

**CITY COUNCIL
COMMUNICATION:**

03-575

AGENDA:

DECEMBER 8, 2003

SUBJECT:

CONSTRUCTION
OF NEW EMC
PARKING GARAGE
AND DEMOLITION
OF CITY GARAGE
LOCATED AT 8TH
AND MULBERRY

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

ITEM _____

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

SYNOPSIS —

On the December 8, 2003 City Council agenda is a roll call to approve preliminary terms of agreement with Employers Mutual Casualty Company (EMC) (717 Mulberry Street, Bruce G. Kelley, President and Chief Executive Officer) related to the construction of a new EMC parking garage on the site of the existing City-owned garage at 8th and Mulberry. The preliminary agreement calls for the City to demolish the existing City-owned garage and sell half of the block to EMC for the construction of a private garage.

On November 21, 2003, by Roll Call No. 03-2650, City Council approved the preliminary terms of agreement with Wells Fargo Financial (WFF) for the construction of a new office building on Walnut Street between 8th and 9th Streets. Although the EMC and WFF projects are separate, they share common goals and the two companies are cooperating to meet each other's development needs. WFF intends to purchase two parking lots from EMC to accommodate increased parking needs associated with its new building on Walnut. EMC, which does not currently offer covered parking to its employees, wishes to replace these surface lots with a parking garage adjacent to its corporate headquarters. One of the terms outlined in the WFF Preliminary Terms of Agreement was the demolition of the 8th and Mulberry garage.

FISCAL IMPACT —

The City's parking system will incur a cost to demolish the existing 8th and Mulberry garage and to construct a replacement facility, should one be deemed necessary. The demolition will cost approximately \$500,000 and replacement will cost approximately \$8.5 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. The Traffic and Transportation Division of the Engineering Department has identified approximately \$1.64 million in repairs that may be necessary to keep the existing ramp in service for another 10–15 years.

Although it is recommended that the CIP include funding for a new garage, the final decision on constructing the new garage will be dependant on an analysis of the supply and demand characteristics of the parking system. Further, any decision must be in compliance with the City's obligation under the parking system revenue bond covenants.

The City will sell one-half of the block bounded by Mulberry, Cherry, 7th, and 8th at a price to be determined by an independent appraisal. Proceeds will be utilized to offset demolition costs and additional costs that may be incurred for traffic improvements to accommodate the additional traffic generated in the vicinity.

The subject block is currently owned by the City and does not generate property tax revenue. When owned and developed by EMC, it is estimated that the new garage will generate an estimated \$230,000 per year in property tax revenue, after the ten year declining tax abatement ends.

EMC anticipates adding up to 100 new jobs over the next three years. The City will provide a forgivable loan(s) in the amount of \$1,500 per job as these jobs are added. The total amount of the forgivable loan(s) is \$150,000; EMC must retain these jobs for a period of ten years or the funds must be repaid.

RECOMMENDATION —

Approve the preliminary terms of agreement with EMC, and authorize the City Manager to prepare a formal agreement with EMC for Council's consideration.

BACKGROUND —

EMC desires to construct and own a parking garage with approximately 900 spaces on the Mulberry site. The City needs to retain one-half of the property in order to allow, if necessary, the construction of a parking garage that will initially have about 600 spaces and then be expandable by an additional 300 spaces at some future date. The proposed preliminary agreement is outlined in the letter from City Manager Eric Anderson to Don Klemme, EMC, which is attached to the roll call. EMC will provide written acceptance of Mr. Anderson's letter prior to Council's consideration of this item.

It is understood that this preliminary agreement is not binding on either party until the City Council and the EMC Board of Directors approve a final agreement.

Attached is a map which shows the proposed locations.

Attachment

