



Agenda Item:

036

COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 02/09/04
No.: 04-058

Communication

Agenda Item Type: Resolution

Roll Call No.:

Submitted by: Richard Clark, Deputy City Manager

SUBJECT—

Confirming policy direction on negotiations with Employers Mutual Casualty Company (EMC) for the demolition of the City-owned parking garage at 8th & Mulberry Streets, transfer of City-owned land to EMC, construction of privately-owned parking garage by EMC and potential construction of a new City-owned parking garage.

SYNOPSIS—

On December 8, 2003, by Roll Call 03-2746, Council approved preliminary terms of agreement with EMC and directed the City Manager to negotiate terms and prepare formal agreements with EMC. City staff has been diligently analyzing possible scenarios and negotiating with EMC and is in position to prepare formal documents. The City Manager has not yet formulated a definitive recommendation regarding replacing the 8th & Mulberry garage. However, other components of this project have been refined such that further Council policy direction is necessary. This February 9, 2004 agenda item presents the refined scope of this project in greater detail and asks for Council's approval to proceed with formal documents based on the revised terms.

FISCAL IMPACT—

Architectural and Engineering fees for the proposed new 600-space City-owned parking garage are estimated at \$455,400. Should the City proceed with a potential 300-space addition to this

garage, the Architectural and Engineering fees for the addition are estimated at \$138,600. Only the \$455,400 cost will be incurred at this time and this amount will be funded through unencumbered funds of the parking system enterprise. The Architectural and Engineering contract is further discussed below.

Additionally, on January 26, 2004, by Roll Call No. 04-132, Council approved and accepted the City Manager's report recommending asbestos removal in the 8th and Mulberry parking garage. Estimated cost of asbestos removal is \$64,000. This amount shall be paid from Parking System Revenue. Public hearing on plans, specifications, form of contract, and Engineer's estimate of construction cost will be held on February 9, 2004.

RECOMMENDATION—

Approval

BACKGROUND—

On December 22, 2003, by Roll Call No. 03-2898, Council approved a Redevelopment Agreement with Wells Fargo Financial, Inc. (WFF) for expansion of its home office. As part of that expansion, WFF intends to purchase two surface parking lots from EMC. EMC then intends to build a parking garage to accommodate this lost parking supply.

On December 8, 2003, by Roll Call 03-2746, Council approved preliminary terms of agreement with EMC and directed the City Manager to negotiate terms and prepare formal agreements with EMC. In accordance with the preliminary terms of the agreement, EMC intends to construct a private parking garage and the City will potentially construct a separate public parking garage on the 8th and Mulberry block.

The planned projects by WFF and EMC trigger a series of actions by the City. Following is the City Manager's recommended course of action for each of the areas of this project

Architecture and Engineering

The design and construction of two separate facilities in such a confined area is an intricate process. Although the City has not yet determined an optimal schedule for replacing the City-owned parking garage, the City and EMC have determined that it is in both party's interest to have the garages designed concurrently by the same architectural firm in order to coordinate items such as skywalk access, ingress and egress, and construction staging. City staff and EMC have jointly selected Brooks Borg Skiles Architecture Engineering LLP (BBS) (Robert J. Mathieu, AIA, Managing Partner, 317 6th Avenue, Suite 400, Des Moines, IA 50309) to design the garages. EMC will enter into a design contract with BBS and it is proposed that the City enter into a contract with EMC to reimburse EMC for a proportionate share of the design fees. This design reimbursement contract will be presented to Council the earliest date possible.

Construction and Lease-Purchase Agreement

EMC will utilize a design-build approach for construction of its private parking garage. The design-build approach is particularly effective in projects with aggressive timelines and will

allow EMC to begin construction during late summer and meet Wells Fargo Financial's goal of assuming ownership of the EMC lots in December 2005. If the City proceeds to construct the public parking garage it must utilize customary bidding procedures, which will not allow the use of the design-build approach. Effectively, if the City proceeds to construct its own garage, the City and EMC will be forced to use separate contractors, which will increase the overall construction costs of the private and public garages by an estimated 20%.

