

**CITY COUNCIL
COMMUNICATION:**

03-560

AGENDA:

NOVEMBER 21, 2003

SUBJECT:

WELLS FARGO
FINANCIAL
EXPANSION

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

ITEM _____

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

SYNOPSIS —

Council is asked to approve a preliminary agreement with Wells Fargo Financial (WFF), which provides for construction of a new office building on Walnut Street between 8th and 9th Streets. The building will be about 360,000 square feet (SF). The expansion will accommodate the addition of about 1,000 new employees. The preliminary agreement calls for the City to provide certain economic development assistance as outlined in the preliminary agreement. The preliminary agreement also contemplates the construction by Employers Mutual Company (EMC) of a new parking garage for their own employees to replace surface parking lots located on land to be sold to Wells Fargo. The proposed project represents yet another major commitment to the downtown by a strong national corporation that will result in added tax base and new jobs.

A letter from Thomas P. Shippee, President and Chief Operating Officer, Wells Fargo Financial, dated November 20, 2003, together with the preliminary Terms of Agreement are attached to the roll call.

FISCAL IMPACT —

The new building will generate about \$1.6 million in new taxes for the City, county, school district, and the other taxing jurisdictions beginning in year one. Over the first 20 years, the project will result in \$33.8 million in new taxes assuming 1 percent bi-annual increases in assessed values over the period. The proposed economic development grants to the project over the same 20-year period total \$10.125 million. Therefore, the project will generate net new taxes in the amount of \$23.67 million in total taxes over the same 20-year period. (The economic development incentives are provided through Tax Increment Financing (TIF), and thus no tax abatement is provided.)

Other project costs include:

- One Skywalk Bridge - \$500,000
- Relocation Assistance - \$200,000

The City's parking system will incur a cost to demolish the existing 8th and Mulberry garage and to construct a replacement facility. The demolition and replacement will cost about \$9 million. An expansion of the Mulberry garage has already been included in the Capital Improvement Program (CIP) due to the age and obsolescence of the facility. With the necessary and expected increases in parking rates, the parking system will be able to fund this new garage.

Additional costs will be incurred for traffic improvements to accommodate the

**CITY COUNCIL
COMMUNICATION**

03-560

NOVEMBER 21, 2003

PAGE TWO

additional traffic in the vicinity of the project, as well as the paving of parking lots and provision of shuttle services. These costs will be determined prior to finalizing the contract with Wells Fargo.

RECOMMENDATION —

Approve the preliminary Terms of Agreement with WWF, and authorize the City Manager and Corporation Counsel to prepare a formal agreement with Wells Fargo for Council's consideration by not later than December 22, 2003. In addition, it is recommended that Council authorize staff to provide relocation assistance in accord with the City's relocation policy to the tenants of the Davidson building after Wells Fargo has extinguished any leasehold interest.

Staff will also endeavor to provide for Council's consideration a preliminary agreement with EMC regarding the sale of City property and related actions necessary for the proposed EMC parking garage. If possible, this will be included on your agenda for the Council meeting of December 8, 2003.

BACKGROUND —

The preliminary Terms of Agreement includes the following provisions:

- WFF will build a new office building of approximately 360,000 SF. 1,000 new jobs will be added over the next five to ten years.
- Land assemblage is the responsibility of WFF. The land needed for the project includes the property owned by Federal Home Loan Bank (FHLB) on the north side of Walnut between 8th and 9th Streets. Also, WFF intends to acquire from EMC the two blocks located between Cherry Street and Martin Luther King, Jr. (MLK) Parkway, 8th to 9th Streets.
- The City will make available about 435 parking spaces on various City-owned lots and parking facilities. Shuttle services will be provided. WFF will pay for the parking (\$40 per space per month for surface lots, and \$50 per space per month for spaces in the Center Street Park and Ride).
- The City will provide annual economic development grants in the amount of \$500,000 for 20 years, plus \$25,000 per year for five years to assist in the cost of the new art center annex located in the Wells Fargo office building at 9th and Walnut. The amount of the annual economic development grants will vary depending on the size of the building.
- A minimum assessment agreement is required assuming \$100 per square foot. For example, a 360,00 square foot building will have a

**CITY COUNCIL
COMMUNICATION**

03-560

NOVEMBER 21, 2003

PAGE THREE

minimum assessment of \$36 million.

- The City is required to pay relocation assistance to the tenants of the Davidson building, which has been acquired by WFF for the project. These tenants include Schaffer's Bridal Shop, which has decided to relocate to the East Village.
- The agreement contemplates that the City will complete the study on the Walnut Transit Mall. This study will address the future of the facility as well as land use patterns along the street.
- If the FHLB decides to locate their corporate office in leased space in the new WFF building, the City will be required to relieve FHLB and WFF, as successor owner of the property, of the \$585,000 penalty contained in the March 28, 2001, land sale contract with the City. (The penalty was meant to encourage FHLB to build their corporate headquarters on this site. If FHLB leases space in the new WFF building, they will have substantially complied with the intent of the land sale contract.)

