



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 03/08/04

Communication

No.: 04-131

Agenda Item Type: Resolution

Roll Call

No.:

Submitted by: Richard Clark, Deputy City Manager

SUBJECT—

Letter of Intent between the City of Des Moines and Employers Mutual Casualty Company (EMC) for the joint design and construction of a replacement public parking garage at 8th & Mulberry Streets.

SYNOPSIS—

The City and EMC have been negotiating an arrangement whereby the City will demolish the existing City-owned 8th & Mulberry parking garage and sell the block to EMC. EMC will in turn construct two parking garages; one for its private use and another which the City will then acquire from EMC through a Lease Purchase Agreement. On February 9, 2004, by Roll Call 04-282, Council confirmed policy direction regarding the design of a new public parking garage and negotiation of a Lease Purchase Agreement between the City and EMC. Council directed the City Manager to negotiate and prepare formal agreements.

The first of these agreements is a Letter of Intent containing two primary points:

1. The design of the public ramp will proceed through the Design Development phase, taking into consideration all aspects of design including foundations, structural and architectural elements, traffic and pedestrian movements, skywalk connections and other elements for a fully functional public parking garage and culminating in a construction cost estimate and guaranteed maximum price (this phase represents approximately 30% of the ramp's necessary architecture and engineering design)

2. The City then intends to sell the 8th & Mulberry block property to EMC and negotiate and enter into a Lease Purchase Agreement with EMC, resulting in the ultimate design and construction of a 900± space garage that the City will purchase from EMC.

Council is asked to authorize the City Manager to execute the Letter of Intent.

FISCAL IMPACT—

Design Development, which is authorized in the Letter of Intent, will not exceed \$200,000. This amount will be funded through unencumbered funds of the parking system enterprise.

Total Architectural and Engineering Design fees for the new 900± space public garage are estimated at \$600,000. This includes the \$200,000 Design Development amount referenced above. An additional amount for Construction Phase Services is to be determined at a later date. These amounts will be funded through unencumbered funds of the parking system enterprise and will be presented to Council for approval at a later date.

Total development costs, including demolition, architecture, financing costs and construction are estimated at approximately \$13,862,000. Further refinement of this figure will occur as design of the building progresses.

On February 9, 2004, by Roll Call No. 04-321, Council designated the lowest responsible bidder for asbestos removal in the 8th and Mulberry parking garage. Cost of this asbestos removal is \$47,650. And on February 23, 2004, by Roll Call No. 04-350, Council approved the City Manager's recommendation to proceed with public hearing on plans, specifications and form of contract for demolition of the existing City-owned parking garage at 8th and Mulberry. Demolition is estimated at \$650,000 and a public hearing will be held on March 22. Both amounts shall be paid from Parking System Revenue.

RECOMMENDATION—

Approval of the Letter of Intent

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 expressed an intent to construct a separate public parking garage on the 8th and Mulberry block.

The City Manager now recommends construction of an approximate 900-space replacement public garage at this location. This garage will serve as the primary parking for tenants of the Financial Center, Midland Building, and Fleming Building. This replacement garage will also play an important role in the potential residential, retail, or office redevelopment of other properties, including the Younkers Building. The owner of the Younkers Building is auctioning this property on March 18, 2004. The City has also received strong interest from existing companies and individuals who park in the existing garage to park in the new garage when it is rebuilt. While there are other new private parking garages, the 8th & Mulberry Garage is the only public parking garage in this area to provide daily parking for the general public. This daily parking serves the customer needs of the Polk County Courthouse and many other private businesses in this section of downtown.

The design and construction of two separate facilities in such a confined area is an intricate process. The City and EMC have determined that it is in both parties' 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. EMC, in consultation with the City, has 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.

