

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	March 21, 2016
	Agenda Item No.	46
	Roll Call No.	<u>16-499</u>
	Communication No.	<u>16-161</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Setting date of public hearing on the proposed plans, specifications and estimated cost of the Lease Purchase of the East 2nd and Grand Parking Garage pursuant to a proposed lease purchase agreement between the City of Des Moines and 101 East Grand Parking, LLC and West Bank, fixing a date for the public hearing on April 11, 2016, approving Addendum to Lease Agreement with Atrium Finance III, LP for relocation of parking for Embassy Suites, consenting to Plat of Survey, approving Declaration of Covenants and Easements, and approving Construction Access and Easement Agreement.

SYNOPSIS:

On December 21, 2015, by Roll Call 15-2185, Council approved preliminary terms of a master agreement for redevelopment of the City Hall parking lot. On March 7, 2016, by Roll Call No.16-0413, Council approved the competitive process for sale and redevelopment of the City-owned parking lots east of City Hall; received proposal from 101 East Grand Parking, LLC for redevelopment of the property and scheduled the hearing on the sale of the property for April 11, 2016.

Council is asked to set April 11, 2016 as the date of public hearing, as required by Iowa Code, utilizing the method of financing referenced below, for approval of:

- Plans, specifications, form of contract and estimated cost of lease purchase for a public parking garage, and
- Lease Purchase Agreement between the City of Des Moines, 101 East Grand Parking, LLC and West Bank.

On March 7, 2016 by Roll Call No. 16-0413 City Council also set April 11, 2016 as the date of public hearing for the sale of land to 101 East Grand Parking, LLC.

Recommend Council approval of the Construction Access and Easement Agreement to facilitate Developer’s construction and the timely completion of the Parking Improvements in anticipation that the sale of the Parcels to Developer will ultimately be approved.

Recommend Council approval of the Addendum to Lease Agreement with Atrium Finance III. The current Embassy Suites parking lease allows for relocation of the hotel’s parking spaces. The Addendum memorializes the new location, as agreed upon by hotel and City staff, to include a temporary lot immediately east of City Hall, as well as metered spaces on the Locust and Walnut bridges during the garage construction.

FISCAL IMPACT:

Amount: Authorization is not to exceed \$25.7 million for a lease purchase agreement for a lease purchase acquisition of the City Hall Parking Ramp. Interest costs related to the financing will be determined when the City accepts the project and rates are set. The current estimated costs are \$24,750,166.

Funding Source: Parking System Revenues will be used to secure financing/pledged for payments.

ADDITIONAL INFORMATION:

Recommend construction and method of financing of the City Hall Parking Garage, also known as “East 2nd and Grand Parking Garage”, to be constructed for the City of Des Moines that will be located where the current City Hall and adjoining Embassy Suite parking lot exists, all in the block bounded by Robert D. Ray Drive, East 2nd Street, East Grand Avenue and East Locust Street, will accommodate approximately 535 vehicles, and will be a post-tensioned cast-in-place concrete garage with six (6) levels including the ground level. The parking garage will include entrances and exits on both East 2nd Street and East Grand Avenue.

The East 2nd and Grand Parking Garage will include the following:

- Removal of the existing asphalt parking lot and site grading.
- Underground storm water detention.
- Cast-in-place concrete stairwells, elevators and elevator lobbies on the east and west sides of the structure.
- Glass curtain walls on the east and west elevation.
- Parking control equipment, signage and pavement markings, cable barriers, storage, generator and IT rooms, natural gas fueled generator to power the elevators, parking control equipment and emergency lighting, solar panels. Lighting shall be LED.
- Construction of public storm and sanitary sewers, paved driveways and sidewalks, storm and sanitary sewer services.
- Installation of electrical and water services.

All in accordance Plan File Nos. 562-008/103. The proposed plans, specifications, form of contract and estimated total cost of the improvements are available for public inspection in the Des Moines City Engineer’s Office.

