



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

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Agenda Item Type: Resolution
No.:

Roll Call

Submitted by: Richard A. Clark, Deputy City Manager

SUBJECT—

Proposed Ten-Year Parking Lease with Wellmark for 1,000 spaces in City Parking Garages.

SYNOPSIS—

Approving the terms of a ten-year parking lease with Wellmark (David N. Southwell, Vice President, 6th and Locust, Des Moines, IA 50309) for 1,000 monthly parking spaces in three different City parking garages. The spaces will be provided as follows: 350 spaces at the 4th & Grand Garage at the regular monthly rate of \$80; 250 spaces at the 5th & Walnut Garage at the regular monthly rate of \$95; and 400 spaces at the 7th & Center Park and Ride at a reduced rate of \$30 per month for the first year, \$35 per month for the second year, and \$40 per month for the remaining years of the lease. The initial lease rates will be held constant for the first five years, then adjusted based on the lesser of: 1) the prevailing rate for comparable spaces in each garage as determined by the City Council; 2) the initial monthly rate as adjusted up or down by the percentage change in the Consumer Price Index; OR 3) the initial monthly rate as adjusted by 3% per annum. The adjusted lease rate will then be held constant for the remaining five years of the lease. At the end of the first five-year lease period, either party may terminate the lease by giving a 24-month notice in writing.

FISCAL IMPACT—

Currently, Wellmark has a total of 593 monthly parking spaces in various City parking garages, which at the existing monthly rates produces a total of \$456,060 in annual revenue. The proposed lease with Wellmark will preserve the existing annual revenue, and based on the proposed lease rates, the additional 407 spaces will provide an additional \$308,940 in year one,

\$332,940 in year two, and \$356,940 annually in succeeding years. If Wellmark had constructed their own 1,000 space garage, the City would have lost the revenue from Wellmark's 593 existing leased spaces, plus the revenue from the 407 added spaces, for a total annual revenue impact of over \$765,000.

RECOMMENDATION—

Approval

BACKGROUND—

City staff became aware that Wellmark was considering constructing a 1,000 space parking garage to consolidate their employee parking into a centralized, more convenient location to their offices in the Two Ruan Center at 6th & Locust. Because Wellmark currently has a total of 593 spaces in City garages, the potential loss of revenue to the City would have been very substantial.

Staff contacted Wellmark to see if they would be willing to consider leasing spaces in existing City garages for the additional 407 spaces needed to meet Wellmark's employee parking demand.

Based on Wellmark's willingness to consider other parking options, the City has negotiated the preliminary terms of a ten-year lease for a total of 1,000 parking spaces in three different City parking garages. The specific terms of this preliminary lease are presented below. This preliminary agreement is contingent upon execution of a formal lease document by Wellmark and the Des Moines City Council.

These 407 additional monthly parkers will fill a significant amount of the existing vacancies in the City parking garages, especially the 4th & Grand Garage, and will provide significant new revenue to the parking system. The 5th & Walnut Garage currently has a large number of monthly parkers, including 152 who were moved from the 8th & Mulberry Garage when it was demolished. A total of 105 Wellmark employees also park in this facility. After completion of the new 8th & Mulberry Garage in early 2006, the former parkers will be moved back to that facility, and the 5th & Walnut Garage will have adequate capacity for the additional leased parking for Wellmark employees.

**Preliminary Parking Lease
Wellmark and the City of Des Moines**

1. Wellmark will lease 1000 parking spaces from the City of Des Moines. These spaces will be accommodated in three garages and at the monthly lease rates per spaces specified below.

4th and Grand Garage	350 spaces	\$80.00
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5th and Walnut Garage	250 spaces	\$95.00
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Center Street Park and Ride	400 spaces	\$30.00 year one
		\$35.00 year two
		\$40.00 thereafter

2. The lease term will be 10 years.
3. All space will be leased on a non-reserved basis within each garage.
4. The lease rates will be held constant for the first five years, then adjusted at the end of the first five-year lease period based on the lesser of: 1) the prevailing rate for comparable spaces in each garage as determined by the Des Moines City Council; 2) the initial monthly rate as adjusted up or down by the percentage change in the Consumer Price Index, All Urban Consumers (1982-84) from the beginning of the lease term through the fifth year of the lease term; or 3) the initial monthly rate as adjusted by 3% per annum. The adjusted lease rate will then be held constant for the remaining five years of the lease.
5. After the five years, the City agrees to provide Wellmark with the adjusted rates for the next five-year lease term within 60 days prior to the end of the fifth year anniversary of the commencement of the lease.
6. Wellmark will have 30 days from receipt of the new rates to review the new adjusted rates.
7. Wellmark and the City agree that either party has the option to terminate the lease upon written notice given anytime during the 30 days review period identified in the paragraph above. However, a decision to terminate the lease will be made only after Wellmark or the City show a quantifiable and substantial business reason for exercising this option. In the event that either Wellmark or the City choose to exercise this option based upon the above criteria, a two year (24 month) notice to terminate must be given to the other party. This 24-month notice period shall commence at the end of the first five-year lease period. During that two year (24 month) period, the lease rates will be based on the new adjusted rates that are determined using the above methodology at the end of the first five years.