


<p style="text-align: center;"><b>Council</b></p> <p style="text-align: center;"><b>Communication</b></p> <p style="text-align: center;">Office of the City Manager</p> 	<b>Date</b>	May 8, 2006
	<p><b>Agenda Item No.</b> 23</p> <p><b>Roll Call No.</b> <u>06-</u></p> <p><b>Communication No.</b> <u>06-245</u></p> <p><b>Submitted by:</b> Merrill Stanley, Assistant City Manager/Finance Director and Jeb Brewer, City Engineer</p>	

### **AGENDA HEADING:**

Approving amendment to Lease Purchase Agreement (LPA) with Employers Mutual Casualty Company (EMC) for the construction of a parking garage located at 8<sup>th</sup> and Mulberry Streets.

### **SYNOPSIS:**

Approval of amendment to the LPA with EMC for the construction of the 8<sup>th</sup> and Mulberry parking garage to revise the payment schedule and acknowledge a change in the commencement date.

### **FISCAL IMPACT:**

Amount: \$300,000 estimated additional interest cost over the eight-year term of the LPA.

Funding Source: FY2007 Operating Budget, Parking Enterprise Fund – Operations – EN051 ENG100701, page 233.

### **ADDITIONAL INFORMATION:**

At the December 5, 2005 City Council meeting, an ordinance was adopted that set rates in the Parking System through January 1, 2009. One of the premises upon which those rates were based is that the LPA with EMC would be amended to postpone principal payments on the lease until June 1, 2008. The June 2008 date was chosen due to the greater availability of Tax Increment Funds (TIF) to assist with lease payments, allowing parking rates to be stabilized. Staff has been working with EMC representatives to work out the details of such an arrangement.

The original lease agreement was set at an interest rate of 5%. The originally scheduled principal payments due on June 1, 2006 and June 1, 2007 totaled \$1,584,265. The amended agreement with EMC would have the City pay an annual interest rate of 5% on the \$8,289,848 portion of the lease that is not being deferred. For the \$1,584,265 deferred portion, the amended agreement sets an interest rate equal to the 10-year Treasury Note as of August 15, 2006, plus 150 basis points, or 6%, whichever is greater. At today's prices, that rate would be 6.6%. Separate lease payment schedules labeled Part A (for the non-deferred payments at the original 5% rate) and Part B (for the deferred portion at the 6.6% rate) are shown in a revised Exhibit B to the LPA. The increased interest cost to the City is due to deferring the

two principal payments and to the slightly higher interest rate. Typically, financing of garages extends over a 20-year period. Even with the deferral of the two principal payments, this garage will be paid for 10 years sooner than a typical garage, resulting in significant interest savings.

The amendment also revises the date for completion of the parking garage from March 31, 2006 to August 15, 2006. The LPA establishes EMC as the party responsible for design and construction of both the City and the EMC parking garages. EMC has requested an extension to the completion date, and staff concurs with its reasonableness and justification. The extension in the completion date is necessary due to a number of factors including the following: delays in the design/build process and the complexity of building both garages on a limited site, certain material delivery and inspection requirements, and difficulty in bringing electrical utility service to the site due to extensive utility work in the downtown area for other construction projects.

The delay will mean a reduction in revenue from parking fees but also avoid some operating costs. The core of monthly parkers from the old 8<sup>th</sup> & Mulberry Garage have been moved to other City garages, and are still paying the monthly fee. This creates a high occupancy level in the overall parking system, which limits the ability to take in additional daily or “transient” parkers. However, the summer months are typically a slower occupancy time for the parking garages, as more people are on vacations or otherwise not at work, and people are willing to walk longer distances outside the skywalk system. The August 15<sup>th</sup> date will still allow time to move monthly parkers back to the new 8<sup>th</sup> & Mulberry Garage and to sell new spaces for the fall and winter market at all of the City garages, resulting in only a small impact to the overall parking system revenue projections.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: December 5, 2005

Roll Call Number: 05-2907

Action: Amending Parking Rates. ([Council Communication No. 05-693](#)) Moved by Hensley that this ordinance be considered and given first vote for passage. Motion Carried 6-1. Nays: Brooks.

Date: July 26, 2004

Roll Call Numbers: 04-1644 through 04-1646

Action: Items pertaining to the construction of a joint parking garage project with Employers Mutual Casualty Company (EMC): Skywalk Agreement, Economic Development Loan Agreement, Agreement for Professional Services between the City and Brooks Borg Skiles Architecture Engineering LLP, and three public hearings for sale of land to EMC, plans and specifications for a public parking garage, and Lease Purchase Agreement between the City and EMC. ([Council Communication No. 04-383](#)) Moved by Hensley to adopt. Motions Carried 5-2.

#### **BOARD/COMMISSION ACTION(S): NONE**

Date:

Roll Call Number:

Action:

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Acceptance of the 8<sup>th</sup> and Mulberry Parking Garage.