

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: April 20, 2015
	Agenda Item No. 47 Roll Call No. <u>15-0703</u> Communication No. <u>15-209</u> Submitted by: Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution Approving Urban Renewal Development Agreement with Employers Mutual Casualty Company for Expansion of its Corporate Headquarters at the southeast corner of the intersection of 8th Street and Walnut Street, which property is now locally known as 712 Walnut Street and to be known as 219 8th Street, Des Moines and State of Iowa Economic Development Authority Economic Development Assistance Contract 15-TC-023.

SYNOPSIS:

Employers Mutual Casualty Company, known as EMC (Bruce G. Kelley, President, 717 Mulberry Street, Des Moines, Iowa 50309), is planning construction of a new 4-story, \$39,000,000 plus building at 219 8th Street. This site is adjacent to their downtown headquarters location at 717 Mulberry Street and its major expansion at 700 Walnut Street completed in 1997. The company has requested economic financial assistance from the City and the State of Iowa to retain its 1,045 fulltime employees, of which 780 earn more than \$43 per hour at this location.

FISCAL IMPACT:

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

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

ADDITIONAL INFORMATION:

EMC is a property and casualty insurance company based in Des Moines which does business in over 40 states. The proposed new building at the southeast corner of 8th and Walnut Streets is part of their strategy to attract and retain high-skill knowledge workers. This project is a critical piece for EMC to continue in the downtown with its corporate campus and assists in re-energizing Walnut Street after the loss of a major portion of the former Younkers Department Store directly across the street from EMC.

Design

The new building, located at 219 8th Street, is on the northwest corner of the block bordered by 7th and 8th Streets and Walnut and Mulberry Streets. EMC owns the adjoining buildings on this block at 717 Mulberry Street and 700 Walnut Street. Matt Cole, AIA, from Brooks Borg Skiles (317 6th

Avenue, Des Moines), is the lead architect. (Brooks Borg Skiles were the architects for EMC's other buildings on this block at 717 Mulberry Street in 1970 and 700 Walnut Street in 1997.)

The new 4-story building (about 107,000-square-feet including the below-grade floor) is designed to be contextually compatible with the existing EMC campus on this block. The plans include:

- Below-grade level parking (37 spaces) accessed from the existing 7th Street entrance.
- About 6,100-square-feet of tenant space on the first floor facing Walnut Street with printing and mail functions located on the south half of the floor and a ground level entry for employees on 8th Street.
- On the second floor, a new skywalk concourse and atrium with a skylight providing day lighting along its length with a new employee wellness facility. Public access to the skywalk will continue to be from the 700 Walnut entrance.
- Third floor conference rooms, collaboration space and a new auditorium.
- Fourth floor for office and computer equipment.
- The small penthouse unit at fifth level for mechanical and electrical systems.

This complementary design continues the color and materials palette of the 700 Walnut Street building with extensive use of a glass and grid system with 2-story exterior granite columns lining the Walnut Street and 8th Street frontages. The Walnut Street building frontage provides a gentle curve from midblock to a full street corner presence at 8th Street. This design 'holds' the 8th and Walnut corner in a similar manner to the other buildings at this intersection (the Wilkins aka Younkers Building, and the Wells-Fargo buildings) while acknowledging the curved front of the 700 Walnut Street building.

This property will be part of the proposed Walnut Streetscape project which will extend to 8th Street. Because these plans have not yet been finalized, the streetscape portion of this project is still to be undertaken.

Financial Assistance

The \$39,000,000 project being proposed by EMC will enhance the workplace in attracting and retaining quality employees. EMC has 1,045 fulltime employees with about 71% (780 fulltime employees) of the employees earning more than \$43 per hour and receiving a wide range of benefits. The planned improvements will improve the work environment and assist in retaining this skilled and educated workforce.

The project will be funded from:

- State High Quality Jobs Program tax credits \$2,860,000 over five (5) years
- City of Des Moines "Green" incentive: \$250,000 over 10 years upon certification
- City of Des Moines economic development grant: \$2,100,000 (estimated) over 15 years
- EMC: \$33,790,000

Funds will be used for:

- New construction: \$31,500,000 (includes site preparation, sewer repairs, new construction and soft costs);

- Building remodeling: \$500,000;
- Furniture & fixtures: \$1,000,000; and
- Soft costs: \$6,000,000.

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 10% of the total project cost, based on the terms described below which are comparable to the terms accepted by American Republic Insurance (601 6th Avenue) and Principal Financial (811 High Street) for their building renovations:

1. Economic Development Grant: 50% of new tax increment [minus the Self Supported Municipal Improvement District, ISL levy, 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, 2015, assuming construction work will begin in 2015, based on the property’s 2015 (current) building taxable value of \$300.
 - 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 which is anticipated to be in 2018.
 - c. A total of 30 semi-annual grant installments will be made. The estimated annual payment will be about \$140,000 (\$70,000 every six (6) months) assuming an increase in the assessed value of about \$8,000,000 (15 years X \$140,000 = \$2,100,000).
2. “Green” Incentive
 - a. \$25,000 per year for 10 years for a LEED-certified (or equivalent) certification for the building.
 - 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).

State of Iowa Economic Development Assistance Contract 15-TC-023

In addition to the proposed City of Des Moines assistance, this project has received approval from the Iowa Economic Development Authority’s “High Quality Jobs Program” for a \$2.86 million tax credit award. The state requires the City to act as a signatory to this contract; additionally, the Legal Department has requested several changes in the contract to provide that the City will make its financial assistance payments in accordance with the urban renewal development agreement which is based on a portion of the property tax revenues, rather than a set amount that is currently provided for in the state’s contract.

PREVIOUS COUNCIL ACTION(S):

Date: December 8, 2014

Roll Call Number: [14-1862](#)

Action: [Preliminary](#) terms of agreement with Employers Mutual Casualty Company (EMC) for proposed new construction at 8th Street and Walnut Street and authorizing execution of business

financial assistance application as the project sponsor. ([Council Communication No. 14-566](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S)

Board: Urban Design Review Board

Date: March 3, 2015

Resolution Number: NA

Action: Approval of proposed financial assistance and conceptual design plans, subject to review of the streetscape plans and actual material samples.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

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