

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	March 9, 2015
	Agenda Item No.	61
	Roll Call No.	<u>15-0423</u>
	Communication No.	<u>15-118</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution closing public hearing on Urban Renewal Agreement for the Sale of Land for Private Redevelopment with Iowa Machine Shed Co. for the Sale and Redevelopment of Disposition Parcel 13-1 at 401 E. Grand Avenue in the Metro Center Urban Renewal Project and Approving Same.

SYNOPSIS

At the January 12, 2015 Council meeting, Roll Call No. 15-0035 was approved, which provided for the following actions relating to the Marriott AC Hotel redevelopment proposal made by Iowa Machine Shed Co. (Heart of America Group, Mike Whalen, President, 1501 River Drive, Moline, IL 61265) and the process for competing proposals for the sale and development of City-owned property at 401 East Grand Avenue:

- Receipt of the Iowa Machine Shed Co. proposal.
- The terms and conditions to be met by a competing proposal including property uses, financial capacity, development experience and the maximum economic development assistance that may be available for the project with the proposal (s) due no later than 1 p.m. on February 27, 2015.
- Set the public hearing date on the Iowa Machine Shed Co. proposal for March 9, 2015 Council meeting with notice of the City’s intent to enter into the proposed Urban Renewal with Iowa Machine Shed Co. if no other responsive proposal is received.

No other proposal was received. At the March 9, 2015 Council meeting, the roll call will open the public hearing and the Council, after hearing public comment, will vote on the executing the Urban Renewal Development Agreement, authorize conveyance of the property and at the time of the property closing, make the first economic development payment of \$550,000.

FISCAL IMPACT

Amount: Grant the land sales proceeds of \$550,000 and 80% of the completed project generated tax increment for 20 years. The economic development assistance is estimated to be about \$6.15 million over 20 years or a net present value of \$3.8 million (at 6%). The exact annual installment amounts will fluctuate with the property’s actual property tax assessment.

Funding Source: Land sale proceeds and project-generated tax increment financing.

ADDITIONAL INFORMATION

The developer has acquired the Des Moines franchise rights for a new Marriott hotel chain named AC Hotel. AC Hotels by Marriott specialize in creating upscale urban inspired hotels which target travelers searching for a design-led hotel in a great location. AC Hotels and Marriott formed a joint venture in 2011 and have about 20 new hotels planned in the United States for 2015.

The proposed 6-story, 100 room hotel will feature underground parking, a rooftop lounge, and a small fitness center. The restaurant offering will be limited, designed to encourage the “experience seeking” guest to walk to the area’s restaurants and other amenities. Once stabilized, the average daily rate is projected at \$130; it is estimated that the City will collect approximately \$5.7 million in hotel/motel tax over 20 years. Total project costs are estimated at \$18.125 million.

The mass of the building fronts on E. Grand Avenue with the southern boundary of the site abutting the mid-block east/west alley. The ground floor is occupied with the hotel’s public uses including the main entry, lobby, breakfast area, meeting rooms along East Grand Avenue and a secondary walk-in entry on E. 4th Street. The entry and egress to the below-grade parking for about 50 vehicles is on East 4th Street. The project utilizes a mix of light colored gray/buff brick, grey limestone, metal panels, large expanses of glass curtain wall and fiber cement panels.

PREVIOUS COUNCIL ACTION(S)

Date: January 12, 2015

Roll Call Number: [15-0035](#)

Action: [On](#) competitive process for sale and redevelopment of Disposition Parcel No. 13-1/Metro Center Urban Renewal Project Area, 401 E. Grand Avenue, and receipt of redevelopment proposal from Iowa Machine Shed Co., (3-9-15). ([Council Communication No. 15-016](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: December 22, 2014

Roll Call Number: [14-1928](#)

Action: [Regarding](#) a request from Iowa Machine Shed Company (Purchaser/Developer) for vacation of air, surface and subsurface rights within E. 4th Street adjoining 409-423 E. Grand Avenue. Moved by Hensley to receive and file the communication from the Plan and Zoning Commission. Motion Carried 7-0.

