

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	August 29, 2011
	Agenda Item No.	34
	Roll Call No.	<u>11-1461</u>
	Communication No.	<u>11-571</u>
	Submitted by:	Terrance N. Vorbrich, Acting Economic Development Administrator

AGENDA HEADING:

Receive, File and Approve Preliminary Terms of Agreement with Life Care Services, LLC, Ed Kenny, President & CEO, 400 Locust, Suite 800, Des Moines, IA.

SYNOPSIS:

Life Care Services (LCS), LLC leases its corporate offices (55,500 square feet) in Capital Square located at 400 Locust Street. LCS’s existing lease expires February 2012 and the company is currently evaluating lease proposals from Capital Square and several locations outside the City of Des Moines.

Office of Economic Development (OED) staff has been working with LCS and the Capital Square’s owners, Draper and Kramer of Iowa, Inc., for a lease proposal competitive with areas outside the city of Des Moines. Capital Square has presented a competitive proposal for a new five-year lease that will consolidate the company on the 8th floor into 56,650 square feet and provide a tenant improvement allowance of up to \$300,000. OED Staff has proposed a forgivable loan of up to \$196,000 to be funded in annual installments over the proposed five-year lease at Capital Square. To receive the maximum annual installment of up to \$39,200, the company will need to certify and substantiate that it has achieved certain benchmarks in the retention of its existing 146 employment base at the current average annual compensation package and has created the proposed 50 new jobs at Capital Square. Additionally, the company would agree to lease a minimum of 122 parking spaces in the city owned parking garages at market rates.

LCS has indicated it will proceed with a new lease at Capital Square as proposed by Draper and Kramer of Iowa, Inc., with the City assistance as proposed.

FISCAL IMPACT:

Amount: \$196,000 maximum forgivable loan to be funded in five annual installments of up to \$39,200.

Funding Source: FY2011-2012 Recommended Operating Budget, Economic Development Enterprise Fund, SP743, CMO0980717, Page56

ADDITIONAL INFORMATION:

Life Care Services LLC (LCS), founded in 1971, is the nation's leading developer and manager of senior living communities. Each LCS community provides a complete range of lifestyle choices, locally tailored, comprehensive programs and amenities that is decidedly unique as well as health and nursing options. LCS owns and operates communities in 28 states.

Since 2002, LCS corporate offices have been located in 55,500 square feet of the 8th and 7th floors of Capital Square. The City and Polk County assisted in relocation of LCS to Capital Square with a \$323,400 forgivable loan when the space the company occupied was purchased as part of the Iowa Events Center project. At that time the company committed to lease the Capital Square space through November 1, 2011 and maintain its employment base of 84 full-time employees. LCS is presently in compliance with its contractual obligations under the previous Development Agreement approved by Roll Call 02-358, dated February 4, 2002.

LCS has since grown to 146 employees at the Capital Square location. The company anticipates continued growth of 50 positions over the next five years. Presently, the company provides an average annual base employee compensation of \$80,000 plus benefits, with an average total annual compensation of around \$93,000. The Company provides employee parking in the City owned parking garages at an annual cost of approximately \$160,000 per year. Additionally, the company brings into downtown Des Moines many out of state visitors for training and rents between 900 and 1,100 downtown hotel rooms per year.

Capital Square has presented a competitive lease rate proposal for a new five-year lease that will consolidate the company on the 8th floor into 56,650 square feet. Life Care Services proposes to make substantial tenant improvements to the space with the Landlord, Draper and Kramer of Iowa, Inc, providing a tenant improvement allowance of up to \$300,000 upon completion of the improvements. OED Staff has proposed a forgivable loan of up to \$196,000 to be funded in annual increments over the term of the proposed lease. To receive the maximum annual installment of up to \$39,200, the company will need to certify and substantiate that it has achieved certain benchmarks in the retention of its existing 146 employment base at the current average annual compensation package and has created the proposed 50 new jobs at its downtown Des Moines location. Additionally, the company will agree to lease a minimum of 122 parking spaces in the city owned parking garages at market rates.

LCS has indicated it will proceed with a new lease at Capital Square as proposed by Draper and Kramer of Iowa, Inc., with the City assistance as proposed.

PREVIOUS COUNCIL ACTION(S):

Date: February 4, 2002

Roll Call Number: 02-358

Action: Economic Development Forgivable Loan and Agreements with Polk County for Life Care Services, L.L.C., Alliance Technologies L.L.C. and LCS Real Estate, Inc. the real estate management company for Life Care Services, L.L.C. ([Council Communication No. 02-065](#)).
Moved by Brooks to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Approval of final Development Agreement.

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