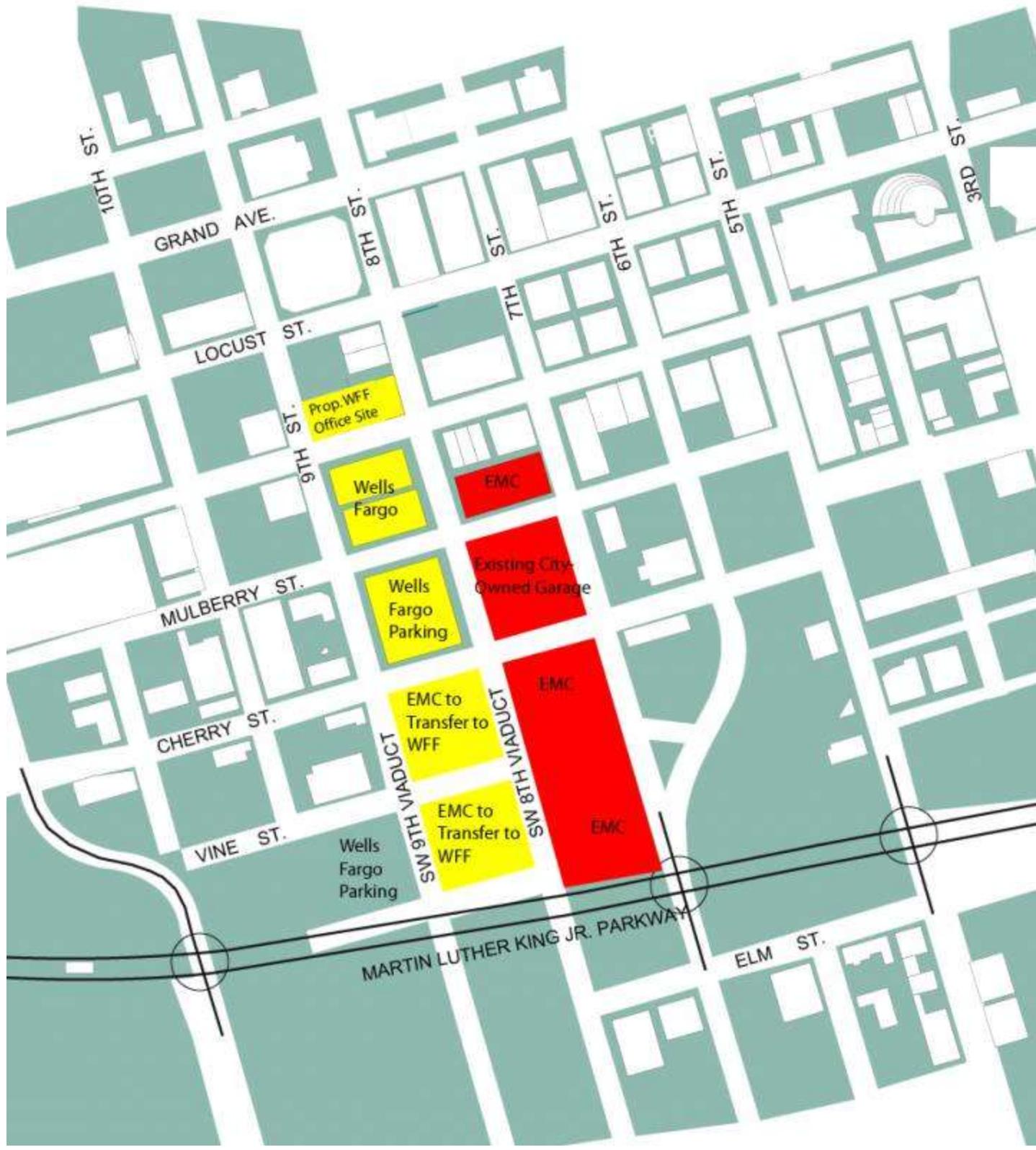
EMC will utilize a design-build approach for construction of its private parking garage. The design-build approach is particularly effective in projects with aggressive timelines and will allow EMC to begin construction during late summer and complete construction by December 2005 to meet Wells Fargo Financial's deadline for assuming ownership of the EMC lots. If the City chooses not to participate with EMC, the City's overall construction costs will increase by an estimated 20%.

The City Manager recommends entering into a Lease Purchase Agreement (LPA) with EMC for construction of the new public parking garage. (Execution of the LPA would occur at a future date after acceptable prices and terms of conditions of the LPA have been determined.) This approach is recommended 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 physically 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. An LPA 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 realize substantial cost savings for both parties. Under the LPA, the City would pay EMC to construct the public parking garage.

It is proposed that the City will make a down payment on the lease of approximately \$4.5 million to be funded with unencumbered funds of the parking system enterprise and land sale proceeds. The LPA 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 LPA 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 LPA transaction will also avoid over \$100,000 of bond issuance expenses and the borrowing of an additional \$400,000 to establish a debt service reserve.

The City will initially sell the entire 8th and Mulberry block to EMC for the fair market value. The City Council, following the required public hearings, could then approve an LPA for the public parking improvement to be constructed by EMC on one-half of the block. The required public hearings would be held prior to August 1, 2004. Following execution of the LPA 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 LPA term, the City will have complete ownership of the public parking structure improvements and underlying ground.



10TH ST.

GRAND AVE.

8TH ST.

LOCUST ST.

7TH ST.

6TH ST.

5TH ST.

3RD 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

