



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 07/21/04

Communication

No.: 04-354

Agenda Item Type: Resolution

Roll Call

No.:

Submitted by: Richard Clark, Deputy City Manager

SUBJECT—

Setting date of public hearing for sale of land to Employers Mutual Casualty Company (EMC), plans and specifications for a public parking garage, and Lease Purchase Agreement between the City and EMC.

SYNOPSIS—

On March 8, 2004, by Roll Call 04-131, Council approved a Letter of Intent with EMC outlining the terms under which the City will raze the public garage at 8th and Mulberry and sell the block to EMC. EMC will then construct two 900± space parking garages; one for its private use and another which the City will then acquire from EMC through a Lease Purchase Agreement (LPA). The Letter of Intent called for both parties to negotiate and prepare formal agreements related to this project prior to August 1, 2004.

Council is asked to set July 28, 2004 as the date of public hearing for three items: the sale of land to EMC, approval of plans and specifications for a public parking garage, and the Lease Purchase Agreement between the City and EMC.

FISCAL IMPACT—

Total project costs, including land, demolition, architecture, construction-period financing costs and construction will not exceed \$15,632,112. When the Letter of Intent was approved on March 8, 2004, staff presented Council with an estimate of \$13,862,000. Significant increases in worldwide steel and cement prices are primarily responsible for the increase. Despite these cost increases, efficiencies gained by partnering with EMC's garage construction are allowing the

City to realize a 20% savings when compared to building the garage separately. Through the LPA, the City will own the public garage debt-free in just 8 years versus the 20-year financing typically utilized for parking structures.

The project's total cost breaks out as follows:

Asbestos Abatement and Demolition: \$550,000 (\$47,650 Approved by Roll Call 04-321, 2/9/04 and

\$343,850 Approved by Roll Call 04-651, 3/22/04, the additional \$158,500 will allow for demolition of the skywalk vertical access and demolition of the remaining foundation system.)

Design: \$800,000 (\$600,000 Approved by Roll Call 04-515, 3/8/04, the

additional \$200,000 is for construction phase services and testing.)

New Garage Construction: \$12,799,402
Land Repurchase: \$1,116,746 (Includes \$2,282 for closing costs)
Construction Period Interest: \$365,964

Total Project Cost: \$15,632,112

The City will pay for the garage with \$2,510,298 of land sale proceeds, \$3,820,000 of unencumbered parking system enterprise funds currently on hand, and the remainder will be amortized pursuant to the terms of the LPA and will be paid through parking system enterprise funds. During the 8-year term of the LPA, TIF funds will be used to maintain the parking system's \$2M cash reserve. Anticipated TIF transfers are as follows: FY 06-07 \$150,000, FY 07-08 \$600,000, FY 08-09 \$500,000, FY 09-10 \$450,000, FY 10-11 \$200,000, FY 11-12 200,000. After the LPA has expired, it is proposed that surplus funds of the parking system in the amount of these transfers will be transferred to an appropriate fund to be used for TIF purposes. These projections conservatively assume the new garage will serve an average of 750 parkers with 900 spaces.

The above construction cost includes \$566,668 for an additional stairwell to enhance pedestrian vertical access to the public garage. Since this stairwell is not required by building code, it will be value-engineered and will be eliminated from the project's scope if its cost cannot be reduced by at least 50%.

RECOMMENDATION—

Approval

BACKGROUND—

On December 22, 2003, by Roll Call No. 03-2898, Council approved a Redevelopment Agreement with Wells Fargo Financial, Inc. (WFF) for expansion of its home office. As part of

that expansion, WFF intends to purchase two surface parking lots from EMC. EMC then intends to build a parking garage to accommodate this lost parking supply.

On December 8, 2003, by Roll Call 03-2746, Council approved preliminary terms of agreement with EMC and directed the City Manager to negotiate terms and prepare formal agreements with EMC. In accordance with the preliminary terms of the agreement, EMC intends to construct a private parking garage and the City expressed an intent to construct a separate public parking garage on the 8th and Mulberry block.