The lease purchase acquisition agreement will not exceed \$25.7 million. The actual project construction cost estimate has been independently reviewed and was found to be reasonable. The estimated project cost totaling \$24,750,166 includes property, professional services, construction financing, and construction as follows:

Land acquisition	\$ 2,269,392
(transaction necessitated by the LPA financing structure, results in a net zero {0} land cost to the City)	
Garage Construction	\$18,333,000
Allowances	\$ 765,865
(parking control equipment, rubble and contaminated soil removal, etc)	
Soft Costs	\$ 3,231,909

(architecture, engineering, traffic and parking studies, finance fees, development fees, etc)
Special Inspections \$ 150,000

City staff has negotiated a Lease Purchase Agreement (LPA) with 101 East Grand Parking, LLC and West Bank for construction of a new public parking garage. The LPA will provide for the most efficient and cost-effective construction to serve the parking needs of the planned development, City Hall, Embassy Suites and general East Village area. Under the terms of the LPA, the City will lease purchase the parking garage once constructed. West Bank will provide construction financing and accept assignment of the LPA following construction of the parking garage.

The LPA provides a 20 year lease term with full payment and City ownership of the public parking garage at the end of such term. Following execution of the LPA and construction of the public parking garage, the City will have all rights of possession and operation of the public parking garage. The LPA includes a substantial completion date of October 15, 2017.

The annual projected revenue for the East 2nd and Grand Parking Ramp is initially \$300,000 and increases to \$500,000 in 2023. Additional growth and revenue is possible. The annual operating costs are estimated to be \$160,000. The first years of the lease purchase agreement would be interest payments only, allowing the Parking System to retire other current debt. After that, principal and interest payments would be approximately \$2 million annually, depending on final project cost and interest rate and funded through Parking System revenues.

The LPA provides the City Manager with authority for change orders that increase the City cost by \$25,000, consistent with current City policy. City Council will be asked to consider any change orders that increase City cost by more than \$25,000. The City is responsible for costs associated with change orders requested by the City. All other change orders required to construct the agreed to parking garage are the responsibility of the developer and contractor.

The City will initially sell the property for the parking garage to 101 East Grand Parking, LLC for fair market value. Following execution of the LPA and construction of the public parking garage by 101 East Grand Parking LLC, the City will have all rights of possession and operation of the public parking garage. At the end of the 20-year LPA term, or sooner if the City decides to act to do so, the City will have complete ownership of the public parking structure improvements and underlying ground.

PREVIOUS COUNCIL ACTION(S):

Date: March 7, 2016

Roll Call Number: [16-0413](#)

Action: [Competitive](#) process for sale and redevelopment of the City-owned parking lots, east of City Hall; receiving proposal from 101 East Grand Parking, LLC for redevelopment of such properties; and setting date of hearing on sale of properties, (4-11-16). ([Council Communication No. 16-131](#)) Moved by Gatto to adopt. Motion Carried 6-1. Absent: Coleman.

BOARD/COMMISSION ACTION(S):

Board: Access Advisory Board

Date: March 16, 2016

Action: Approve City Hall Parking Garage as presented.

Resolution Number: N/A

Board: Urban Design Review Board

Date: March 1, 2016

Resolution Number: N/A

Action: Motion to approve as presented with noted comments regarding temporary landscape on west side of site along Robert D. Ray Drive by Nagle. Seconded by Hielkema. Yes – 5, No – 0, Absent – 4, Abstain – 1.

Board: Plan and Zoning Commission

Date: February 4, 2016

Resolution Number: N/A

Action: Motion to approve the proposed Site Plan, subject to the noted conditions by Kamper. Seconded by Briles. Motion carried. Yes – 12, No – 0.

Board: Board of Adjustment

Date: January 27, 2016

Resolution Number: N/A

Action: Motion to allow construction of 6-level parking structure that would be up to 75 feet in height. Motion carried. Yes – 5, No – 0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Hold hearing on sale of land and approve development agreements April 11, 2016.
- Hold hearings on the plans and specifications and estimated guaranteed maximum price for the City Hall parking garage.
- Hold hearings on a lease purchase agreement for the parking structure.
- Council Consideration of a professional service agreement with Neumann Monson for construction phase services for the City Hall parking garage.
- Council actions related to East Village street improvements on E. 2nd Street and Robert D. Ray Drive.
- Council consideration of amendments to conceptual development plan for phases three (3) and four (4) of the improvements.

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