

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

00-545

SYNOPSIS -

AGENDA:

NOVEMBER 20, 2000

On the November 20, 2000 Council agenda are four roll calls related to the proposed Wells Fargo Financial, Inc. corporate headquarters expansion project as follows:

SUBJECT:

WELLS FARGO
FINANCIAL, INC.
CORPORATE
HEADQUARTERS
EXPANSION

1. Approving a change in zoning from C-3A to C-3 the southern one-half of the block between Eighth and Ninth Street, Mulberry and Cherry to facilitate the proposed Wells Fargo Financial parking garage.

2. Approving the final development agreement between the City and Wells Fargo Financial, Inc.

TYPE:

3. Approving the vacation and conveyance of the east-west alley between Eighth and Ninth Streets located directly north of their existing corporate headquarters and the vacation and conveyance of all alleys located between Eighth and Ninth Streets, Mulberry and Cherry.

RESOLUTION
ORDINANCE
RECEIVE/FILE

4. Approving fair market value and authorizing the City Manager to acquire property under Iowa Code Chapter 6B for the Wells Fargo Financial corporate headquarters expansion and parking garage urban renewal project.

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

FISCAL IMPACT -

The project will generate over \$1.4 million per year in new property taxes over the first ten years. There is no tax abatement on the office building. After the tax abatement/rebate on the parking garage expires in year ten, the project will generate over \$1.7 million per year in new taxes. (These numbers do not take into account any increase in assessed values over the minimum assessment amounts.) The tax increment revenues generated solely by the project will be more than sufficient to pay the City's economic development grants for the parking garage which are to be \$750,000 per year for 20 years.

The City's up-front investment in the project will be comprised primarily of land write-down expenses that are estimated at about \$3.3 million (gross land cost of about \$5.0 million less \$1.7 million land sale proceeds). These expenses will be funded primarily from TIF backed general obligation bonds.

Other costs incurred by the City will include three skywalk bridges and street improvements. These expenses will be addressed as part of the City's ongoing Capital Improvement Program (CIP). The City will also have expenses related to the acquisition (and replacement) of land from Wells Fargo for the Martin Luther King, Jr. Parkway project. These expenses will be reflected in the CIP and the budget for Martin Luther King, Jr. Parkway.

RECOMMENDATION -

- 1. Approve the change in zoning from 3-CA to 3-C.**
- 2. Approve the final Contract for Sale of Land for Private Redevelopment Metro Center Urban Renewal Project between the City and Wells Fargo Financial, Inc., and direct the City Manager to carry out the various procedural actions required to implement the contract.**
- 3. Approve the vacation and conveyance of public alleys.**
- 4. Approve the fair market values and authorize the City Manager to carry out the needed actions to acquire property under Iowa Code Chapter 6B Condemnation for the Wells Fargo Financial, Inc. corporate headquarters expansion development project.**

BACKGROUND -

Wells Fargo Financial, Inc. 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, Inc, a member of Wells Fargo, has been located in downtown Des Moines since 1929 and with this development strengthens their commitment to the downtown area.

On August 21, 2000, by Roll Call No. 00-3526, City Council approved a Preliminary Terms of Agreement, authorized the City Manager and Corporate Council to prepare a development agreement

based on the Preliminary Terms of Agreement, and directed the City Manager to carry out various procedural actions outlined in the Preliminary Terms of Agreement, including obtaining the necessary environmental studies and land feasibility analysis.

Acquisition of Properties

The proposed site for the Wells Fargo parking garage is comprised of four different parcels under four owners. The appraisals received to date suggest that the net cost of acquisition and related activities that include relocation of commercial tenants and demolition (after sale of land to Wells Fargo for \$1.7 million) will result in a net land writedown of about \$3.3 million.

City staff are restricted in their contacts with property owners and tenants under the state's condemnation law until Council approves the project and ten days after purchase offers are made to property owners. Some property owners have waived the no contact provision in the law allowing staff to discuss how the process might work, if approved, and garner information on the number of tenants for relocation. Based on our limited contact to date, staff has estimated that the parcels proposed for acquisition are occupied by commercial tenants.

City staff have assembled a multi-departmental relocation team to work with all commercial tenants. The relocation team will be actively involved in the dissemination of information on relocation benefits, process and procedures as well as identification of alternative commercial sites within the City of Des Moines. The team's goals are to ease feelings of apprehension surrounding new development and to retain as many affected businesses within the City of Des Moines as possible.

The services provided by the team can be divided into three categories-acquisition, relocation, and site selection assistance. Property and business owners have been given the name and phone number of the contact for each area, as well as the name and number of the right-of-way staff person "coordinating" the acquisition process.