On March 8, 2004, by Roll Call 04-131, Council approved a Letter of Intent with EMC outlining the terms under which the City will raze the public garage at 8th and Mulberry and sell the block to EMC. EMC will then construct two parking garages; one for its private use and another which the City will then acquire from EMC through a Lease Purchase Agreement (LPA).

On March 22, 2004, by Roll Call 04-651, Council approved demolition of the existing City-owned parking garage at 8th & Mulberry. Demolition has been substantially completed.

The City Manager recommends construction of an approximate 900-space replacement public garage at this location. This garage will serve as the primary parking for tenants of the Financial Center, Midland Building, and Fleming Building. This replacement garage will also play an important role in the potential residential, retail, or office redevelopment of other properties, including the Younkers Building. The owner of the Younkers Building auctioned this property on March 18, 2004 and the new owner will close on the building later this summer. The City has also received strong interest from existing companies and individuals who parked in the old 8th & Mulberry garage to park in the new garage when it is rebuilt. While there are other new private parking garages, the 8th & Mulberry Garage is the only public parking garage in this area to provide daily parking for the general public. This daily parking serves the customer needs of the Polk County Courthouse and many other private businesses in this section of downtown.

The design and construction of two separate facilities in such a confined area is an intricate process. The City and EMC have determined that it is in the best interest of both parties to have the garages designed concurrently by the same architectural firm in order to coordinate items such as skywalk access, ingress and egress, and construction staging. EMC, in consultation with the City, has selected Brooks Borg Skiles Architecture Engineering LLP (BBS) (Robert J. Mathieu, AIA, Managing Partner, 317 6th Avenue, Suite 400, Des Moines, IA 50309) to design the garages.

EMC will utilize a design-build approach for construction of the garages. The design-build approach is particularly effective in projects with aggressive timelines and will allow EMC to begin construction during late summer and complete construction of their garage by December 2005 to meet Wells Fargo Financial's deadline for assuming ownership of the EMC lots. The City garage is expected to be completed approximately two months after the EMC garage, based on the staging necessary to build the two garages on a single block. If the City did not participate with EMC to develop the garages jointly, the City's overall construction costs would increase by an estimated 20%.

On May 20, 2004, the City Plan and Zoning Commission unanimously found the project to be in conformance with the 2020 Community Character Plan. The Urban Design Review Board unanimously approved the project's design on June 1, 2004.

City staff has negotiated a Lease Purchase Agreement (LPA) with EMC for construction of the new public parking garage. The LPA will provide for the most efficient and cost-effective construction possible. In addition to losing the economies of scale of a larger project, the concurrent construction of two garages by separate contractors is not physically feasible on this confined site. The presence of the 8th Street Viaduct along the western edge of this site further hampers the logistics of construction in this location. The LPA between EMC and the City for construction of the public parking garage will permit EMC to construct both the public and private garages on the block and realize substantial cost savings for both parties. Under the terms of the LPA, the City will pay EMC to construct the public parking garage.

The LPA provides an eight-year lease term with full payment and ownership of the public parking garage at the end of such term. The City will make payments on the lease-purchase agreement from the net revenues of the parking system enterprise supplemented with tax increment fund revenues. The 5% interest on the LPA payments is comparable to the market rates the City would pay for the issuance of parking revenue bonds to construct the public parking garage. The LPA transaction will also avoid over \$100,000 of bond issuance expenses and the borrowing of an additional \$750,000 to establish a debt service reserve.

The City will initially sell the entire 8th and Mulberry block to EMC for the fair market value. Following execution of the LPA and construction of the public parking garage by EMC, the City will have all rights of possession and operation of the public parking garage. At the end of the 8-year LPA term, the City will have complete ownership of the public parking structure improvements and underlying ground.

