

**CITY COUNCIL
COMMUNICATION:**

02-489

AGENDA:

SEPTEMBER 9, 2002

SUBJECT:

MEMORANDUM OF
AGREEMENT WITH
FEDERAL HOME
LOAN BANK

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

ITEM 46

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

SYNOPSIS —

The Des Moines Public Schools (DMPS) has taken action to purchase the existing Federal Home Loan Bank (FHLB) building at 9th and Walnut for use as a downtown school. This action would then require the FHLB to move to new space. It is in the City's interest to ensure that the FHLB build (or occupy) a new building constructed for their use in the downtown. Toward that end, an agreement has been reached with the FHLB that calls for the City to pay the FHLB \$250,000 upon the satisfaction of two conditions: the sale of the current FHLB office building to the DMPS must be closed; and the FHLB, or a contractor selected by the FHLB, must have obtained a building permit and initiated construction on a new building in downtown Des Moines.

FISCAL IMPACT —

The \$250,000 payment is not required in the current fiscal year and thus it will be possible to allocate funds in the budget for this purpose from economic development tax increment dollars.

RECOMMENDATION —

Approval of the agreement which authorizes the City Manager to make the payment upon satisfaction of the conditions outlined in the agreement.

BACKGROUND —

The FHLB currently owns and occupies an office building and parking lot located on the north side of Walnut Street between 9th and 10th Streets in downtown Des Moines. The FHLB is considering the sale of its property to the DMPS for use as a downtown school. In the event this sale is completed, the FHLB would relocate to new space in the City of Des Moines. The expansion of the downtown school and the retention of the FHLB in a new facility located within the City of Des Moines will retain jobs, add to the economic vitality of the downtown, and strengthen the City's tax base.

The purchase of the FHLB building by the DMPS will result in a \$250,000 shortfall that would otherwise prevent the transaction from occurring. To permit the transaction to be completed, the City of Des Moines will provide \$250,000 to the FHLB subject to the following provisions:

1. The sale of the above-described FHLB property to the DMPS must be closed and payment for the property must be made.
2. The FHLB or a contractor selected by FHLB must have obtained building permits and initiated construction of a new building located in the downtown Metro Center Urban Renewal Project Area for a new corporate headquarters for the FHLB with substantially the same or added employees.

Upon satisfaction of conditions numbered 1 and 2, above, the City shall immediately pay the sum of \$250,000, plus interest, which shall accrue at the rate of 2 percent per annum from the date of satisfaction of condition numbered 1 above, to FHLB.

The \$250,000 is over and above any economic development assistance that the City may provide in conjunction with the new FHLB building. This agreement has no effect and assumes no change in any existing agreement between the City of Des Moines and the FHLB.