

**CITY COUNCIL
COMMUNICATION:**

REVISED

02-081

ITEM _____

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

AGENDA:

FEBRUARY 18, 2001

SYNOPSIS -

SUBJECT:

PRELIMINARY
TERMS OF
AGREEMENT FOR
ING-EQUITABLE OF
IOWA OPERATIONS
EXPANSION
PROJECT

On the February 18, 2002 Council agenda are three roll calls regarding the ING-Equitable of Des Moines (hereinafter referred to as ING) expansion project. The first is a roll call to accept and approve the preliminary terms of agreement with ING (Christopher Welp, Chief Operating Officer, Des Moines Site Manager) for the operations expansion of ING as set forth in this communication. Also on the agenda is a roll call to approve a Community Economic Betterment Account (CEBA) application by the City of Des Moines on behalf of ING for this project. The final roll call is to recommend approval of ING's Enterprise Zone application to the Enterprise Zone Commission.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

ING has proposed the consolidation of some of its other operations by expanding in Des Moines. This project will result in the creation of 350 new jobs in the City of Des Moines with an associated payroll of approximately \$9.3 million. The expansion will also result in the retention of the current 636 ING positions in Des Moines.

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

Successful completion of the project will result in \$10.5 million capital investment (mainly furniture, fixtures, and equipment) in the City. The existing ING building at 909 Locust Street will undergo certain renovations and reworking. There will also be significant expenditures for new computers, networking, and telephony equipment.

As part of the project, ING will be utilizing a currently vacant commercial building within the City of Des Moines. ING will relocate its electronic print and fulfillment operations from 909 Locust Street to the vacant building. The fulfillment facility will be approximately 60,000 square feet in size and employ approximately 25 employees.

The process of choosing a potential location for expansion has been very competitive. The ING-Des Moines operation competed with several other ING locations for this expansion. The City of Des

Moines, along with the State of Iowa, the Des Moines Area Community College, and the Greater Des Moines Partnership, has formulated a package of financial incentives to facilitate the expansion of the ING operation in Des Moines.

Incentives available through the City of Des Moines include:

\$400,000 Tax Increment Financing: The funds would be in the form of a forgivable loan and dependent upon a workforce increase of 350.

The City will also work with ING to identify affordable parking options for their current and future employees. As with other large employers in the downtown, parking is a major expense for ING. The City will identify options in the parking system that could result in significant cost savings.

FISCAL IMPACT -

The proposed \$400,000 economic development forgivable loan would be advanced in two payments of \$137,500 and one payment of \$125,000. These payments will be made in January 2003, July 2003, and January 2004.

On July 10, 1995, by Roll Call No. 95-2658, the Council approved a development agreement between the City and the Graham Group. This agreement committed the City to an additional supplemental forgivable loan if a second office building was constructed. The advancements on the forgivable loan currently under consideration will be subtracted from the City's commitment for the additional supplemental forgivable loan.

RECOMMENDATION -

Approve the preliminary terms of agreement between the City and ING, approve the CEBA application by the City of Des Moines on behalf of ING, and approve a recommendation for approval to the Des Moines Enterprise Commission of an application by ING for benefits under the Enterprise Zone program and direct the City Manager to:

1. Prepare a development agreement with ING based on preliminary terms of agreement as set forth in this communication.

2. Refer this matter to the Urban Renewal Board and any other City Boards and Commissions as necessary for their review and comment at appropriate times.

BACKGROUND -

Based on discussions with ING, preliminary terms of agreement have been reached. The following general points comprise the key features that will be defined in detail as part of a formal development agreement between the City and ING.

1. ING will add 350 employees to their payroll in the City of Des Moines and Polk County by April 2005 with an associated payroll of approximately \$9.3 million.
2. ING will make a \$10.5 million capital investment (mainly furniture, fixtures, and equipment) in its current facility at 909 Locust Street. ING will relocate the fulfillment center to a vacant commercial building located in the City of Des Moines.
3. ING agrees to make an application for benefits under the State of Iowa Enterprise Zone program and the CEBA program.
4. ING and the City agree that the State of Iowa approval of the Enterprise Zone application and the CEBA application are conditions of the final development agreement.
5. The City will provide an economic development forgivable loan of \$400,000 to be advanced to ING in three installments on January 1, 2003, July 1, 2003, and January 1, 2004.
6. To receive the installments of the economic development forgivable loan, ING must have substantially completed the reworking of the current facility at 909 Locust Street and must have substantially completed the renovation of the warehouse space for the fulfillment center in the City of Des Moines and certify annually to:
 - Maintenance of the project structures.
 - Maintenance of the required employment levels.
 - That the project is insured against casualty loss.
 - That the property remains subject to property taxes and the taxes are timely paid.

7. ING must complete the project and comply with the terms of the development agreement to receive grant payments. The 350 new positions must be maintained for a minimum of ten years.

8. ING will have no duty to repay the forgivable loan if it fulfills its obligations under the development agreement and maintains the required employment level for a term of ten years.

9. Other terms and conditions of the development loan will be negotiated with ING and presented for Council approval.

The proposed project has been evaluated in accordance with the City's adopted standards for the use of tax increment financing (TIF) funds. The project meets all of the required policy standards as follows:

- The project is in accordance with the approved district plan.
 - It will create and retain permanent job opportunities in the district.
 - The project is an expansion of the existing business-a new customer service center will be located in the current facility and the fulfillment center will be located in vacant warehouse space outside of the TIF district.
 - The amount of the TIF assistance will be the least amount necessary for the project to proceed.
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