

**Downtown Partners Sioux City Board of Directors
Operational Meeting Minutes**



Downtown Partners
418 Pierce Street
11:00 a.m. March 24, 2017

DOWNTOWN PARTNERS SIOUX CITY
418 Pierce Street
Sioux City, IA 51101
P (712) 252-0014
F (712) 258-8516
DOWNTOWNSIOUXCITY.COM

Present: Jennifer Rose Bass, Darin Daby, Terry Glade, Chris Jackson, Dennis Johnson, Ben Knoepfler (via phone), Todd Moyer (via phone, exited prior to vote), Shannon Patton, Sam Wagner, Anne Westra. Absent: Ryan Avery, Mark Hinds, Dan Moore, Ryan Ross, Alex Watters. Staff: Ragen Cote, Sarah Fish. Guest: Marty Dougherty.

The meeting was called to order at 11:02 a.m.

The board welcomed Sioux City Economic Development Director, Marty Dougherty.

The agenda for the meeting was reviewed. A motion was made to accept as written.

Dougherty distributed the “Proposed Sioux City Convention Center Hotel FAQ” (attached) in relationship to the Iowa Reinvestment District (IRD), reviewed the project, explained the IRD program and answered questions from the board. A motion was made to formulate a letter of support for the project and develop a stakeholder communication plan to distribute information. The council will vote on this development at the meeting on Monday, April 17, 2017.

Adjournment at 12:05 p.m.



Proposed Sioux City Convention Center Hotel FAQ

What is the proposed Convention Center hotel project?

The proposed project is to be a five-story Courtyard by Marriott branded hotel with full-service amenities (bistro, bar, business and exercise centers) and 150 rooms to be developed on the east side of the Sioux City Convention Center and connected to the facility. The project will also include new "pre-function" space (approx. 5,800 sq. ft.) connecting the existing Convention Center to the hotel, as well as renovated ballroom space located on the east end of the existing Convention Center. A new two-level parking deck with 140 parking spaces will be constructed north of the hotel site.

What is the relationship to the Iowa Reinvestment District?

The downtown Convention Center hotel is one of three projects proposed as part of the Sioux City Reinvestment District. The Iowa Reinvestment District Program ("IRD") allows designated cities to create zones of up to 25 acres where future hotel/motel and sales tax revenue can be used to assist with new development in that area. The proposed Sioux City Reinvestment District is an opportunity to transform downtown with a new Convention Center hotel, renovation of historic warehouse buildings to market rate residential and commercial use with Virginia Square, and the development of a new Ag Expo Center. Sioux City was awarded "provisional approval" under the IRD in a highly competitive process in February 2016.

Why does Sioux City need a new hotel?

Today's successful convention centers provide improved hotel experiences with more flexible spaces, better technology, walkable access and a direct connection to the hotel and useable space. The Sioux City Convention Center has faced the challenge of fewer events and decreased revenue. In 2015, the Hunden Strategic Partners Study recommended the need for a quality branded hotel with 150 rooms and ballroom space to offer more flexibility. An RFP process resulted in the recommendation for Kinseth Hospitality as the partner of choice.

The proposed project plan addresses the need for quality hotel rooms and amenities, as well as flexible ballroom and event spaces. Improvements to the Convention Center will include the addition of a new versatile "pre-function" space to connect the existing facility to the new hotel, a new ballroom, additional restrooms and a parking ramp. The project will bring increased activity to the Historic Fourth Street entertainment district. The Convention Center hotel project is estimated to add at least 50 new jobs, generate \$219 million in new spending and \$69 million net new earnings in the first 20 years.

Who will own and manage the hotel?

Kinseth Hospitality Company, Inc. (KHC), a leading hotel management, development and ownership company based in North Liberty, Iowa, will establish a single purpose LLC to own the hotel which will consist of the Kinseth family and investors. Marriott franchise standards requires KHC to maintain a minimum ownership in the hotel of 20 percent, although the company has indicated they will hold a higher percentage. Kinseth will develop and manage the hotel for the established LLC. KHC currently operates over 65 hotels and 5 branded restaurants in 12 states.

How will the project be financed?

KHC will be responsible for financing and constructing the hotel with an estimated capital investment of \$20.2 million. The company will agree to a minimum assessed value of \$12.2 million.

The city will provide the land to Kinseth to construct the hotel (valued at \$300,000).

The city will be responsible for financing and constructing the ballroom, pre-function space and parking structure (estimated at \$5.1 million). The city will issue General Obligation Bonds which will be repaid with the funds received through the Reinvestment District Program.

The city will provide assistance to Kinseth in the form of 15 years, 100 percent tax rebate of city TIF taxes in exchange for the \$12.2 million minimum assessment. Tax rebates are estimated to be approximately \$6 million. The city will not subsidize the hotel if it does not reach the occupancy it needs.

Kinseth has secured the required financing and Courtyard by Marriott brand.

How long is Kinseth required to maintain the Courtyard by Marriott brand?

The city's agreement with Kinseth will require them to maintain the Courtyard by Marriott brand for the length of the Reinvestment District (20 years).

How will the parking ramp be managed and who is allowed to park there?

To accommodate guests of the hotel and to follow the Marriott franchise standards, the hotel would need to provide dedicated, on-site parking for each guestroom. Kinseth is willing to enter into a separate parking agreement with the city which outlines the parking management, maintenance and fees for use of the ramp. The ramp will be used for hotel and convention center parking, as well as residents visiting the 4th Street area. There may be no charge in the evenings or weekends, similar to other public parking ramps in downtown.

Who will manage daily operations of the Convention Center under this proposal?

Kinseth Hospitality would provide all of the management, sales and marketing activities, and food service production and preparation within the current Convention Center, as well as the new ballroom, under the terms of a negotiated management contract.

Is the construction of new ballroom space an essential element of the proposal?

Kinseth Hospitality believes the construction of new ballroom space is critical in order to attract business meetings and social catering events within the area and to be competitive with other meeting venues in the State of Iowa, Nebraska and South Dakota. Kinseth believes this type of quality space and attractive furniture, fixture, and equipment package is lacking today within the Convention Center.

Based on Kinseth's projections, the revenue from the Convention Center will remain similar to what it is today, but the revenue from the ballroom will be an additional \$1.11 million in 2019, \$1.36 million in 2020 and continue to grow year over year. In an effort to be conservative we did not include these projections in our calculations for assistance, but it will be a benefit in regards to the overall subsidy going forward.

Where do you see the biggest opportunities for improving revenue and decreasing expense at the convention center?

The Convention Center will become part of the overall newly conceived hospitality destination. The advantage to the meeting planner and guest is that they have a 'one stop shopping experience' as they are dealing with a sales manager that can sell them the hotel rooms for a convention, as well as the meeting space and catering options that the facility will offer.

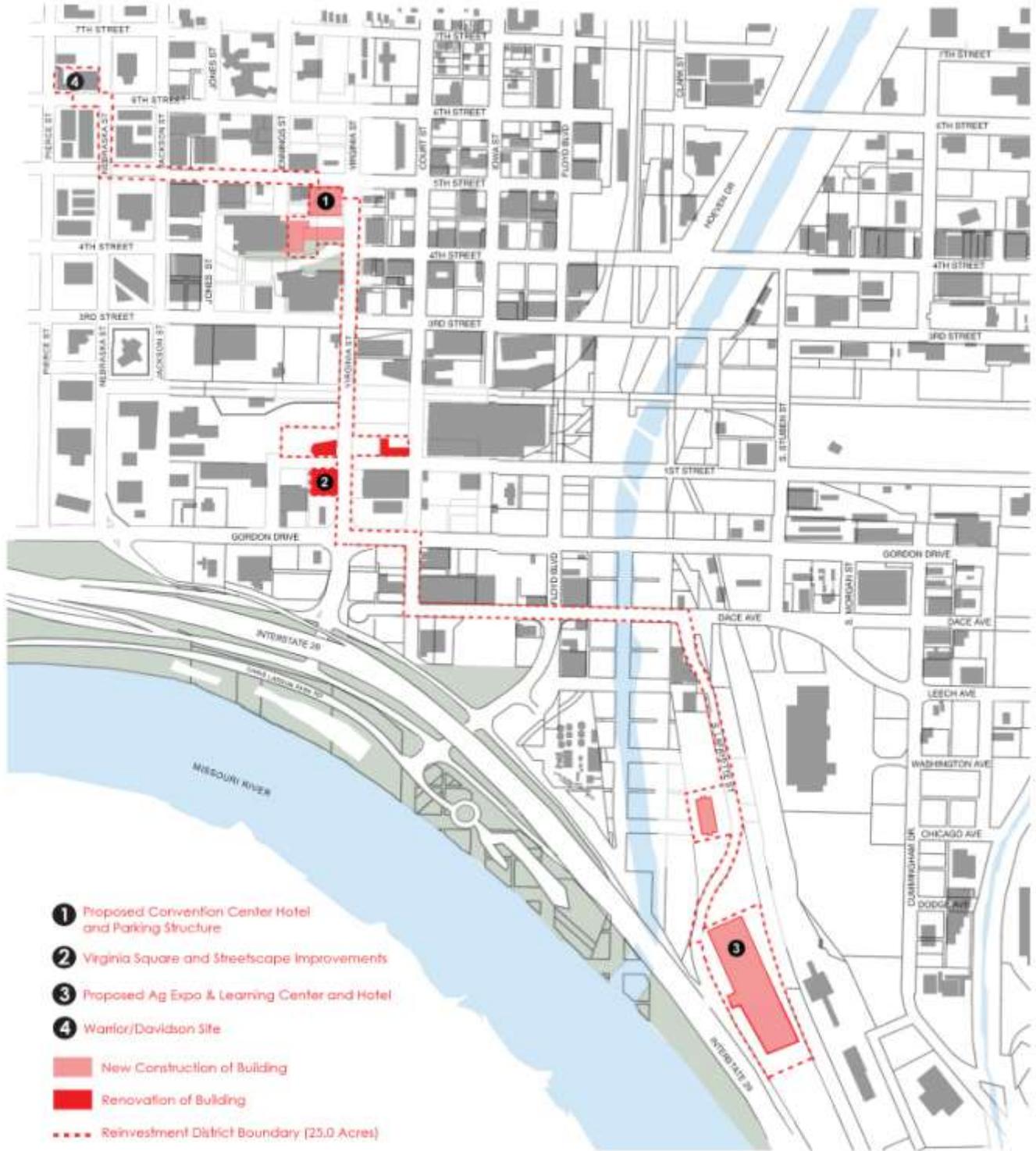
How will the design of the hotel be incorporated into 4th Street and will the city have any input?

A Marriott Courtyard prototype will be adapted with an upscale design to take advantage of the Historic Fourth Street location and entertainment district, as well as the adjacent Convention Center. Design and aesthetics of the hotel and pre-function space shall be mutually agreed upon by the city and Kinseth.

Timeline

Council approval of the Kinseth proposal at the March 13 City Council meeting began the required 30-day notice period to sell property in an urban renewal area. Final Council consideration of the sale of property will be on April 17, 2017. Construction is anticipated to begin in summer 2017 with an anticipated completion of July 2018.

Sioux City Reinvestment District Map



Proposed Site Plan



Proposed Convention Center Hotel Project Rendering



Additional Photos

