

**CITY COUNCIL
COMMUNICATION:**

02-175

AGENDA:

APRIL 8, 2002

SUBJECT:

DREHER, SIMPSON
AND JENSEN P.C.
RETENTION
ASSISTANCE

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

ITEM _____

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

SYNOPSIS -

On the April 8, 2002, Council agenda is a roll call approving documents related to a forgivable City loan in the amount of \$45,000 to Dreher, Simpson and Jensen P.C. to retain and relocate the home office facilities for the company within the downtown.

Dreher, Simpson and Jensen, P.C. has had its offices located in the downtown area for 87 years-most recently leasing space at 699 Walnut Street. The company has been evaluating new lease options and is in the process of making a decision between a downtown location at 604 Locust Street (the Equitable Building) and available space in West Des Moines. The decision will be based on comparative occupancy and improvement costs. Estimated improvement costs to the location at 604 Locust Street are estimated at a minimum of \$74,000.

One of the challenges facing the City is to increase the occupancy of our older downtown commercial office buildings, many of which have relatively high vacancy rates. This can be accomplished by fostering innovative adaptive re-use, or by lowering occupancy costs for traditional tenants such as Dreher, Simpson and Jensen. In this instance, the City is providing economic development assistance that lowers occupancy cost, and thus increases the competitive posture of the Equitable Building.

The proposed assistance is a joint package with the landlord and the City participating jointly with the landlord providing an in-kind incentive valued at \$50,000, matched by the City's \$45,000 economic development assistance loan.

The company has agreed, if the assistance package is approved, to lease and improve approximately 7,620 total square feet at 604 Locust Street for a term of five years with future renewal options, and to collectively retain and employ at least 20 full-time employees to work at the leased premises during the term of the lease.

FISCAL IMPACT -

The City loan, in the amount of \$45,000, would be funded in annual installments of \$9,000 per year over the term of the lease from the Economic Development Enterprise Account. Prior to disbursement of loan funds, the company will be required to certify that it has incurred costs of at least \$75,000 in improvements to the lease premises, and certify annually that it is in compliance with the provisions of the City loan agreement and has employed at least 20 full-time employees at the leased premises.

RECOMMENDATION -

Approval.

BACKGROUND -

There exists in the core downtown area several older office buildings that, due to their age of construction, maintenance costs, and floor plans are increasingly at a competitive disadvantage with newer leasing options in the suburbs. To assist in maintaining rental rates, occupancy rates, and subsequently tax base in older downtown buildings, City staff propose to work with representatives of downtown property owners and Downtown Community Alliance staff to develop a financial assistance program targeted at equalizing occupancy barriers. It is City staff's expectation that a program will focus on physical improvements to the buildings and include financial participation by property owners as a match to City participation.
