

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	December 23, 2013
	Agenda Item No.	55
	Roll Call No.	[_____]
	Communication No.	<u>13-605</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Approving urban renewal development agreement with Principal Life Insurance Company for renovation of its corporate offices at 600 7th Street, 801 Grand Avenue, and 711 High Street, and approving proposed conceptual plan.

SYNOPSIS:

The Principal Life Insurance Company (Principal) Larry Zimpleman, CEO, 711 High Street, Des Moines, Iowa 50309, is undertaking a phased renovation of their downtown Des Moines worldwide corporate headquarters campus. Principal’s downtown campus totals 2.4 million square feet of office space. This first phase of renovations is estimated to cost \$238.5 million and will include significant renovations to 600 7th Street, 711 High Street, and 801 Grand Avenue. Goals of the project include improved campus integration, an increased focus on energy efficiency, and improving Principal’s employee recruitment abilities moving forward.

Principal currently employs approximately 13,000 people worldwide and 6,000 in Des Moines. An increasing percentage of their workforce has migrated to “knowledge based” functions such as IT, actuarial, accounting, asset management, and legal. These higher paying jobs require a different physical environment than the “transaction based” functions which previously dominated Principal’s workforce. Much of Principal’s planned improvements are aimed at attracting and retaining this highly skilled and educated workforce.

Principal employees currently occupy approximately two-thirds of 801 Grand Avenue. As a side benefit of this project, an additional one-third of the building will be made available for third-party tenants. This newly available Class-A space will be a strong tool for attracting new firms downtown and allowing expansion opportunities for firms looking to relocate to Iowa’s premier office address.

An investment of this magnitude is a tremendous vote of confidence for Des Moines’ continued standing as a worldwide leader in the finance and insurance industry. It also highlights Principal’s longstanding position as a great corporate steward downtown and represents a continuation of that commitment for another 125 years.

On February 11, 2013, by Roll Call No. 13-0255, the City Council approved a conceptual assistance package of direct financial assistance to assist with Principal’s campus reinvestment. Details are presented below in Additional Information. Terms of the final package remain unchanged from the preliminary approval.

FISCAL IMPACT:

Amount: The exact amount of the incentive package is dependent upon yet-to-be-assigned valuation increases from the Polk County Assessor and final green building ratings received. Details are presented in Additional Information.

Funding Source: The direct financial assistance and sustainability incentive will be funded through project generated tax increment.

ADDITIONAL INFORMATION:

The project includes the renovation of three (3) buildings on Principal's downtown Des Moines campus aimed at attracting and retaining quality employees.

For many years, Principal's businesses focused on activities related to either processing new business or paying claims related to existing business. Principal's Des Moines campus was designed with this transaction focus in mind. As Principal's businesses evolved, more jobs became knowledge workers in fields such as information technology, investment management, actuarial science, finance, accounting, and law. When Principal became a public company in 2001, approximately 45% of its workforce was transaction workers and 55% were knowledge workers. Today, approximately 30% of its workforce is transaction workers and 70% of its workforce is knowledge workers. The company expects that trend to continue as routine tasks are automated by technology and Science, Technology, Engineering and Mathematics (STEM) skills are applied by teams of knowledge workers. Knowledge workers earn higher compensation than transaction workers, with Principal's knowledge workers earning an average starting salary of \$55,000. Knowledge workers require an office environment that fosters collaboration across individuals and teams. In the new campus design space will be dedicated to social collaboration, team learning, and unique team structures such as agile development. Less than 2% of Principal's existing office environment is dedicated for collaboration space. The new campus design will include approximately 18% dedicated to various forms of collaboration space.

This project will include the following components:

- Infrastructure repairs and maintenance;
- Interior upgrades;
- Building modernization;
- Information technology improvements;
- Employee moves/consolidations; and
- A new skywalk bridge across 8th Street connecting 650 8th Street to 600 7th Street. The bridge will be part of Principal's private skywalk system and will be constructed and financed by Principal.

Project Timeline:

<u>Activity</u>	<u>Completion</u>	<u>Date</u>
Design	600 7th Street Renovations	June 2013
Construct	600 7th Street Renovations	January 2015
Design	801 Grand Renovations	December 2013
Construct	801 Grand Renovations	October 2015

Design 711 High Street Renovations February 2015
Construct 711 High Street Renovations July 2017

City of Des Moines financial assistance is proposed as follows:

1. 50% of new tax increment will be granted to Principal per the following terms:
 - a. First grant installment will correspond with Principal's first property tax installment based on new valuation of the first improved building;
 - b. A total of 30 semiannual grant installments will be made; and
 - c. Total value of this incentive is not yet known because it's difficult to estimate the amount of new increment that will be assigned by the Polk County Assessor. Therefore, a fixed percentage will be granted, rather than a fixed dollar amount.

2. Sustainability incentive. Principal has already demonstrated leadership in environmental sustainability with their LEED gold rated Child Development Center. The following incentive is recommended for further sustainable initiatives as part of their campus remodel:
 - a. \$25,000 per year for each LEED certified building (or equivalent green building rating system, such as Green Globes);
 - b. First installment to begin with certification of the first building; and
 - c. Incentive expires after 10 installments. Example: Buildings are certified in year one (1), three (3) and five (5).
 - i. \$25,000 paid in years 1 – 2
 - ii. \$50,000 paid in years 3 – 4
 - iii. \$75,000 paid in years 5 – 10Total incentive over 10 years = \$525,000

PREVIOUS COUNCIL ACTION(S):

Date: February 11, 2013

Roll Call Number: [13-0255](#)

Action: [Communication](#) presenting a Conceptual Assistance package with Principal Life Insurance Company for campus-wide renovations and approving submittal of an Iowa Economic Development Authority Business Financial Assistance Application on behalf of Principal Life Insurance Company. ([Council Communication No. 13-070](#)) Moved by Hensley to receive and file the accompanying Council Communication; to direct the City Manager and staff to proceed with negotiation of preliminary terms of agreement consistent with the proposed conceptual assistance package; and to authorize the Mayor to sign Principal's Business Financial Assistance Application on behalf of the City as the sponsoring entity. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: June 4, 2013

Resolution Number: N/A

Action: Recommend approval of the conceptual plan and financial package.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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