

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: July 28, 2014
	Agenda Item No. 23 Roll Call No. <u>14-1142</u> Communication No. <u>14-357</u> Submitted by: Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution Approving Urban Renewal Development Agreement with American Republic Insurance Company for Renovation of its Corporate Headquarters at 601 6th Street and Approving Proposed Conceptual Plan.

SYNOPSIS:

American Republic Insurance Company (Michael Abbott, Chief Executive Officer and President, 601 6th Street, Des Moines, Iowa 50309) is planning an extensive renovation of their downtown Des Moines corporate headquarters which will allow for the retention of 240 high quality jobs in Des Moines and provide for a strong future growth plan for an additional 140 plus employees within the next five (5) years. The company has been in the downtown since its inception in 1929 and moved to its present location in 1965. The project is anticipated to cost over \$34 million and the company has requested economic financial assistance from the City.

FISCAL IMPACT:

Amount: Exact amount to be determined based on the proposed terms described in the “Additional Information” section of this communication; project will be funded from new increment created by project.

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

ADDITIONAL INFORMATION:

The company evaluated other sites in making its decision on whether to relocate or stay at its current location. Its decision to stay at its current location is contingent upon receipt of the City and State assistance to make the renovations financially viable.

The Urban Design Review Board recommended approval of the proposed financial package and building conceptual design plans at its July 15, 2014 meeting.

Financial Assistance

American Republic is proposing a major renovation of its headquarters at 601 6th Avenue to Class A office standards with state of the art energy and mechanical systems to enhance the workplace in attracting and retaining quality employees. American Republic currently employs approximately 240 full-time employees in Des Moines. The planned improvements will greatly improve the work

environment and assist in retaining this skilled and educated workforce, which is anticipated to increase by almost 150 positions. Those jobs have starting wages between \$22.37 per hour to almost \$36 per hour and include a wide range of benefits.

The overall \$34.37 million project will be funded from:

- Federal historic tax credits \$6.5 million
- State historic tax credits \$8.2 million
- Sales tax refund \$675,000
- State Investment tax credit \$1.88 million
- City of Des Moines \$250,000 LEED incentive
- City of Des Moines building assessment increase (\$1.65 million)
- Company \$15.5 million

Funds will be used for:

- Building remodeling and tenant improvements \$30 million
- Computer Hardware \$1 million
- Furniture & fixtures \$1 million
- Soft costs \$2.7 million

The proposed financial assistance package from the City of Des Moines, described below, is “self-financed” based on a portion of the new property taxes created by the building improvements. The total City assistance is about 5% of the total project cost.

1. Economic Development Grant 50% of new tax increment (minus the Self Supported Municipal Improvement District and debt-protected levies) increase in the building taxable value will be granted per the following terms:
 - a. Base date for the increment calculation will be January 1, 2014, assuming construction work will begin in 2014, based on the 601 6th Avenue office building taxable value of \$4,310,000.
 - b. First payment of grant installment will correspond with the first property tax installment based on new valuation of the improved building after project completion.
 - c. A total of 30 semi-annual grant installments will be made. The estimated annual payment will be about \$110,000 (\$55,000 every six-months) assuming an increase in the assessed value of about \$6 million (15 years X \$110,000 = \$1,650,000).

2. Leadership in Energy & Environmental Design (LEED) Incentive:
 - a. \$25,000 per year for 10 years for a LEED certified building (any level).
 - b. First installment payment to be made with the LEED certification of the building; the remaining nine (9) payments will be made on July 15th of each following year (10 years X \$25,000 = \$250,000).

Exterior Design

The American Republic building was constructed in 1964-65. The architect, Gordon Bunshaft of Skidmore Owings Merrill, designed this as one of the first “modern” buildings in Des Moines with its concrete and glass system that placed work stations by the windows and corporate offices in the core. Bunshaft emphasized the use of artwork, interior detailing and furnishings as major features. The building was further complimented by the decision of the then-President of American Republic,

Watson Powell, Jr., to integrate an exterior public arts plaza adjacent to the building. This 8-story building was named as one of Iowa's 100 most significant buildings by the American Institute of Architects, Iowa Chapter.

The proposed renovations, being overseen by BNIM Architects (317 6th Avenue, Des Moines, IA), is based on minimal exterior renovations and will be compliant with federal and state historical tax credits standards.

This renovation of the 132,000-square-foot building is estimated to cost over \$30 million. There will be minimal change to the building exterior as is shown on the architectural graphics. The interior will see substantial energy efficiency improvements such as light-emitting diode (LED) lighting, new mechanical systems and replacement of the original fixtures including windows with very similar look items including the ceiling duct system which is a major defining architectural element. A complete life/safety integrated system, that does not currently exist, is also planned.

Some minor site changes are under consideration; because of the expedited schedule to undertake and finish the building work by June 2015, these plans will be presented to the City at a later date.

PREVIOUS COUNCIL ACTION(S):

Date: June 9, 2014

Roll Call Number: [14-0900](#)

Action: [Preliminary](#) Terms of Agreement with American Republic Insurance Company at 601 6th Avenue for corporate headquarters renovations and submittal of an IEDA Business Assistance Application. ([Council Communication No. 14-284](#)) Moved by Hensley to receive, file and approve the preliminary terms of agreement as set forth in Council Communication No. 14-284; direct the City Manager to proceed with negotiation of a formal agreement with American Republic Insurance Company consistent with the terms set forth in Council Communication No. 14-284; and authorize and direct the City Manager to sign the statement in American Republic's application to the IEDA for Brownfield-Grayfield Tax Credits and other State assistance, expressing the City's support and sponsorship of the application. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: July 15, 2014

Resolution Number: N/A

Action: Recommended approval of the proposed financial assistance package and building conceptual design plans with additional later review of the overall site plan. The Board also encouraged the company to provide for wider public access to its art collection.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Future review by the Urban Design Review Board and City Council approval of site conceptual plan for the block on which the headquarters building is located.

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