



Council Communication

Office of the City Manager

Date

October 22, 2007

Agenda Item No. 32
Roll Call No. 07-
Communication No. 07-623
Submitted by: **Matthew A. Anderson,**
Economic Development Administrator

AGENDA HEADING:

Approving the Wellmark, Inc. Application to the Iowa Department of Economic Development for Enterprise Zone Benefits Regarding a Project in the Gateway Enterprise Zone.

SYNOPSIS:

Recommend approval of the application from Wellmark, Inc. (David N. Southwell, Group Vice President, Financial Officer and Treasurer, 636 Grand Avenue, Station 101, Des Moines, IA 50309) for State of Iowa enterprise zone benefits regarding a \$194.4 million project to construct a 500,000 square foot headquarters office and a 2,000 space parking ramp on a 6.5 acre site along Grand Avenue between 11th and 14th Streets in the Gateway Enterprise Zone. The company will create 63 new jobs and retain 1,577 jobs downtown.

FISCAL IMPACT:

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

Amount: Up to \$17 million (Investment Tax Credit) and \$2.85 million (Sales Tax Refund)

Funding Source: State of Iowa Enterprise Zone Program

ADDITIONAL INFORMATION:

Wellmark has been the leader in the health insurance market in Iowa for more than 67 years. Wellmark has announced a major corporate headquarters project to be located in downtown Des Moines. The project will include the construction of approximately 500,000 square feet of office space and a 2,000 space, privately-owned parking garage. Total project costs, including land acquisition, building construction, and furniture and fixtures, are estimated at over \$194.4 million.

Wellmark currently employs 1,577 people in leased space in downtown Des Moines. With its proposed headquarters project, Wellmark anticipates the creation of 63 additional positions over a 3-year period. These new positions will include information technology, health management, sales and finance employees with wages ranging from \$25.64/hour to \$43.59/hour, with an average starting wage of \$40.48/hour.

The City Manager's Office has negotiated preliminary terms of an economic development assistance package with Wellmark. The various components of the proposed assistance package are to be paid in 10 annual installments or less. This is a different strategy than has been employed with recent large

corporate expansions in which assistance payments were provided in 20 annual installments. Total City financial assistance is estimated to be up to \$20.185 million.

The Downtown Neighborhood Association Board plans to provide a conditional letter of support for the project prior to the Enterprise Zone Commission meeting and plans to take official action on the project at its regular meeting on November 6, 2007.

PREVIOUS COUNCIL ACTION(S):

Date: September 24, 2007

Roll Call Number: 07-1890

Action: Regarding preliminary terms of agreement with Wellmark for redevelopment of the two blocks adjoining north side of Grand Avenue between 12th and 14th Streets for its new home office facility. (Council Communication No. 07-593) Moved by Hensley to receive and file, and to authorize and direct the City Manager to negotiate a final development agreement with Wellmark as described in the Council Communication. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

The Council will be asked to approve a final development agreement with the company and other associated actions related to the overall project.