

**CITY COUNCIL COMMUNICATION 98-031  
JANUARY 26, 1998 AGENDA**

**SUBJECT:**

**ECONOMIC DEVELOPMENT ASSISTANCE  
TO ZIMMERMAN, LAURENT & RICHARDSON, INC.**

**SUBMITTED BY:**

**RICHARD CLARK  
DEPUTY CITY MANAGER**

**SYNOPSIS –**

Preliminary approval for a City economic development loan in the amount of \$225,000 to Zimmerman, Laurent & Richardson, Inc. (ZLR); and direction to staff to prepare the necessary amendment to the applicable urban revitalization plan for tax abatement.

The City has been asked to participate in a proposed economic development project that will result in the renovation of 15,000 square feet of office space located at 303 Keo. The project has a total estimated cost of \$1.139 million, will retain 35 jobs with an annual payroll package (including company paid benefits) of \$1.45 million for an average annual compensation package of \$41,600, and will create 40 new jobs within the next three years with a projected average annual compensation package of \$57,147 (including benefits) in the downtown area. ZLR is currently located at 100 Court Avenue, but considered office space in West Des Moines prior to discussions with the City related to the 303 Keo site. Terry Vorbrich, of the City's Economic Development Office, structured the financial incentive package for ZLR.

**FISCAL IMPACT –**

The proposed \$225,000 City loan is to be funded with tax increment financing (TIF) funds from the Riverpoint Capitol Center Development Area TIF District under the following schedule: \$100,000 in October 1999 and \$125,000 in October 2000. The City loan will be administered by the Economic Development Office, and repaid over the term of the company's lease to the City's Economic Development Financial Incentive Programs. The proposed provision of tax abatement under the City's three year 100 percent schedule is estimated to benefit the company in a total amount of \$40,400. The proposed project will generate an estimated \$40,390 in net new taxes over the term of its lease.

**RECOMMENDATION –**

**Approval contingent upon the company' s receipt of all other private and public financing commitments at the approximate amounts identified in this communication. Upon receipt of all financing commitments, loan documents will be presented to City Council for final approval. The Community Development Department will also submit for City Council action recommendations on the provision of tax abatement to the proposed project.**

## **BACKGROUND –**

ZLR is a local marketing communications firm headed by Louis Laurent and Jim Richardson. The ten year old agency has evolved into an award winning advertising firm with a significant and growing portfolio of clients outside Des Moines and the state of Iowa. The company has developed specific expertise in the following areas: packaged goods, financial, health care, and hospitality (entertainment and food service) marketing. Their clients are local, regional, and national businesses, and range from casinos to universities.

The company has experienced consistent employee growth and incremental expansion of its office space needs. The company currently leases 6,800 square feet of space on two floors at 100 Court Avenue. It employs a creative and support staff of 35 people with an annual payroll package (including company paid benefits) of \$1.45 million for an average annual compensation package of \$41,600.

The firm' s ownership is committed to an aggressive growth and expansion plan for the next five years that is projected to create 40 new jobs within three years, with a projected annual payroll (including company paid benefits) of about \$2.3 million for an average annual compensation package of \$57,147. Associated with this growth are expanded space needs. The company has an immediate need to obtain a total of 10,000 square feet of net usable space, with the insured ability to add an additional 5,000 square feet within two to three years. The company' s current lease at 100 Court Avenue expires February 1, 1998, but has been extended to June 1, 1998.

The company has completed a four month long assessment of space and location alternatives within the Des Moines Metro area. Two locations have been identified that meet the company' s growth needs. The properties are located at 4800 Westown Parkway in West Des Moines and 303 Keo in Des Moines. Tenant improvements will need to be made to both properties to meet ZLR' s needs. The space located at 4800 Westown Parkway is newer and the costs associated with the needed tenant improvements are covered by the landlord funded tenant improvement allowance of \$375,000.

The property located at 303 Keo was built in 1948 and requires upgrading of common space (i.e., lobby restroom facilities, elevator and adjacent parking), in addition to needed tenant improvements for electrical and mechanical systems and interior finishing. Total project costs for the company to occupy the 303 Keo site are estimated at \$1.139 million as follows: building renovations \$819,460; new equipment, furniture and fixtures \$300,000; and \$20,000 in moving costs.

### **Proposed Financial Assistance**

The following City assistance is being proposed to make the 303 Keo site more competitive with a comparable suburban site previously considered by ZLR. The building's owner, Robert Jester will initially provide the needed tenant improvements and obtain conventional financing. The City's economic development loan in the amount of \$225,000 would be funded out of tax increment funds from the Riverpoint Capitol Center Development TIF District cash flows, as they become available, in two installments as follows: \$100,000 in October, 1999 and \$125,000 in October, 2000. The City loan will lower the cost of financing the tenant improvements and will be repaid by the company and land owner at zero percent interest over the term of the proposed lease. The Community Development Department will make a recommendation to City Council on providing the project with tax abatement on the value-added improvements to the building.

### **Urban Renewal Board Action**

At its January 20, 1998 meeting, the Urban Renewal Board reviewed the proposed economic development assistance package for the company's project and recommended it for approval to the City Council by a vote of 3-0.