

**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

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

**00-390**

**SYNOPSIS -**

**AGENDA:**

AUGUST 21, 2000

**SUBJECT:**

WELLS-FARGO  
FINANCIAL  
EXPANSION

**TYPE:**

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

**SUBMITTED BY:**

ERIC A. ANDERSON  
CITY MANAGER

Wells-Fargo Financial, Inc. (formerly known as Norwest Financial, Inc.), is proposing an expansion of its corporate headquarters in downtown Des Moines. The proposed expansion will include the construction of a 336,000 square foot office building to be located directly north of its existing 225,000 square foot corporate office building at 206 Eighth Street. The project would also include a proposed new 1,575 space parking garage to be constructed south of the Wells-Fargo Financial existing corporate office building. The garage location is generally described as between 8th and 9th Streets, south of Mulberry Street and north of Cherry Street. Wells-Fargo Financial estimates their total new investment in the project at about \$75 million, with a minimum taxable assessment of \$41.475 million.

Wells-Fargo Financial currently employs about 1,750 people downtown. Of these employees, about 700 work in the corporate headquarters building with the balance occupying space in several downtown locations. The proposed expansion project will allow Wells-Fargo Financial to consolidate most of its existing employees into the downtown complex and provide space for additional employment growth.

The decision to expand the Wells-Fargo Financial headquarters is a dynamic project for the downtown core. Des Moines is one of the strongest economic generators in the State of Iowa. However, the high cost of land and structured parking in the downtown make it increasingly difficult to compete for new development such as the Wells-Fargo Financial expansion project. To address these competitive disadvantages, staff is proposing an incentive package the major elements of which are outlined as follows:

- The City will provide annual economic development grants in the amount of \$750,000 per year for 20 years to help offset the cost of the structured parking. The economic development grant will be funded from tax increment revenues generated by the project.

- Tax abatement will not be available on the office building. Tax abatement combined with supplemental economic development grants equivalent to 100% of the new incremental taxes generated on the parking garage will be available for 10 years.
- The City will assemble and sell the land to Wells-Fargo Financial for the proposed parking garage at a price of \$1.7 million; the City will provide a land write-down estimated at about \$2.3 to \$2.5 million.
- It is anticipated that the project will be eligible for benefits under the State of Iowa Enterprise Zone program, which includes rebate of sales tax on construction materials estimated at about \$1.0 million.
- The City will vacate and convey at fair market value to Wells-Fargo Financial the east-west alley located directly north of their existing corporate headquarters for use in the construction of the new office building.

#### **FISCAL IMPACT -**

Because there is no tax abatement on the office building, the project will generate over \$1.45 million per year in property taxes over the first 10 years. After the tax abatement/rebate on the parking garage expires in year 10, the project will generate about \$1.8 million per year in taxes. (These numbers do not take into account any increase in assessed values over the minimum assessment amounts). The project generated tax increment revenues-although slightly less than the total tax paid-will be more than sufficient to pay the City's economic development grants of \$750,000 per year for 20 years. Therefore, the return on investment for the taxpayer is excellent.

The City's upfront investment in the project will be comprised of land acquisition, relocation, and demolition, and is estimated at about \$4 million, less the \$1.7 million paid by Wells-Fargo Financial. These expenses will be funded from TIF backed general obligation bonds and future project generated revenues.

Other cost incurred by the City will include skywalk bridges and street improvements. These expenses can be addressed as part of the City's ongoing Capital Improvement Program.

## **RECOMMENDATION -**

**1. Approve the Preliminary Terms of Agreement with Wells-Fargo Financial**

**2. Direct the City Manager and Corporation Counsel to prepare a development agreement based on the Preliminary Terms of Agreement.**

**3. Direct the City Manager to carry out the various procedural actions outlined in the Preliminary Terms of Agreement, including obtaining the necessary environmental studies and appraisals up to a cost of \$40,000.**

## **BACKGROUND -**

Wells-Fargo Financial has announced a \$75 million proposal to construct a new 336,000 square foot addition to their corporate home office and construct a 1,575 space-parking garage. Wells-Fargo Financial, a subsidiary of Wells-Fargo & Company, has been a business in Des Moines since its founding in 1897. Wells-Fargo Financial is an \$11 billion international financial services company providing direct loans to consumers, purchases sales finance contracts from retailers, and provides lease, rediscount and other commercial financing services in 46 US states, Canada, Guam, Puerto Rico, Saipan, and Central America.

