October 4, 2019

To: Lisa Connell  
   Project Manager, Iowa Economic Development Authority  

From: Erin Olson-Douglas  
   Economic Development Director  

CC: Scott Sanders, Matt Anderson, Bob Fagen, City of Des Moines  
    Mark Wandro, Polk County  
    Gerry Nugent, IEC Hotel Corporation Board  
    Alaina Santizo, Iowa Economic Development Authority  

Re: Iowa Convention and Entertainment Reinvestment District  
    annual report (October 1, 2018 – September 30, 2019)  

Dear Lisa,

The following are responses to inquiries requested in the annual report:

a. **The status of each project undertaken within the district in the previous twelve months, including whether construction has begun on any project in the district or when the start of construction is anticipated.**

   **Iowa Events Center Convention Hotel:** construction complete; Permanent Certificate of Occupancy on March 15, 2018. The total project cost was $101,677,455. Work has also been completed on the District infrastructure projects including various improvements to the 5th and Keo Parking Garage, skywalk system, and Grand Avenue.

   **Randolph Hotel:** conversion to apartments with ground floor restaurants complete; Permanent Certificate of Occupancy on May 25th, 2016. The total project cost was $19,179,900.

   **Fourth + Court (fka 420 Court):** upper floor apartments with ground floor Hy-Vee and parking deck complete; Permanent Certificate of Occupancy on June 8, 2017. The total project cost was $30,362,610.

b. **An itemized list of expenditures from the municipality’s reinvestment project fund in the previous twelve months that have been made related to each project being undertaken within the district.**

   The following expenditures were made from the Iowa Convention and Entertainment District fund to debt service payments on the bonds for the Iowa Events Center Convention Hotel and correspond to the nomenclature in the attached file:
   - $191,556 City of Des Moines, IA, Series UR CLN Series C
   - $388,851 IEC Hotel Corp Series D
c. **The amount of the total project cost remaining for each project being undertaken within the district as of the date the report is submitted.**

**Iowa Events Center Convention Hotel:** Project is complete; $0 of project costs remaining. District infrastructure has various aspects to complete. Of the $6,800,000 improvements estimated in the application, $5,528,026 remains to be invested.

**Randolph Hotel:** Project is complete; $0 of project costs remaining.

**Fourth + Court:** Project is complete; $0 of project costs remaining.

d. **The amounts, types, and sources of funding used for each project described in paragraph “a”**.

**Iowa Events Center Convention Hotel**
See attached file for information pertaining to current financing of the Hotel.

**District Infrastructure:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>5th &amp; Keo Garage Stair</td>
<td>$ 517,500</td>
</tr>
<tr>
<td>5th &amp; Keo Structural repair</td>
<td>$ 324,500</td>
</tr>
<tr>
<td>5th &amp; Keo Mechanical, Electrical, &amp; Plumbing</td>
<td>$ 72,000</td>
</tr>
<tr>
<td>5th &amp; Keo Expansion Joint repair</td>
<td>$ 15,000</td>
</tr>
<tr>
<td>5th &amp; Keo Parking Garage Control Equipment</td>
<td>$ 218,019</td>
</tr>
<tr>
<td>5th &amp; Keo Parking Garage Elevator Lobby HVAC</td>
<td>$ 56,455</td>
</tr>
<tr>
<td>Skywalk 4F-4J HVAC Replacement</td>
<td>$ 48,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,251,974</strong></td>
</tr>
</tbody>
</table>

**Randolph Hotel**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developer Equity</td>
<td>$ 2,090,000</td>
</tr>
<tr>
<td>First Mortgage</td>
<td>$ 5,680,000</td>
</tr>
<tr>
<td>Second Mortgage</td>
<td>$ 835,000</td>
</tr>
<tr>
<td>Third Mortgage</td>
<td>$ 2,690,000</td>
</tr>
<tr>
<td>Federal Historic TC Equity</td>
<td>$ 3,091,452</td>
</tr>
<tr>
<td>State Historic TC Equity</td>
<td>$ 3,903,348</td>
</tr>
<tr>
<td>EZ Tax Credit Equity</td>
<td>$ 716,100</td>
</tr>
<tr>
<td>EZ Sales Tax Rebate</td>
<td>$ 174,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$19,179,900</strong></td>
</tr>
</tbody>
</table>

**Fourth + Court**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workforce Housing Tax Credit</td>
<td>$ 1,000,000</td>
</tr>
<tr>
<td>New Market Tax Credit</td>
<td>$ 2,600,000</td>
</tr>
<tr>
<td>Mortgage</td>
<td>$14,000,000</td>
</tr>
<tr>
<td>Equity</td>
<td>$12,762,610</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$30,362,610</strong></td>
</tr>
</tbody>
</table>
e. The amount of bonds issued or other indebtedness incurred for each project described in paragraph “a”, including information related to the rate of interest, length of term, costs of issuance, and net proceeds. The report shall also include the amounts and types of moneys to be used for payment of such bonds or indebtedness.

Iowa Events Center Convention Hotel
See attached.

The following details the summary provided in #7 of the attachment regarding TIF bonds: The City of Des Moines issued General Obligation Bonds, Series 2017B in the amount of $8,915,000 on September 12, 2017. The true interest cost was 2.93% and will mature on June 1, 2037. The City also issued General Obligations Annual Appropriation Bonds, Series 2017C on September 12, 2017 in the amount of $4,785,000. The true interest cost was 1.62% and will mature on June 1, 2025.

