



Council Communication

Office of the City Manager

Date July 9, 2007

Agenda Item No. 40
Roll Call No. 07-
Communication No. 07-388
Submitted by: Matthew A. Anderson,
Economic Development Administrator

AGENDA HEADING:

Approval of the Principal Life Insurance Company Application to the Iowa Department of Economic Development for Enterprise Zone Benefits Regarding a Project in the Gateway Enterprise Zone

SYNOPSIS:

The Principal Life Insurance Company, the largest member of the Principal Financial Group (J. Barry Griswell, Chairman and CEO, 711 High Street, Des Moines, IA 50392-0350) is requesting approval of its application for State of Iowa enterprise zone benefits regarding a \$36 million project to obtain computer hardware and equipment and to construct an 1,800-space employee parking ramp at 707 8th Street and a childcare center at 801 Park Street in the Gateway Enterprise Zone.

FISCAL IMPACT:

There is no Fiscal Impact to the City from this State-funded program.

Amount: Up to \$3.68 million (Investment Tax Credit) and between \$865,000 and \$877,500 (Sales Tax Refund)

Funding Source: State of Iowa Enterprise Zone Program

ADDITIONAL INFORMATION:

The Principal Life Insurance Company, founded in 1879 as Banker's Life Association, is the largest member of the Principal Financial Group, which has 15,000+ employees worldwide, more than 17 million customers and greater than \$250 billion in assets under management. Principal, one of Iowa's largest employers, is a leader in offering businesses, individuals and institutional clients a wide range of financial products and services. These include retirement and investment services as well as life and health insurance and integrated wellness programs.

Principal intends to expand its workforce by 1,500 net new employees over the next five years, which will allow the company to significantly expand its Global Investors business unit. As part of this expansion, Principal will construct an 1,800-space employee parking ramp at 707 8th Street. The structure will connect by skywalk to Principal's Corporate Four ("Z") building. The total cost of the ramp is estimated at \$27.6 million. Work is anticipated to commence in September 2007 with the west half to be completed by August 2008 and the east half, by March 2009.

Furthermore, Principal will build a childcare center to accommodate 180 children at 801 Park Street. This facility will be the first building in downtown Des Moines to be designated LEED-certified based on the U.S. Green Building Council's rating system. The total cost of the childcare center will range between \$7 million to \$7.5 million. Groundbreaking is scheduled for August 6, 2007. The project is expected to be completed in mid 2008.

The proposed Principal project meets or exceeds the Enterprise Zone requirements. These include (a) minimum capital investment of at least \$500,000 in a certified enterprise zone, (b) creation of at least 10 full-time positions within three years and retention of jobs for 10 years, (c) payment of an average wage of at least \$15.29/hour, and (d) payment of at least 80% of the cost of health and dental insurance or providing the monetary equivalent.

Total eligible project costs are estimated at \$36 million, which include the parking ramp, childcare center and computer hardware and other equipment. Principal will also invest approximately \$65 million into furniture and fixtures for the additional employees, which are ineligible Enterprise Zone expenditures. The company will create 900 full-time positions within three years, pay an average wage of \$17.95/hour and provide the monetary equivalent in benefits of 80% of the cost of health and dental insurance.

On June 27, 2007, the Downtown Neighborhood Association Board voted to pre-approve this project and provided a letter of support for the project. The Enterprise Zone Commission is anticipated to meet in July 2007 to take action on the project.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE