

COUNCIL COMMUNICATION

	Number:	19-166	Meeting:	April 8, 2019
	Agenda Item:	29	Roll Call:	19-557
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

A Resolution approving preliminary terms of an Urban Renewal Development Agreement with Swaps Cash, LLC for the construction of a new 6-story, 112 room Element Hotel project located at 304 East Walnut Street.

SYNOPSIS:

Swaps Cash, LLC (Lincoln and Lisa McIlravy, Members, 4220 210th Street NE, Solon, IA 52333) proposes the development of a new 6-story, 112 room Element Hotel by Marriott project on a vacant quarter block site at 304 East Walnut Street in the Historic East Village Neighborhood. The hotel would include at least 1,600 square feet of ground level commercial retail space for lease on East Walnut Street and approximately 99 parking stalls provided within an underground and 2nd floor covered ramp.

Total anticipated redevelopment costs and investment are anticipated at \$22.7 million. Construction is anticipated to commence **in September of 2019** with an estimated completion date in early 2021.

The Office of Economic Development has negotiated preliminary terms of an Urban Renewal Development Agreement with Swaps Cash LLC, which provides for 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: 80% of the tax increment generated by the total project in years one (1) through 10 and the Tax Increment Finance (TIF) Economic Development Grant will be capped at a maximum total of \$2 million dollars on a net present value (NPV) basis. The assistance is estimated at 8.7% of the total project costs.

Year	Estimated Taxes Received without Project (land only)*	Estimated Taxes Received with Project**	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$397,189	\$4,492,081	\$2,000,000	\$2,658,667
Sum 20 Years	\$794,379	\$9,576,939	\$2,000,000	\$7,576,939
Sum 30 Years	\$1,191,540	\$16,346,173	\$2,000,000	\$14,346,173

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

**Taxes received estimates used the following assumptions: 2.5% growth in reassessment years.

Funding Source: Tax Increment generated by the project within the Metro Center Urban Renewal Area.

ADDITIONAL INFORMATION:

- The hotel will consist of 112 rooms and guest suites and includes a swimming pool, indoor fitness center, a hotel restaurant/lounge area, rooftop outdoor seating area, and will provide a minimum of 1,600 square feet of ground floor commercial retail space on East Walnut Street. Parking ramps are proposed to be accessed from East 3rd Street. The first level will include hotel public spaces, check-in and amenities, the 2nd floor consists of above-ground parking and floors 3-6 are hotel guest rooms.
- The project was originally proposed as a 7-story structure with above ground structured parking above the lobby on floors two (2) and three (3). On November 28, 2018, the applicant sought a variance of the Capitol Dominance Overlay height provision, to construct an 82.5-foot tall building that would exceed the minimum 55-feet allowed for commercial structures. The variance request was denied by the Zoning Board of Adjustment; however, an exception to allow the building to be constructed up to 75-feet tall was approved. The result of the denial of the height variance was to install one (1) level of parking underground, which added to the project costs, and further increased the project financial gap.
- The proposed project-generated TIF assistance in the form of an economic development grant will aid in reducing the project construction cost gap largely related to costs to provide structured parking, and allow the hotel to operationally stabilize during the early years of occupancy.
- Hotel/motel tax revenue generated from the project is estimated at \$4.4 million for the first 15 years of operation.
- The project is still in the conceptual design phase, but the anticipated building materials palette largely includes two (2) color tones of brick, stone veneer, full height-glass at the first floor to tie into the retail storefront area, and the signature architectural entry of the Element brand along East 3rd Street. Attention will be given to blend the above-ground parking level to seamlessly blend with the remainder of the architecture of the building.
- Swaps Cash, LLC has agreed to maintain an active annual membership with the Convention and Visitor's Bureau (CVB) as well as working in good faith with CVB to help facilitate bringing convention and event business to the City.
- The developer has agreed to limit the hours of construction that exceeds minimum City sound ordinance requirements to be respectful of nearby residents. Under the agreement, construction would end at 7:30 p.m. on weekdays and 9:00 p.m. on weekends. Construction on the project would commence no sooner than September 2019.

- The developer has identified Aspire Construction of Cary, North Carolina as their general contractor. City staff are analyzing options for reinforcing established and applicable federal and state labor and tax laws.
- The developer will comply with Mid-American Energy’s Commercial New Construction Energy Efficiency program. The Element Hotel brand by Marriott also incorporates many sustainability initiatives into the design of their brand, such as conservation of water and energy, evaluation of waste water reuse, trash recycling, and inclusion of materials that do not incorporate known toxins and carcinogens.

Vicinity Map



PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S):

Board: Zoning Board of Adjustment

Date: November 28, 2018

Resolution Number: N/A

Action: Board voted to deny request of Variance of 27.5-feet to the building height limitations of the C-3B zoning district bulk regulations and “CDO” Capitol Dominance Overlay District, but approved a revised appeal for an Exception of 20-feet over the district regulations.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Acceptance of Conceptual Development Plan and approval of Final Terms of an Urban Renewal Development Agreement.

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