

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> January 23, 2012
	<b>Agenda Item No.</b> 38D <b>Roll Call No.</b> [ _____ ] <b>Communication No.</b> <u>12-038</u> <b>Submitted by:</b> Terrance N. Vorbrich, Acting Economic Development Administrator

**AGENDA HEADING:**

Approving Final Terms of a Development Agreement with Waterfront Lodging, Inc.

**SYNOPSIS:**

On November 7, 2011 by Roll Call 11-1920, City Council approved Preliminary Terms of Agreement with Waterfront Lodging, Inc. (Hawkeye Hotels, Ravi Patel, Executive Vice President, 1701 Mt. Pleasant Street Suite 1, Burlington, Iowa 52601) for construction of a 129 room Hampton Inn & Suites hotel, a 120 room extended stay hotel and a 238 space parking garage at 2nd and Water Streets. The estimated total project cost is \$32.4 million.

The original low density development proposal consisted of one four story hotel and 96 surface parking spaces, which was not an acceptable urban density design. The final proposal responds well to the City’s request for urban density development and provides a structured alternative to surface parking on this key infill site along the Des Moines riverfront. The provision of the 238 space parking structure adds an additional \$4.8 million in cost to the developer that was unanticipated, and this additional cost formed the basis for the proposed financial assistance.

The Office of Economic Development has negotiated final terms of agreement with Waterfront Lodging, Inc. for economic development assistance with a present value of \$4,627,612. The economic development assistance is based on project generated tax increment and a one-time payment from an internal city source that will be replenished with project generated tax increment.

At the January 17, 2012 Urban Design Review Board meeting, a revised Conceptual Development Plan was presented that shifted the location of the extended stay hotel to Vine Street, and the parking garage to 2nd Avenue. The change followed a request from adjacent neighbors. The board approved the financial assistance package and the Conceptual Development Plan to construct the two hotels and parking garage in the locations proposed. The board requested a revised design of the parking garage and a final review of the exterior building materials for the hotels to return at another meeting.

Staff recommends the following to City Council:

- 1.) Approval of the Urban Renewal Development Agreement with Waterfront Lodging, Inc., which provides for:
  - A. Approval of the financial assistance package as approved by the Urban Design Review Board at their January 17, 2012 meeting.
  - B. Approval of the Conceptual Development Plan as approved by the Urban Design Review Board at their January 17, 2012 meeting.

2.) Referral of the revised parking garage design and exterior building materials and appearance, to be presented as the Final Development Plan, to the Urban Design Review Board at a meeting scheduled for Wednesday, January 25, 2012.

The Final Development Plan must be reviewed and acted upon by Council after the Urban Design Review Board submits their recommendation. It is requested that Council take final action on the Plan at its earliest convenience. In order that there is adequate advance notice, Council may want to set a date for a special meeting sometime after action by the Urban Design Review Board, possibly Friday, January 27, 2012.

### **FISCAL IMPACT:**

Amount: \$4,627,612 Estimated Present Value of the Economic Development Grants

Funding Source: 75% of new tax increment generated by each hotel for 15 years from the Metro Center Urban Renewal Tax Increment District; Metro Center Urban Renewal Area tax increment financing, FY2011-2012 Recommended Operating Budget, SP370, FIN909105, page 120.

\$1.1 million one-time grant to assist in construction of parking garage, to be repaid from project generated increment on the new hotels and the parking garage will be funded initially from the Economic Development Enterprise Fund. The City has been notified that the FY12 gaming revenue allocation will be approximately \$200,000 more than the budgeted \$6,000,000 annual allocation. This excess revenue will be allocated to the Economic Development Enterprise Fund to assist in the upfront funding of the grant. The Economic Development Enterprise Fund will be repaid from the 25% of new tax increment revenues generated by the project freeing up the excess gaming revenue for other economic development projects.

### **ADDITIONAL INFORMATION:**

Waterfront Lodging, Inc. will construct a 129 room Hampton Inn and Suites Hotel with a 238 space parking structure as the first phase of site development. The second phase of the project will begin construction within five years and consist of a 120 room extended stay hotel. Both hotels will be quality urban products that integrate well with the existing neighborhood and provide opportunities for engagement with pedestrians and the broader environment.

City financial assistance responds to the City's request for urban density development and a structured alternative to surface parking on this key infill site along the Des Moines riverfront and consists of: (1) \$1.1 million economic development grant provided from the referenced sources and in accordance with the development agreement terms (2) 15 annual economic development grant payments equal to 75% of the new tax increment generated by each hotel, estimated to be \$182,241 per year. In the event that construction has not been initiated on the second hotel by year six, the grant payments on the first hotel will cease, until the \$1.1 million economic development grant is paid back.

Waterfront Lodging, Inc. will also provide the City with a first right of refusal to purchase the site currently planned for the second hotel, in the event that the second hotel is not constructed within five years. This would also include an opportunity for lease spaces in the parking structure to be used by future development. While it is anticipated and will be welcomed that the second hotel is constructed by Waterfront Lodging, Inc. as planned, the significance of this riverfront site to the downtown landscape is

desired to be safeguarded, in the event that development does not proceed as currently envisioned.

**PREVIOUS COUNCIL ACTION(S):**

Date: November 7, 2011

Roll Call Number: 11-1920

Action: [Preliminary](#) Terms of Agreement with Waterfront Lodging, Inc. for construction of a 129 room hotel, a 245 space parking structure and a 120 room hotel, all to be located in the 100 block of 2<sup>nd</sup> and Water Streets. ([Council Communication No. 11-696](#))

Date: October 20, 2011

Roll Call Number: 11-1727

Action: [From](#) Lillis, O'Malley, Olson, Manning, Pose and Van Dike LLP, 317 6<sup>th</sup> Avenue, Ste. 300, regarding Waterfront Lodging, Inc. proposal. **Moved by Hensley to receive and file comments and support the project with conditions related to design of the site, density, parking and building design. Refer to the City Manager for review and recommendation. Motion Carried 7-0.**

Date: September 26, 2011

Roll Call Number: 11-1663

Action: [From](#) Attorneys for Waterfront Lodging and Riverfront Associates, L.P. to give a short presentation regarding the development proposed for property in the vicinity of SW Water Street, Vine Street, SW 2<sup>nd</sup> Street and Market Street. **Moved by Hensley to receive, file and refer to City Manager for review and recommendation recognizing the time constraints on the project. Motion Carried 7-0.**

Date: June 27, 2011

Roll Call Number: [11-1142](#)

Action: [On](#) vacation and conveyance of remaining public alley right-of-way in the block bound by Vine, Water, Market and SW 2<sup>nd</sup> Streets to Waterfront Lodging, Inc. for \$39,856, subject to conditions. ([Council Communication No. 11-412](#)) **Moved by Hensley to adopt. Motion Carried 7-0.**

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

Board: Urban Design Review Board

Date: January 17, 2012

Resolution Number: N/A

Action: Motion by Garner with friendly amendment by Wattier to approve the financial assistance package and conceptual development plan as presented, with a condition that a revised garage design and

a final review of all exterior building materials be presented at another meeting. Seconded by Hearn.  
Motion carried 5-1.

Board: Urban Design Review Board

Date: December 20, 2011

Resolution Number: N/A

Action: A motion for both portions of the project, the financial assistance and a thorough, complete and integrated design package, to return for consideration of final approval by Hearn. Seconded by Clark.

Board: Urban Design Review Board

Date: June 21, 2011

Resolution Number: N/A

Action: Informational meeting only; no action taken

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Final review of conceptual development plan by Urban Design Review Board.

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