**District Infrastructure**
Improvements noted in item d. were included in City of Des Moines’ Capital Improvement Program (CIP)

**Randolph Hotel** – N/A (this project is fully funded with private financing; no public bonds will be issued to provide the City’s TIF incentive)

**420 Court** – N/A (this project is fully funded with private financing; no public bonds will be issued to provide the City’s TIF incentive)
BORROWINGS, AMOUNTS, SOURCE OF REPAYMENT
AT CLOSING OF FINANCING

IEC Hotel Corporation Debt

Lease Purchase Certificates of Participation, Senior Lien Series A
1. $10,000,000 Series A-1
2. $30,000,000 Series A-2
   - Paid from a senior lien on the net operating income of the hotel; no claim to the IRA, the City’s TIF or any other form of guarantor. Collateral position through the lease purchase agreement.
   - Matures 2042.
   - Series A-1 is paid out of surplus cash flow recapture, and is expected to mature in 2025
     o Series A-1 interest rate varies from month to month, assumed for pro-forma at 3.5%
     o Series A-2 has a swapped interest rate which is fixed through 2028, at 4.55%.

Lease Purchase Certificates of Participation, Subordinate Lien Series B
3. $27,750,000
   - Purchased by Polk County
   - Paid from a subordinate lien on the net operating income of the hotel; no claim to the IRA, the City’s TIF or the County.
   - Interest rate is 4%
   - Matures 1/1/2049

Lease Purchase Certificates of Participation, Facility Fee Series C
4. $7,351,000 Facility Fee Series C.
   - Paid from the 3% facility fee to be charged on all hotel room nights.
   - No claim to the net operating income of the hotel, the IRA or the City’s TIF.
     o $3,040,000 Series C-1
        ➢ senior lien
        ➢ not guaranteed
     o $4,311,000 Series C-2
        ➢ subordinate lien
        ➢ Guaranteed by Polk County
     o Swapped interest rate which is fixed through 2028, at 4.55% for C-1 and 4.56% for C-2

Lease Purchase Certificates of Participation, Iowa Reinvestment Act Senior Lien Series D
5. $8,500,000
   - Paid (on parity basis with $4,000,000 City of Des Moines UR CLN noted below) from a senior lien on the IRA tax
   - Not paid from the net operating income of the hotel or the City’s TIF
   - Guaranteed by the City of Des Moines.
   - 3.83% interest rate (fixed for life of loan)
   - Matures 6/1/2038
Lease Purchase Certificates of Participation, Iowa Reinvestment Act Subordinate Series E
6. $7,805,000
   • Paid from a subordinate lien on the IRA tax,
   • Not paid from the net operating income of the hotel or the City’s TIF.
   • Guaranteed by Polk County
   • 3.83% interest rate (fixed for life of loan)
   • Matures 6/1/2038

City of Des Moines Debt Funding

City of Des Moines, Iowa, General Obligation Urban Renewal (TIF) Bonds
7. $14,200,000
   • Issued August 14, 2017
   • City intends to abate the levy of property taxes tied to the bonds out of the new TIF increment created by the hotel. No claim to the net operating income of the hotel or the IRA.

City of Des Moines, Iowa, Urban Renewal Iowa Reinvestment Act Capital Loan Notes Series C
8. $4,000,000
   • Paid from a senior lien on the IRA tax (on a parity basis with IEC Series D),
   • Not paid from the net operating income of the hotel or the City’s TIF.
   • No third party guarantees.
   • Sold to several Des Moines-area business leaders and companies
   • 4.00% interest rate
   • Issued March 20, 2018; matures 6/1/2024

Additional Funding

IEDA Grayfield Grant
9. $1,000,000 provides net $900,000 after fees

Key Money
10. $3,000,000 cash payment up-front from hotel operator. Not a loan, rather, it is a contribution that the operator recovers over time from a portion of its hotel management fees.

Sub-Total Funding + 113,506,000

Non-Reimbursed Funding

Polk County Cash contribution
11. $6,000,000 cash contribution

Total Project = $119,506,000
Reinvestment District 2019 Annual Report

Recipient: Iowa Convention and Entertainment Reinvestment District

Please provide the following:

a. The status of each project undertaken within the district in the previous twelve months, including whether construction has begun on any project in the district or when the start of construction is anticipated and a summary of developer spending on projects within the district.
b. An itemized list of expenditures from the municipality’s reinvestment project fund in the previous twelve months that have been made related to each project being undertaken within the district.
c. The amount of the total project cost remaining for each project being undertaken within the district as of the date the report is submitted.
d. The amounts, types, and sources of funding used for each project described in paragraph “a”.
e. The amount of bonds issued or other indebtedness incurred for each project described in paragraph “a”, including information related to the rate of interest, length of term, costs of issuance, and net proceeds. The report shall also include the amounts and types of moneys to be used for payment of such bonds or indebtedness.

Information provided should be the most recent that is available.

CERTIFICATION OF ACCURACY:
I hereby certify that the information presented to the Iowa Economic Development Authority on the date indicated below is fully complete, true, and correct. I understand that it is a criminal violation under Iowa law to engage in deception and knowingly make, or cause to be made, directly or indirectly, a false statement in writing for the purpose of procuring economic development assistance from a state agency or subdivision, as provided in Iowa Code section 15A.3 and other applicable law.

I further depose that the signature below is my own proper signature and that I have the authority to submit this information on behalf of the Recipient.

Prepared By:
Name: Erin Olson-Douglas Phone #515.283.4021
Title: Economic Development Director
Signature __________________________ Date 12/4/19
E-Mail Address: eodouglas@dmgov.org

Authorized Signatory:
Name: Scott Sanders
Title: City Manager
Signature __________________________ Date 10/4/19