

**CITY COUNCIL
COMMUNICATION:**

03-629

AGENDA:

DECEMBER 22, 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 Redevelopment 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 Agreement calls for the City to provide certain economic development assistance as outlined in the Agreement. The Agreement also contemplates the construction by Employers Mutual Casualty 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.

The Redevelopment Agreement is attached to the roll call. The Agreement will be presented to WFF's Board of Directors in January 2004.

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 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 as part of a traffic analysis currently being prepared.

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RECOMMENDATION —

Approve the Development Agreement with WFF.

Staff will also provide for Council's consideration the formal agreements with EMC regarding the sale of City property and related actions necessary for the proposed EMC parking garage. Such agreements shall be forwarded to Council at the earliest date possible.

BACKGROUND —

On November 21, 2003, by Roll Call No. 03-2650, Council approved the preliminary terms of agreement with WFF and authorized the City Manager to prepare a formal agreement with WFF. Council also authorized the Real Estate Division of the Engineering Department to assist the tenants of the Davidson Building with relocation.

On December 8, 2003, by Roll Call No. 03-2746, Council approved the preliminary terms of agreement with EMC for the demolition of the City-owned garage at 8th and Mulberry and transfer of City-owned land to EMC.

The Development 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 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 435 parking spaces in the City-owned surface lot in the vicinity of MLK Parkway and 11th Street. The City will retain the right to relocate these spaces to other locations should the need arise. Shuttle services will be provided. WFF will pay for the parking (\$40 per space per month for surface lots).
- 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 minimum assessment of \$36 million.

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- 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.
- The FHLB will enter into an agreement with WFF to locate their corporate office in leased space in the new WFF building. Per this agreement, the City will 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.)

