

 Council Communication Office of the City Manager	Date	August 21, 2006
	Agenda Item No. 52 Roll Call No. <u>06-</u> Communication No. <u>06-539</u> Submitted by: Merrill Stanley, Deputy City Manager	

AGENDA HEADING:

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

SYNOPSIS:

Approval of the Commencement Date Agreement, Exhibit C to the LPA, which was the financing mechanism used for the construction of the 8th and Mulberry parking garage, marking the date the city began using the garage for public parking. Project cost and financing amounts included in the agreement are still estimated, with final cost amounts to be determined prior to the end of 2006. The garage is complete to allow for parking, but there remain some relatively minor items that still to be completed. Approval of the Commencement Date Agreement also amends Exhibit B, which is the repayment schedule, to the LPA with EMC for to revise the payment schedule based on the latest estimate of costs as of August 15, 2006.

FISCAL IMPACT:

Amount: No additional cost related to this action. The full cost of construction financed by the Lease Purchase Agreement is approximately \$14,600,000 plus interest expense of \$2,506,770.

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

ADDITIONAL INFORMATION:

A Lease Purchase Agreement was the financing mechanism used to finance the construction of a public parking garage at the corner of 8th and Mulberry. In May, 2006, in an effort to minimize parking rate increases, the City Council approved an amendment to the Lease Purchase Agreement (LPA) with Employers Mutual Casualty Company (EMC) to defer the first two principal payments of the original repayment schedule. That amendment included a provision to base a portion of lease interest on the rate of the 10-year Treasury Note as of the Lease Commencement Date, August 15, 2006, plus 1.5%. The 10-year Treasury Note rate on August 15 was 4.94%, so under the terms of the agreement, the addition of 1.5% would result in an interest rate on Part B of the lease of 6.44%. Part A of the lease remains at 5%.

The LPA also requires the completion and execution of Exhibit C, the Commencement Date Agreement, which includes a statement of final project costs as of substantial completion of construction. Exhibit C has been completed with the best information available today on project costs, with the

acknowledgement that there will be further adjustments to these amounts. We expect to return to City Council prior to the end of the calendar year, after all construction related expenses have been submitted and City and EMC engineers have agreed on final project costs. The interest rate and repayment terms are not subject to further changes, although the annual payment amount will change as the project cost changes.

The City has taken possession of the new garage to accommodate monthly parkers beginning on August 15, and transient parkers on August 21. Accordingly, it is now appropriate to approve and execute the Commencement Date Agreement.

PREVIOUS COUNCIL ACTION(S):

Date: May 8, 2006

Roll Call Number: 06-898

Action: [Amendment](#) to Lease Purchase Agreement with Employers Mutual Casualty Company, for the construction of a parking garage at 8th and Mulberry Street. ([Council Communication No. 06-245](#))

Date: December 5, 2005

Roll Call Number: 05-2907

Action: Approved New Parking Rates by adopting Ordinance #14,519. ([Council Communication No. 05-693](#))

BOARD/COMMISSION ACTION(S):

Date:

Roll Call Number:

Action:

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Approval of final Commencement Date Agreement and Exhibits B & C.