



Agenda Item:

35A

COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 03/22/04

Communication

No.: 04-148

Agenda Item Type: Resolution

Roll Call

No.:

Submitted by: Richard A. Clark, Deputy City Manager

SUBJECT—

Resolution approving the First Amendment to Contract for Sale of Land for Private Redevelopment by and between the City of Des Moines and Federal Home Loan Bank of Des Moines ("FHLB")

SYNOPSIS—

On March 28, 2001, Council approved a Contract with FHLB for the sale of City-owned property and construction of a new office building containing at least 150,000 square feet by FHLB within five years. The sale price of the property was \$1,035,000, of which \$450,000 was paid to the City at closing, with the balance (\$585,000) to be waived upon construction of FHLB's new building.

Wells Fargo Financial, Inc. ("WFF") now desires to construct an office building on the site previously intended for FHLB's office. FHLB intends to sell this property to WFF and WFF will in turn construct more space than required for its own needs and FHLB will be required to enter into a lease for this space from WFF. The building will contain approximately 360,000 – 400,000 square feet.

The Amendment will relieve FHLB of the obligation to pay the City the balance of the land purchase price (\$585,000) and relieve them of the obligation to construct a 150,000 square foot building.

FISCAL IMPACT—

If approved, FHLB will not be required to pay the \$585,000 balance for failing to construct a new office building.

At the time of the Contract's approval, it was estimated that the new FHLB building would generate approximately \$645,000 per year in property taxes. Annual property tax generation from the WFF building is estimated at \$1.6 million.

On September 9, 2002 the City entered into a Memorandum of Agreement with FHLB to provide a \$250,000 grant to FHLB to facilitate the sale of FHLB's existing building to the Des Moines Public School District. The amount is payable when building permits are issued to FHLB. This clause will no longer be applicable if FHLB transfers the property to WFF. The Amendment accelerates the \$250,000 payment due to FHLB from the City. Interest on the amount due to FHLB has been accruing at 2% annually since February 14, 2003. The accelerated payment of this amount will relieve the City of any additional interest accrual charges.

RECOMMENDATION—

Approval

BACKGROUND—

On March 28, 2001, Council approved a Contract for Sale of Land for Private Redevelopment by and between the City of Des Moines and Federal Home Loan Bank of Des Moines. Under the terms of this agreement, the City agreed to sell City-owned property at 9th and Walnut to FHLB. The Contract obligated FHLB to construct a 150,000 square foot office building on the site.

On September 9, 2002, by Roll Call 02-2173, Council passed a resolution approving a Memorandum of Agreement with Federal Home Loan Bank. The Memorandum of Agreement provides for the payment of a grant in the amount of \$250,000 by the City to FHLB upon sale of their existing building to the School District and construction of a new corporate headquarters by FHLB.

On December 22, 2003, by Roll Call 03-2898, Council approved a resolution approving a Redevelopment Agreement with Wells Fargo Financial, Inc. ("WFF") for the expansion of its home office facility. WFF intends to construct a 360,000 – 400,000 office building on land currently owned by FHLB. FHLB intends to sell this land to Wells Fargo Financial and lease office space from WFF in the new building. Under the terms of this Redevelopment Agreement, one of the precedent conditions to WFF's obligations included an amendment to the Contract for Sale of Land for Private Development between the City and FHLB providing waiver of FHLB's \$585,000 payment to the City.