With this announcement of development Wells-Fargo Financial further strengthens their commitment to the downtown area. The proposed project is to be located on the one-half block located north of its existing corporate office building at 206 - 8th Street and generally described as between 8th and 9th Street and south of Walnut. Wells-Fargo Financial will retain its existing employment in the downtown area and the expansion project will provide the company space to continue its growth. Construction is scheduled to begin mid-year 2001 and be completed by February 2002.

The costs related to the redevelopment of existing land uses combined with the costs of constructing structured parking facilities substantially increases the capital investment to develop in the City's downtown area. To compensate for these higher costs, it is necessary for the City to assist development through the exercise of urban renewal authority, land write-downs, tax

abatements, and economic development grants.

To induce Wells-Fargo Financial to construct their project in the downtown core, extensive discussions among representatives of Wells-Fargo Financial and City staff, resulted in the proposed Preliminary Terms of Agreement. This document will serve as the basic structure for the drafting of a final development agreement. The following general points outline the key features that Wells-Fargo Financial and the City would agree to undertake for the proposed project to move forward:

Wells-Fargo Financial will:

1. Construct a new 336,000 square foot expansion to their existing home office in the City's downtown core;
2. Construct a 1,575 space parking garage adjacent to the south of their existing location corporate office building;
3. Make a capital investment estimated at \$75 million, including the payment of \$1.7 million to acquire land for the proposed parking garage site;
4. Enter into a minimum assessment agreement of \$41.475 million on the land and new office building and new parking garage improvements for 20 years;
5. Make portions of the parking garage available for public use during hours when the parking is not being used by the company;
6. Enter into a standard Skywalk Agreement.

The City will:

1. Promptly commence the public processes necessary for the assemblage and conveyance of the land needed as for the Wells-Fargo Financial parking garage and, if needed, the corporate office building expansion. These action include, but are not limited to, amendments to the urban renewal plan to reflect parcels for acquisition, resolution for acquisition of property and relocation of existing uses, vacation of public rights-of-way and amendments to the Skywalk District and Plan.
2. The City will, within the limits of the skywalk ordinance, commence the extension of the public skywalk system to the site.

3. The City will approve the parking garage for tax abatement in accordance with the urban revitalization 10-year declining exemption schedule. Additionally, the City would provide supplemental economic development grants that effectively rebate 100% of the incremental increase in property taxes resulting from the project's parking garage for ten years.

4. The City will provide annual Economic Development Grants to the project in an amount of \$750,000 per year. The economic development grants are necessary to reduce the capital costs associated with the parking garage.

5. The City will assist Wells-Fargo Financial in the timely preparation, submission and processing of all necessary applications to obtain local and state approvals for a finding of eligibility and benefits under the State of Iowa Enterprise Zone program.

6. The City will assist Wells-Fargo Financial in the identification and procurement of up to 400 interim parking spaces that Wells-Fargo Financial anticipates it will temporarily lose as a result of the construction of the Martin Luther King, Jr. Parkway, the 11th-12th Street Connector, and construction of its new office expansion. Wells-Fargo Financial will bear the costs associated with the provision of interim parking spaces.

7. It is anticipated that Wells-Fargo Financial will permanently lose about 200 parking spaces resulting from the construction of the Martin Luther King, Jr. Parkway and the 11th-12th Street Connector. The City will undertake the construction of surface parking and the conveyance of said parking to Wells-Fargo Financial in exchange for all property and easements owned by Wells-Fargo Financial and needed by the City for the construction of the Martin Luther King, Jr., Parkway, and the 11th-12th Street Connector. Said parking lot containing about 150 parking spaces is to be constructed by the City and will be located east of the new 11th-12th Street Connector, between Cherry and Vine Streets, including the 11th Street right-of-way between Cherry and Vine.

All parties promise to participate in good faith efforts and in a timely manner to complete the drafting of a final development agreement containing the above described project parameters and terms and conditions.

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