Contract for Sale of Land

From the parameters set in the Preliminary Terms of Agreement, the final development agreement has been drafted and agreed to by representatives of Wells Fargo Financial, Inc. The key features that Wells Fargo Financial and the City have agreed to undertake for the

proposed project are as follows:

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 corporate office building location.
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 for the extension of public skywalk mid-block between Eighth and Ninth Streets, Walnut and Mulberry, and south through their existing corporate headquarters building to the proposed parking garage located south of Mulberry between Eighth and Ninth Streets.

The City will:

1. The City will be obligated to assemble and convey the land needed for the Wells Fargo Financial parking garage by May 30, 2001. This will require adherence to a very tight schedule for the acquisition of the needed property. If the City defaults in meeting the land conveyance date plus a cure period, the City may be subject to reimbursement to Wells Fargo Financial of costs incurred by Wells Fargo due to the delay in construction and occupancy of the parking garage. The City will need to be especially diligent in managing the acquisition process to ensure there are no delays.

City staff have commenced the public processes necessary for the assemblage and conveyance of this land and actions to date include, but are not limited to, amendments to the urban renewal plan to reflect parcels for acquisition, review and recommendations by the Plan and Zoning Commission on the urban renewal plan amendments and vacation and conveyance of all alley public rights-of-way, review and recommendation by the Urban Renewal Board on the appropriate

and necessary use of tax increment financing funds for acquisition of properties and related activities and the use of tax increment financing funds for the provision of economic development grants to the development project, resolution for acquisition of property and relocation of existing uses and amendments to the Skywalk District and Plan.

2. The City is responsible for the costs of environmental testing. The City has received the results from the Phase II environmental testing and forwarded these results for review to the Iowa Department of Natural Resources. Based on City staff review of the Phase II report, no site environmental remediation is anticipated.

3. The City will, within the limits of the skywalk ordinance and existing skywalk agreements, commence the extension of the public skywalk system to the site.

4. The City will approve the parking garage for tax abatement in accordance with the urban revitalization ten-year declining exemption schedule. Additionally, the City will provide economic development grants in annual amounts equal to the incremental tax liability resulting from the new value-added improvements not abated under the urban revitalization declining exemption schedule. The combined value of tax abatement plus the economic development grant is limited to the incremental taxes resulting from the construction of the parking garage. The net effect is to provide 100 percent tax abatement upon the parking garage for ten years.

5. The City will provide semi-annual economic development grants to the project in an amount of \$375,000 per semi-annual payment not to exceed a total of \$15 million. The economic development grants are necessary to reduce the capital costs associated with the parking garage. The grants will be disbursed to Wells Fargo in 40 semi-annual installments upon the Wells Fargo's certification that it is not in default under the development agreement.

6. For Wells Fargo to remain entitled to receive the semi-annual installments of the economic development grant and the annual installments of the supplemental economic development grants, they must comply with the following conditions: (a) payment of property taxes on the corporate headquarters and parking garage, (b) maintain the improvements (office building and parking garage) in substantial compliance with the development plans and if damaged by fire or casualty, repair the improvements to compliance with the approved development agreement, (c) the improvements must continue to be primarily used as a home or regional office for Wells Fargo

Financial, Inc., its affiliates or related businesses, (d) not be in material breach of the Parking Agreement. If Wells Fargo is not in compliance with any of these conditions, the City shall have no obligation to pay any economic development grant installment that comes due prior to Wells Fargo Financial returning to full compliance.

7. For Wells Fargo to further remain entitled to receive the semi-annual installments of the economic development grant and the annual installments of the supplemental economic development grants they must comply with the following employment conditions: (a) Within one year after issuance of the Certificate of Completion be the principal place of employment for no less than 1,110 full-time employees; and (b) comply with the hourly wage requirements set forth in the Enterprise Zone Agreement between Wells Fargo Financial, the City, and the State of Iowa. If Wells Fargo Financial is not in compliance with these employment requirements on December 31 of any given year for the ten years following the issuance of the certificate of completion, then the City may reduce the amount of the grant installments due in the following calendar year.

8. The City will assist Wells-Fargo Financial in the identification and procurement of up to 500 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.

9. 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 approximately 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.

Board Actions

The Urban Renewal Board, at its October 17, 2000 meeting, endorsed the general terms of the proposed agreement between the City and

Wells Fargo Financial, Inc. which proposes use of tax increment funds for the acquisition of land and economic development grants for the Wells Fargo Financial corporate headquarters expansion project.

The Plan and Zoning Commission, at its October 19, 2000 meeting, took affirmative action in recommending to City Council the vacation and conveyance of the east-west alley from Eighth to Ninth Streets between Walnut and Mulberry Streets and all alleys in the block between Mulberry and Cherry Streets from Eighth to Ninth Streets.