

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	December 6, 2010
	Agenda Item No.	40
	Roll Call No.	<u>10-2023</u>
	Communication No.	<u>10-728</u>
	Submitted by:	Matt Anderson Economic Development Administrator

AGENDA HEADING:

Preliminary Terms of Agreement with Employers Mutual Casualty Company (EMC) regarding purchase of the Hub Tower and relocation of EMC National Life Company to Des Moines.

SYNOPSIS:

EMC (Bruce Kelley, President, 717 Mulberry, Des Moines, IA 50309) has entered into an agreement to purchase the Hub Tower, 699 Walnut Street. The Hub Tower was foreclosed upon earlier this year and is currently 70% vacant. EMC intends to undertake extensive improvements in new tenant spaces, building security and common areas. Many of these spaces have not been improved since the building's construction 25 years ago. The improvements are intended to increase the building's position in the marketplace and should help stabilize, and ultimately increase, the building's assessed value. The value of the property's improvements has fallen from \$23 million in 2003 to \$11 million today.

EMC also intends to move EMC National Life Company from Urbandale to the Hub Tower. EMC National Life Company employs approximately 81 people with an average annual wage and benefits package in excess of \$100,000. An economic development package has been negotiated to assist with the renovations of 2 floors of the Hub Tower for EMC National Life Company.

FISCAL IMPACT:

Amount: \$243,000 forgivable loan based on employment projections and a \$50,000 grant to assist with building renovations. The forgivable loan will be advanced in two annual installments of \$121,500 beginning July 1, 2011. The \$50,000 grant will be advanced when EMC closes on the building purchase.

EMC has also requested paving of the city-owned alley adjacent to the building. This work will be done in 2011 at an estimated cost of \$7,500.

Funding Source: Metro Center Urban Renewal Area tax increment financing. SP370, FIN909105, FY2010-2011 Operating Budget, page 17.

ADDITIONAL INFORMATION:

The forgivable loan to EMC National Life Company is based on \$3,000 per employee. A third installment can be earned by the company based on their job growth through December 31, 2014. For example, should EMC National Life Company add 20 new employees, the amount of the forgivable loan will be increased by \$60,000. The total amount will be forgiven on December 31, 2016 should they

maintain their employment totals. If their employment at this location decreases, the loan will be repaid based on a tiered schedule.

On August 7, 2000, by roll call 00-3410, the City Council approved an Economic Development Fair Play Agreement in conjunction with a number of surrounding suburbs. The Agreement requires a relocating company to provide written affirmation that they have made an irrevocable decision to relocate outside the city in which they are currently located if the new community it to provide incentives to assist the relocation. EMC has provided such written affirmation.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Consideration of final Economic Development Agreement.

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