



Agenda Item:

50

COUNCIL COMMUNICATION

City Manager's Office

GENERAL INFORMATION

Agenda Date: 01/23/06
Agenda Item Type: Resolution

Communication No.: 06-043
Roll Call No.:

Submitted by: Richard Clark, Acting City Manager

SUBJECT—

Ten-Year Parking License Agreement with Wellmark for 1,000 spaces in City Parking Garages.

SYNOPSIS—

This action would approve a ten-year parking license agreement with Wellmark, David N. Southwell, Vice President, 636 Grand Avenue, 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 monthly rate of \$80; 250 spaces at the 5th & Walnut Garage at the 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 agreement. The initial 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 rate will then be held constant for the remaining five years of the license agreement. At the end of the first five-year period, either party may terminate the agreement by giving a 24-month notice in writing.

FISCAL IMPACT—

Previously, Wellmark leased a total of 593 monthly parking spaces in various City parking garages, which at the existing monthly rates produced a total of \$456,060 in annual revenue. The license agreement with Wellmark preserves this existing annual revenue, and based on the proposed 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. Wellmark has been parking in these garages and paying the additional fees since November 2004 on a month-to-month basis pending final approval of the license agreement.

Additional revenue to be derived from this agreement was included in recent projections that led to parking rate adjustments approved by Council on December 5, 2005, by Roll Call No. 05-2907.

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 renting 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 negotiated the preliminary terms of a ten-year license agreement for a total of 1,000 parking spaces in three different City parking garages. The specific terms of this agreement are presented below. At their September 27, 2004 meeting, the City Council approved the terms of this proposed agreement and authorized the City Manager to prepare a formal license agreement with Wellmark for Council approval. Wellmark agreed with the major provisions of the license, and has been parking in the three garages and paying the monthly rates since November 2004 under a month-to-month basis, pending final approval of the agreement. The final details have now been agreed upon, and the agreement is presented for Council approval.

These 407 additional monthly parkers fill a significant amount of the previous vacancies in the City parking garages, especially the 4th & Grand Garage, and 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, the former parkers will be moved back to that facility, and the 5th & Walnut Garage will have adequate capacity for the additional licensed parking for Wellmark employees.

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

1. Wellmark licenses 1,000 parking spaces from the City of Des Moines. These spaces are accommodated in three garages and at the monthly parking rates per spaces specified below.

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

2. The license term is 10 years (from November 1, 2004)
3. All spaces are licensed on a non-reserved basis within each garage.
4. The parking rates are held constant for the first five years, then adjusted at the end of the first five-year 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 license term through the fifth year of the license term; or 3. the initial monthly rate as adjusted by 3% per annum. The adjusted rate will then be held constant for the remaining five years of the license.
5. After the first five years, the City will provide Wellmark with the adjusted rates for the next five-year term within 60 days prior to the end of the fifth year anniversary of the commencement of the license agreement.
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 license agreement at the end of year seven upon written notice given anytime during the 30 days review period identified in the paragraph above. However, a decision to terminate the license 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, the parking rates for years six and seven will be based on the new adjusted rates that are determined using the above methodology at the end of the first five years.