



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 12/19/05
714

Communication No.: 05-

Agenda Item Type: Resolution
No.:

Roll Call

Submitted by: Richard Clark, Acting City Manager

SUBJECT—

Communication from the City Manager regarding the proposed expansion by Allied Insurance and its parent company, Nationwide, of their downtown campus.

SYNOPSIS—

Allied Insurance (Kirt Walker, President, 1100 Locust Street, Des Moines, IA 50391-0610) and its parent company, Nationwide, have announced a major expansion of their downtown Des Moines campus. The expansion includes the addition of 656,000 square feet of office space in two buildings, a 1,500 space parking garage, and creation of 1,570 new jobs. Council is asked to approve the Term Sheet (attached to the roll call) and authorize the City Manager to negotiate terms of a final agreement with Nationwide.

Also on the December 19, 2005 agenda is a resolution seeking approval of Nationwide's application for State of Iowa Enterprise Zone benefits.

FISCAL IMPACT—

The proposed terms include an economic development grant of \$350,000 per year for 20 years. This grant has a net present value of approximately \$4.27 million. The proposed terms of the parking garage grant have a NPV of \$9.74 million. The City also proposes to grant construction-period property tax abatement of \$1,225,000. The office building will receive no other tax abatement. Under the terms of the parking garage lease purchase agreement, the garage will be a public facility and therefore not subject to property taxes. The City will be responsible for the construction of 3 public skywalk bridges.

The source of funds for the economic development and parking grants is exclusively project-generated tax increment finance revenue. Therefore, the project is anticipated not to have a negative impact on the City's operating or capital budgets, with the exception of skywalk bridges, with are an ongoing CIP obligation of the City.

During the 20-year term of the development agreement, this project's property tax generation will exceed the grant payments by more than \$1.1 million annually or \$16.2 million net present value over 20 years.

In addition to the proposed City commitments, the State of Iowa Department of Economic Development Board of Directors will be voting on an incentive package later this month.

RECOMMENDATION—

Approval

BACKGROUND—

In 2002, Nationwide completed a \$137 million project that included the construction of approximately 500,000 square feet of office space and a parking garage of approximately 2,500 spaces. This project resulted in the creation of 400 new full time positions and allowed Nationwide to retain 1,250 existing full time positions.

Nationwide's December 8, 2005 expansion announcement is the result of strong, organic growth within Nationwide's family of property and casualty insurance companies. When complete, the Nationwide Locust Street campus will total a combined 1,188,000 square feet. Nationwide intends to break ground on the first phase in the first half of 2006.

The accompanying Term Sheet lays the framework by which the City Manager will negotiate terms of a preliminary and final agreement with Nationwide. The agreement will be presented to Council at a later date.

Highlights of the Term Sheet:

- Nationwide's office buildings will be subject to a \$100 per square foot minimum assessment agreement. The minimum assessment will total \$66,500,000.
- Nationwide will construct the parking garage and will enter into a lease purchase agreement with the City. The City will make installment payments for the garage over 20 years and will own the facility free and clear at the end of 20 years. The City will enter into a license agreement with Nationwide for their use of 1500 spaces. A portion of the tax increment generated from the new office buildings will bridge the gap between the City's actual cost of operating the garage and the prevailing market rate paid by Nationwide. This new public garage will not burden the Parking System and may provide added revenue through other public parkers.
- Also on the December 19, 2005 Council agenda is an item related to the proposed Western Gateway Area Redevelopment Goals and Guiding Principles. Nationwide will consider these Goals and Guiding Principles when designing the office buildings and parking garage.

Nationwide's office campus will reach the \$20 million taxable value benchmark for development adjacent to the Western Gateway Park.

In summary, Nationwide's downtown expansion provides the following exciting benefits and opportunities for the City of Des Moines:

- Creation of 1,570 jobs. Nationwide has projected average non-managerial salaries at approximately \$40,000. Employees will also receive a generous benefits package. Managerial salaries will be considerably higher.
- The multiplier effect of these 1,570 new jobs will mean increased opportunities for downtown housing, retail, and restaurant development.
- After economic development incentives, the City of Des Moines will net more than \$1.1 million in new annual property tax revenue. This number will increase as the assessed value of the property increases over time. Over 20 years, the project would generate over \$16 million in added tax dollars (net present value) over and above all economic development incentives and parking grants.
- The parking garage lease purchase agreement will greatly expand the City's range of parking options and will not financially burden the Parking System.