Date: May 5, 2014

Roll Call Number: [14-0698](#)

Action: [Preliminary](#) Terms of Agreement with Heart of America Group for development of a hotel at E. 4th Street and E. Grand Avenue. ([Council Communication No. 14-213](#)) Moved by Gatto to receive, file and approve the preliminary terms of agreement as set forth in Council Communication No. 14-213 and to direct the City Manager to proceed with the terms set forth in Council Communication No. 14-213. Motion Carried 7-0.

Date: November 18, 2013

Roll Call Number: [13-1850](#)

Action: [Authorizing](#) the City Manager to negotiate preliminary terms of developer initiated proposals for the purchase and redevelopment of two separate City-owned parcels for two projects in the East Village Area (E. 4th Street and Grand Avenue) and initiating a parking study of the affected area. ([Council Communication No. 13-567](#)) Moved by Hensley to adopt. Motion Carried 6-0.

BOARD/COMMISSION ACTION(S)

Board: Urban Design Review Board

Date: October 21, November 18, and December 2, 2014

Resolution Number: NA

Action: The Urban Design Review Board has reviewed the proposed design plans and the economic development assistance request and made the following recommendations to the City Council.

Design:

At its December 2, 2014 meeting, the Board voted 9-0, with two members absent, to recommend approval of the final design. The Board offered the following comments:

- The pocket park is a great addition to the project and has an East Village scale and character.
- The revised circulation that eliminates E. Grand Avenue access is appreciated.
- Appreciate the green screen at the E. Grand Avenue entry.

At its November 18, 2014 meeting, the Board voted 7-1-1, with two members absent, that it was supportive of the project but feel the following issues need to be reviewed and the developer to return to the Board with further updated design revisions:

- Use of a single-drive, shared with adjoining new development at 350 E. Grand Avenue, rather than creating a second sidewalk cut and driveway directly adjacent to the 350 East Grand Avenue driveway.
- The East Grand Avenue canopy and entrance form needs to be scaled appropriately for human scale on the north side as well as the south side coming from the hotel parking lot. It may be accomplished with a change of material and with the incorporation of warmer color tones around the entrances.
- Need to see the streetscape in entirety; the use of trees on East 4th Street and opportunities on the west side, including public art.

At its October 21, 2014 meeting, the Board voted 7-1-1, with one member absent, to approve the preliminary design, subject to the following Board comments:

- Unusual to see limestone make contact with the ground, concerned that the limestone may deteriorate more than if it were separated from the ground.
- Would encourage the team to look at carrying the concrete base on the west side of the building around the building to create a “podium” expression that is fairly consistent in the area.

- Exterior materials in the area are warmer and more inviting than current design.
- Suggest moving the emphasis to the entrance form rather than a bay off on the main elevation.
- Believe there is value to the neighborhood to bring a different demographic than is already staying in the area.
- Feel that there may be parking education issues and challenges that need to be addressed. Encourage HOA to explore options for employee parking.
- Work on the exiting of the parking area on E. 4th Street. This area is already creates some pedestrian/vehicle conflicts due to the existing underground parking access to SoHo and the E-W alley with the current on-street parking and roadway configuration.
- Concern the color pallet does not fit in to the East Village neighborhood. Would feel more comfortable if the limestone were more yellow and the brick were similar to other buildings in the East Village.

Economic Development Assistance:

At its October 21, 2014 meeting, the Board voted 7-1-1 with one member absent to approve the proposed financial assistance package as appropriate for this project.

Board: Plan and Zoning Commission

Date: December 22, 2014

Resolution Number: [14-1928](#)

Action: **Regarding** a request from Iowa Machine Shed Company (Purchaser/Developer) for vacation of air, surface and subsurface rights within E. 4th Street adjoining 409-423 E. Grand Avenue. Moved by Hensley to receive and file the communication from the Plan and Zoning Commission. Motion Carried 7-0.

Board: Board of Adjustment

Date: November 19, 2014

Resolution Number: NA

Action: Docket # [2014-00201](#) starting at page 38.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS

Upon completion of the project, a Certificate of Completion, to be approved by the City Council, is required before any additional economic development assistance payments can be made.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.