion to 207 Crocker, LLC for converting an office building at 207 Crocker Street into a 91-room hotel. Moved by Boesen to adopt. Motion Carried 7-0.

Date: May 21, 2018

Roll Call Number: [18-0887](#)

Action: [Urban](#) Renewal Development Agreement with 207 Crocker, LLC and approval of a conceptual development plan for converting an office building into a new 91-room hotel located at 207 Crocker Street. ([Council Communication No. 18-258](#)) Moved by Gray to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: May 8, 2018

Resolution Number: N/A

Action: Motion made to deny the final design of the Conceptual Development Plan, motion failed on a 4-4 vote. No motion made to approve the final design of the Conceptual Development.

Board: Urban Design Review Board

Date: April 10, 2018

Resolution Number: N/A

Action: Preliminary design review with motion made to continue discussion to the May 8 meeting date. Board made suggestions on amendments to the building materials palette and proportionality of materials on the building to simplify the design and requested additional information on proposed walkway on the west side of the building.

Board: Zoning Board of Adjustment

Date: May 28, 2018

Resolution Number: N/A

Action: Zoning Board of Adjustment voted 6-0 to grant appeals to the Zoning Code for an exception of 12.5 feet less than the minimum required 25-foot front building setback to allow the construction of an enclosed patio on the east side of the building, and an exception of 2.3 feet less than the minimum required five (5) foot paving setback to allow retention of the existing off-street parking lot.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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