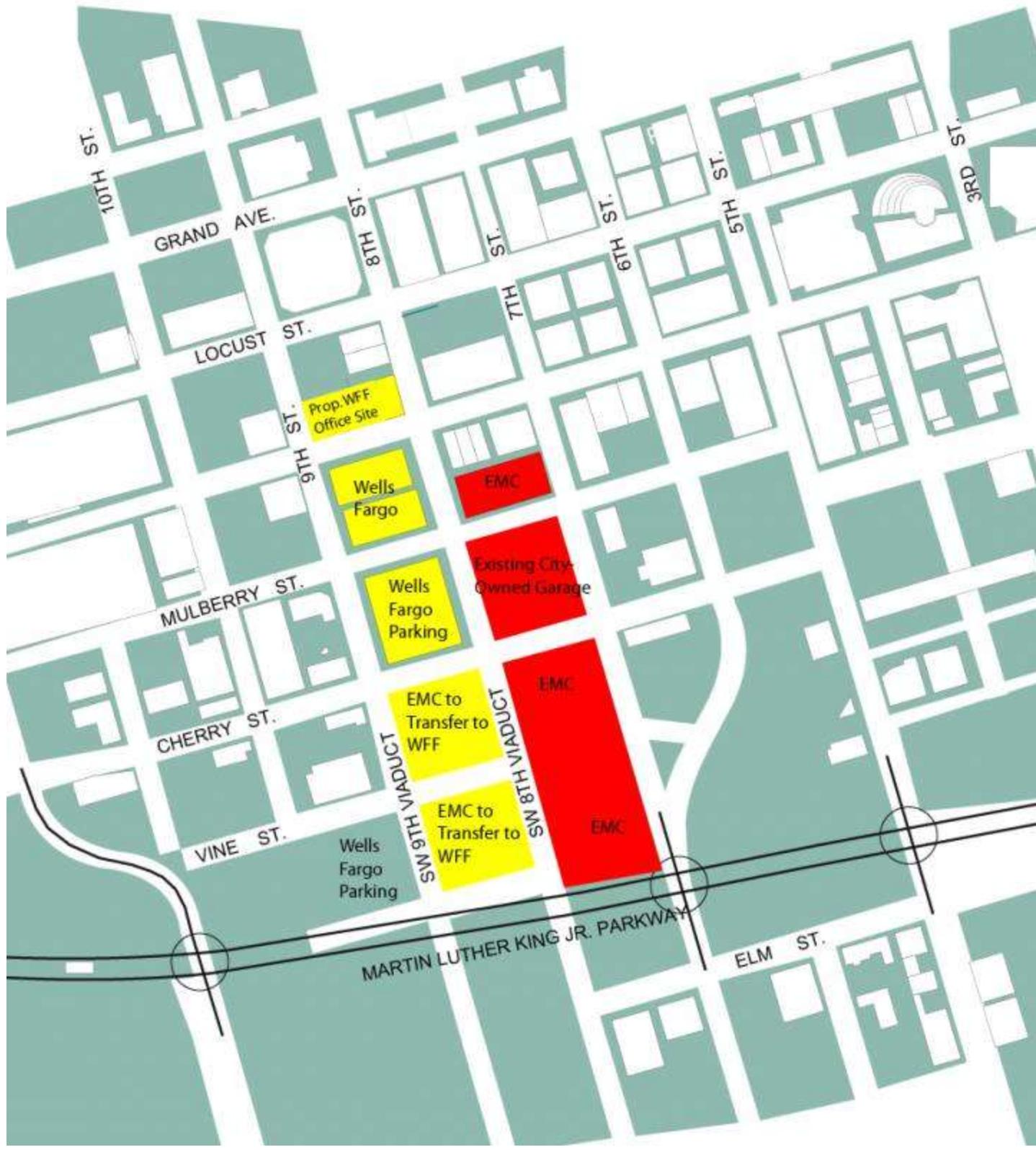
The City is pursuing a lease-purchase arrangement with EMC for construction of the new City-owned parking garage. This approach is being pursued to provide for the most efficient and cost-effective construction possible. In addition to losing the economies of scale of a larger project, the concurrent construction of two garages by separate contractors is not feasible on this confined site. The presence of the 8th Street Viaduct along the western edge of this site further hampers the logistics of construction in this central business district location. A lease-purchase agreement between EMC and the City for construction of the public parking garage would permit EMC to construct both the public and private garages on the block and avoid the increased construction costs. Under the lease-purchase agreement, the City would pay EMC to construct the public parking garage through a design-build approach that is not subject to competitive bid restrictions.

If the City Council determines to proceed with construction of the public parking garage through use of a lease-purchase agreement, it is proposed that the City would make a significant down payment on the lease of over \$6 million to be funded with unencumbered funds of the parking system enterprise and land sale proceeds. The agreement would have an approximate eight-year term with full payment and ownership of the public parking garage at the end of such term. The City would make payments on the lease-purchase agreement from the net revenues of the parking system enterprise supplemented with tax increment fund revenues. Interest on the lease-purchase payments would be comparable to the market rates the City would pay for the issuance of parking revenue bonds to construct the public parking garage. The lease-purchase transaction would also avoid over \$100,000 of bond issuance expenses and the borrowing of an additional \$400,000 to establish a debt service reserve.

If the City Council determines that it is appropriate to construct the public parking garage through the use of a lease-purchase agreement, the City would initially sell the entire 8th and Mulberry block to EMC for the appraised value. The City Council, following the required public hearings, could then approve a lease-purchase agreement for the public parking improvement to be constructed by EMC on one-half of the block. If the City Council determines to proceed with the public parking garage through a lease-purchase agreement, the required public hearings would be held sometime this summer. Following execution of the lease-purchase agreement and construction of the public parking garage by EMC, the City will have all rights of possession and operation of the public parking garage. At the end of the lease-purchase agreement term, the City will have complete ownership of the public parking structure improvements and underlying ground.

The City Manager will conduct further study on whether to proceed with construction of the replacement public parking garage. At a future meeting, the City Manager will present to the

City Council its report and recommendations on construction of the public parking garage through a lease-purchase agreement.



10TH ST.

GRAND AVE.

8TH ST.

7TH ST.

6TH ST.

5TH ST.

3RD ST.

LOCUST ST.

9TH ST.

Prop. WFF Office Site

Wells Fargo

EMC

MULBERRY ST.

Wells Fargo Parking

Existing City-Owned Garage

CHERRY ST.

EMC to Transfer to WFF

EMC

VINE ST.

Wells Fargo Parking

EMC to Transfer to WFF

EMC

MARTIN LUTHER KING JR. PARKWAY

ELM ST.

SW 9TH VIADUCT

SW 8TH VIADUCT

