

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

02-405

SYNOPSIS -

AGENDA:

AUGUST 5, 2002

SUBJECT:

ING (EQUITABLE OF IOWA)

TYPE:

**RESOLUTION
ORDINANCE
RECEIVE/FILE**

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

On the August 5, 2002 City Council agenda are two roll calls-one to approve a Community Economic Betterment Account (CEBA) Loan Agreement with the State of Iowa and ING/Equitable Life Insurance Company of Iowa (Chris Welp, Senior Vice President and Chief Operations Officer, 909 Locust, Des Moines, IA) and a second to approve a City Development Agreement with Equitable Life Insurance Company of Iowa and the Second Amendment to the Development Agreement with the Graham Group. Both roll calls authorize the Mayor to sign these agreements.

ING/Equitable 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/Equitable positions in Des Moines.

Successful completion of the project will result in \$10.5 million capital investment (mainly furniture, fixtures, and equipment) in the City. The existing ING/Equitable 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/Equitable will be utilizing a currently vacant commercial building within the City of Des Moines. ING/Equitable will relocate its electronic print and fulfillment operations from 909 Locust to the vacant building. The fulfillment facility will be approximately 60,000 square feet in size and employ approximately 25 employees.

On February 18, 2002, by Roll Call No. 02-504, Council gave preliminary approval to an economic development package for ING/Equitable. Council is now asked to approve the loan agreement.

FISCAL IMPACT -

CEBA participation is in the amount of \$500,000.

The \$400,000 City economic development forgivable loan will be advanced in two payments of \$137,500 and one payment of \$125,000. These payments will be made in July 2003, January 2004, and July 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 Second Amendment to the Development Agreement with the Graham Group subtracts the advancements on the Equitable forgivable loan from the City's commitment for the additional supplemental forgivable loan.

RECOMMENDATION -

Council is asked to approve of the loan documents and authorize the Mayor to sign the agreements.

BACKGROUND -

The following points comprise the key features of the development agreement between the City and ING/Equitable.

1. ING/Equitable 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/Equitable will make a \$10.5 million capital investment (mainly furniture, fixtures, and equipment) in its current facility at 909 Locust. ING/Equitable will relocate the fulfillment center to a vacant commercial building located near Aurora Avenue and Merle Hay Road in the City of Des Moines.
3. The City will provide an economic development forgivable loan of \$400,000 to be advanced to ING/Equitable in three installments on July 1, 2003, January 1, 2004, and July 1, 2004.
4. To receive the installments of the economic development forgivable loan, ING/Equitable 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 at Aurora and Merle Hay 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.

5. ING/Equitable 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.

6. ING/Equitable 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.

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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