



February 27, 2015

To: Alaina Santizo
Iowa Reinvestment Act Program Manager, Iowa Economic Development Authority

From: Erin Olson-Douglas
Economic Development Coordinator, City of Des Moines

Re: Final IRA Application of Iowa Convention and Entertainment Reinvestment District

We are pleased to submit the final application for the Iowa Convention and Entertainment Reinvestment District. Since learning of the provisional award in June, 2014, the City and our collaborators have worked to advance the projects proposed in our District. The centerpiece of the District, the convention headquarters hotel attached to the Iowa Events Center, has been the subject of much of our scrutiny as we have worked on bringing forward a realistic proposal that the community will embrace. The following is a summary of the changes to the hotel project and the District plan since our provisional approval:

Hotel size change -- After careful study and research, it became clear that a 330 room hotel – with all the amenities and features of a first-class convention center hotel – was the right size to fit our needs. Cost was certainly a factor, but most important is building a first-class convention center hotel that fits Des Moines' needs and is set up for long-term, sustainable success.

Non-profit ownership -- The non-profit IEC Hotel Corporation has been formed by Polk County to own and operate the convention hotel. The community has worked collaboratively and extensively to identify funding sources for the hotel. As the group investigated ways to fund the project and reduce its costs, a non-profit ownership structure offered the best fit for this project. Private ownership required institutional investors seeking too high a rate of return. The non-profit structure allowed for the least expensive form of project financing and profits from the hotel can be returned back to the community, as opposed to a private entity.

Hotel financial sources – With the provisional IRA approval and its final application deadline serving as incentive; the entire community has come together to collaborate on financial roles to accomplish the key project in this District. We have figured out how we will securitize the IRA funding, the City Council has given preliminary approval to their TIF participation, we have preliminary terms to utilize EB-5 funding, we have added a facility fee that we think is competitive with regional competitors, and we believe that we have identified a mortgage amount that is realistic from the onset of the project and sustainable for on-going hotel operations. If given the opportunity to earn the IRA funds, we believe that we have closed the financial gap for the hotel project.

5th and Keo Parking and District streetscapes -- While the scope of work is unchanged, this project is now included in the District Plan as a part of the convention headquarters hotel. This move recognizes that the project scope is a result of the implementing the hotel – accommodating the parking needs of new visitors and linking them to other parts of downtown.



420 Court -- The retail portion of this project has been refined; the total area of the Hy-Vee is unchanged, but areas devoted to a full service restaurant and coffee shop within the Hy-Vee have been identified. Development details related to the project design and financing package have been given final approval by the City Council and secured with New Market Tax Credits.

Randolph Hotel -- Costs for this project have increased by about \$3M. This cost increase has been absorbed through higher levels of equity, increases to mortgage amounts, and allotment of more historic tax credits that initially projected.

IRA funds requested – A couple of changes in our District and our analysis of it led to the identification of an additional \$3M eligible for IRA funds. Design of the 420 Court project over the past several months has identified areas that will be used for Hy-Vee's full service restaurant and a coffee shop. These areas are subject to full collection of sales taxes (not discounted for a portion of non-taxable items). Completing the final application for our IRA submission required a more sophisticated analysis of our District's economic impact than what we had conducted for the pre-application. When we turned the Randolph Hotel and 420 Court projects over to consultants to analyze, they applied industry standards to the Hy-Vee and projected inflation over the 20-year time horizon of the IRA for the Randolph Hotel retail and Hy-Vee at 420 Court. These three aspects (more area of full sales tax collection, use of industry grocery sales standards, and inflation) led to higher earnings eligible for IRA collection than had been identified at the pre-application stage.

Unique in Nature – To this section of the application, we added a point about the fiscal impact that this district will have to the State, County, and City. The Reinvestment Act is a powerful tool for implementing our proposed District – the reinvestment of new sales and hotel/motel taxes and new property taxes make the hotel project possible – yet, the IRA program and the City's TIF commitments also allow approximately half of these new taxes generated by the new projects in this District to be utilized by the State, County, and City for other purposes.

Thank you for your on-going guidance and assistance as we continue to make our way through the inaugural IRA application process. We do believe that it has been a good and fair process – one that has strengthened our projects and, ultimately, will improve the entirety of the proposed District and downtown. Funding from the IRA program truly makes the difference between a community-building project that is a simply a good idea and one that can be realized for the betterment of Des Moines and the State of Iowa.

cc: Matt Anderson, City of Des Moines
Mark Wandro, Polk County
Tim Leach, Downtown Community Alliance