



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

98-125

**OFFICE OF THE CITY MANAGER
DES MOINES, IOWA**

AGENDA:

APRIL 6, 1998

SYNOPSIS —

SUBJECT:

APPROVE TAX
ABATEMENT
CONCEPT FOR
PRINCIPAL
FINANCIAL GROUP
BUILDING
RENOVATION
PROJECTS

On the April 6, 1998, Council agenda is a communication from the Principal Financial Group that requests Council to approve, in concept, ten-year declining schedule tax abatement for building renovation projects at 820 Keosauqua Way (former National Travelers Life office) and 616 - 10th Street (former Federal Reserve branch office) and refer to the City Manager for action, as appropriate. The Principal is considering investing approximately \$5.5 million in extending the productive use of the structures in order to provide additional office space in downtown Des Moines to meet its projected employment growth of 500 people through the end of 1999.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

The company is not committing to renovate the buildings at this time, but is requesting tax abatement consideration to determine the economic feasibility of proceeding with the projects. Ellen Walkowiak with the City's Office of Economic Development is coordinating the City activities relative to this project.

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

FISCAL IMPACT —

Additional taxes are expected to be generated from the building renovation projects. The County Assessor is in the process of determining the projected increase in assessed value as a result of building rehabilitation. Current assessed values total \$3.9 million, which yield nearly \$167,500 annually in taxes. Alternatively, Principal is considering demolishing the structures, constructing surface parking lots on these sites, and leasing office space in Des Moines or its suburbs. In this case, assessed values would decrease to about \$1.1 million and result in a net tax loss of approximately \$120,250 annually.

RECOMMENDATION —

Approve, in concept, tax abatement for building renovation projects at 820 Keosauqua Way and 616 - 10th Street and refer to Corporation Counsel and the City Manager for preparation of the necessary documents. Upon Principal' s affirmative decision to proceed with the renovation and occupancy of the former National Travelers Life building, staff will ask Council to formally approve the tax abatement documents.

BACKGROUND —

Within the next two years, the Principal Financial Group must meet its office space needs of 90,000 sq. ft. based on a projected employment growth of 500 people. The company is assessing its options of renovating the vacant 60,000 sq. ft. structure at 820 Keosauqua Way (former National Travelers Life office) and the vacant 30,000 sq. ft. building at 616 - 10th Street (former Federal Reserve branch office). Alternatively, Principal may demolish these structures, install surface parking lots on the sites, and lease office space in Des Moines or its suburbs. The company is requesting ten-year declining schedule tax abatement in order to conduct building rehabilitation.

The Principal Financial Group' s home office in Des Moines is growing in its pension, information services and investment units and due to relocation of field office personnel into the home office. It is estimated that 500 people will occupy the renovated downtown buildings. Approximately 150 of the employees will be managerial/professional personnel and earn about \$33.90/hr. including wages and benefits; 350 of the employees will be administrative personnel and earn approximately \$13.55/hr. including wages and benefits. This significantly exceeds the Council \$9.00/hr. wage and benefit policy.

The company will make its decision on whether or not to proceed with building renovation in April, 1998. If it proceeds, the project is expected to be completed in November, 1998.

The City will benefit from Principal' s building renovation project. The company will reaffirm its long-term commitment to downtown Des Moines by expanding the tax base and its employment. The productive life of the buildings will be

extended. Construction contracts of \$5.5 million will generate additional economic benefit locally.

The former Federal Reserve office at 616 - 10th Street is located in the Downtown West Urban Revitalization Area “ B.” Office renovation projects in this area are eligible for three-year 100 percent or ten-year declining schedule tax abatement. If the Council elects to extend tax abatement for the former National Travelers Life office at 820 Keosauqua Way, it must amend the tax abatement ordinance.