


COUNCIL COMMUNICATION

 CITY OF DES MOINES OFFICE OF THE CITY MANAGER	Number: 24-443	Meeting: November 4, 2024
	Agenda Item: 27	Roll Call: 24-1512
	Submitted by: Cody Christensen, Development Services Director	

AGENDA HEADING:

Approval of Parking Sublease Agreement between the City of Des Moines and Two Rivers Marketing Corp.

SYNOPSIS:

On July 23, 2018, the City Council approved a parking lease agreement with Nelson Development 1, LLC, for the City to lease 133 parking spaces on the ground floor as part of the economic development incentive package for developing the privately owned parking garage at 555 East 4th Street. The lease agreement between the City and Nelson Development 1, LLC, allows the City to sublease those ground floor spaces to other users.

Two Rivers Marketing is one of the nation's leading full-service business-to-business marketing agencies and has been headquartered in Des Moines for over 24 years. In 2006, they moved into the former General Motors warehouse located at 106 East 6th Street, which they now have listed for sale. Two Rivers Marketing is considering a nine (9) year lease agreement with Nelson Development to lease space for their offices at 430 East Grand.

The Office of Economic Development has negotiated a partial parking discount as an economic development incentive for retaining Two Rivers Marketing's workforce of approximately 110 employees in Downtown Des Moines. The initial term of the Parking Sublease Agreement will align with their nine (9) year office lease term, with options to mutually extend the Parking Sublease Agreement at market rates with no further discounts.

FISCAL IMPACT:

Amount: \$894,000 net parking revenue to the City during the initial nine (9) year term.

Funding Source: E051 - EG062085 - Parking Operations Fund

ADDITIONAL INFORMATION:

- In consideration of the Project's economic development objectives to strengthen the downtown area of Des Moines by ensuring job retention in the downtown area of the City, the Sublessee shall pay to the City the following reduced rent for the total parking spaces:

	Monthly Rate per Floating Space	Monthly Rate per Reserved Space
Year 1	\$ 80	\$140
Year 2	\$ 85	\$140
Year 3	\$ 90	\$160
Year 4	\$ 95	\$160
Year 5	\$100	\$160
Year 6	\$105	\$160
Year 7	\$110	\$160
Year 8	\$115	\$160
Year 9	\$120	\$160

- Based on the rent set forth above and the number of total parking spaces, the total amount due annually as well as the discount from the City to Sublessee is reflected in the table below:

	75 Floating Spaces	5 Reserved Spaces	Total Rent Due for Total Parking Spaces	Discount from City
Year 1	\$ 72,000	\$ 8,400	\$ 80,400	(\$ 37,200)
Year 2	\$ 76,500	\$ 8,400	\$ 84,900	(\$ 32,700)
Year 3	\$ 81,000	\$ 9,600	\$ 90,600	(\$ 27,000)
Year 4	\$ 85,500	\$ 9,600	\$ 95,100	(\$ 22,500)
Year 5	\$ 90,000	\$ 9,600	\$ 99,600	(\$ 18,000)
Year 6	\$ 94,500	\$ 9,600	\$104,100	(\$ 13,500)
Year 7	\$ 99,000	\$ 9,600	\$108,600	(\$ 9,000)
Year 8	\$103,500	\$ 9,600	\$113,100	(\$ 4,500)
Year 9	\$108,000	\$ 9,600	\$117,600	\$ 0
Total	\$810,000	\$84,000	\$894,000	(\$164,400)

PREVIOUS COUNCIL ACTION(S):

Date: July 23, 2018

Roll Call Number: [18-1295](#) and [18-1296](#)

Action: Items regarding City-owned property at 418 East Grand Avenue, in the Metro Center Urban Renewal Area, Nelson Development: ([Council Communication No. 18-379](#))

- (A) On approval of Urban Renewal Development Agreement with Nelson Development 1, LLC, to purchase and develop property, and approving Conceptual Development Plan. Moved by Gatto to adopt. Motion Carried 7-0.
- (B) On approval of a Parking Lease Agreement for use of the parking ramp to be located at 418 East Grand Avenue. Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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