

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> July 29, 2013
	<b>Agenda Item No.</b> 24 <b>Roll Call No.</b> <u>13-1203</u> <b>Communication No.</b> <u>13-388</u> <b>Submitted by:</b> Matthew A. Anderson, Assistant City Manager

**AGENDA HEADING:**

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

**SYNOPSIS:**

On December 6, 2010, by Roll Call No. 10-2023, Council approved preliminary terms of agreement for City economic development assistance to EMC to assist in its purchase and extensive improvements to the Hub Tower and relocation of EMC National Life Company. This action approves the final development agreement with EMC to implement economic development assistance for the renovations of two (2) floors of the Hub Tower for EMC National Life Company and the location of its 79 employees with an average annual compensation and benefits package of at least \$85,000.

**FISCAL IMPACT:**

Amount: \$201,450 forgivable loan based on EMC maintaining at least 79 full-time employees with an average annual compensation plus benefits of at least \$85,000 in the Hub Tower, and a \$50,000 grant to assist with building renovations. The forgivable loan and grant will be advanced in one (1) installment of \$251,450 upon approval of the Development Agreement.

EMC had also requested paving of the city-owned alley adjacent to the building, which was accomplished in 2011 at an estimated cost of \$7,500.

Funding Source: Metro Center Urban Renewal Area tax increment financing. SP370, FIN909105, FY2012-2013 Operating Budget.

**ADDITIONAL INFORMATION:**

EMC (Bruce Kelley, President, 717 Mulberry, Des Moines, IA 50309) entered into an agreement to purchase the Hub Tower, 699 Walnut Street in 2010. The Hub Tower was foreclosed upon earlier in 2010 and at that time was 70% vacant. The City economic development grant will assist EMC in its undertaking of extensive improvements to the building common areas, two (2) floors for EMC National Life Company and building security. The improvements are intended to increase the building's position in the marketplace and help stabilize, and ultimately increase, the building's assessed value. The value of the property's improvements had fallen from \$23 million in 2003 to \$11,350,000 in 2011, and is now beginning to again rise.

EMC has moved EMC National Life Company from Urbandale to the Hub Tower. EMC National Life Company employs 79 people with an average annual compensation and benefits package of at least \$85,000. The economic development package assists the renovations of two (2) floors of the Hub Tower for EMC National Life Company.

The preliminary terms of agreement anticipated an annual average compensation package plus benefits of \$100,000; however, as EMC National Life Company began moving employees into the building it found that this average was at \$85,000 per year. As a result, the economic development assistance per employee was reduced a corresponding 15% from \$3,000 to \$2,550.

An additional forgivable loan installment up to a maximum of \$76,500 can be earned by EMC based on their job growth through December 31, 2014. If EMC National Life Company adds 20 new employees over its employment base, the amount of the forgivable loan will be increased by \$51,000 (20 x \$2,550). If EMC maintains its employment totals, the total amount of the forgivable loan earned based on qualified full-time employment will be forgiven on December 31, 2016. If EMC's employment at this location decreases below the base qualified employment of 79 or the average annual compensation and benefits does not meet or exceed \$85,000 per year, the loan will be repaid based on a prorate schedule. If EMC's employment base falls below 56 jobs, EMC will repay the entire forgivable loan.

On August 7, 2000, by Roll Call No. 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):**

Date: December 6, 2010

Roll Call Number: [10-2023](#)

Action: [Regarding](#) 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. ([Council Communication No. 10-728](#)) Moved by Hensley to receive, file and approve preliminary terms of agreement set forth in the accompanying Council Communication and to direct the City Manager to proceed with negotiations of formal agreements with EMC consistent with the terms set forth in the accompanying Council Communication. Motion Carried 7-0.

#### **BOARD/COMMISSION ACTION(S):**

Board: Urban Design Review Board

Date: July 16, 2013

Resolution Number: N/A

Action: Approval of Recommendation to City Council that the level of financial assistance funded from tax increment revenues proposed for the EMC purchase of and renovations to the Hub Tower and the relocation of EMC National Life Insurance to the Hub Tower are reasonable and appropriate.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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