

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	May 21, 2018
	Agenda Item No.	68
	Roll Call No.	<u>18-0925 18-0926</u>
	Communication No.	<u>18-254</u>
	Submitted by:	Erin Olson-Douglas, Economic Development Director

AGENDA HEADING:

Resolution Approving Preliminary Terms of an Urban Renewal Development Agreement with Employers Mutual Casualty Company (EMC) for the expansion of its corporate headquarters at 701 Walnut Street, Approving Preliminary Development and Escrow Agreement with EMC, and authorization for the City Manager to negotiate escrow agreement with Blackbird Investments.

SYNOPSIS:

EMC (Bruce G. Kelley, President, 717 Mulberry Street, Des Moines, Iowa 50309), is considering construction of a new office building with an estimated property assessment of at least \$24 million at 701 Walnut Street. EMC intends to acquire the 701 Walnut Street site through a land swap agreement with Blackbird Investments (Justin Doyle, Partner, 130 East 3rd Street, Des Moines, IA 50309) for the east block of the Kaleidoscope at the Hub site located at 555 Walnut Street. The 701 Walnut Street site is a natural expansion location for EMC given the proximity to their existing downtown corporate headquarters block, which includes its major previous expansions at 700 Walnut Street completed in 1997, and 219 8th Street completed in 2018, in addition to their corporate headquarters building at 717 Mulberry Street. EMC also owns the Hub Tower at 655 Walnut Street directly to the east of the 701 Walnut Street site.

As part of the private property land swap transaction between EMC and Blackbird Investments, EMC is funding an escrow account to be administered by the City to address higher redevelopment costs that Blackbird Investments will incur at 555 Walnut Street. The City’s role in the escrow agreement would be an oversight role that the funds are drawn for legitimate expenses associated with the redesign work needed for Blackbird’s proposed multi-residential tower, relocation expenses of existing tenants in the Kaleidoscope building, and/or costs associated with the demolition at 555 Walnut Street. The City Manager will also negotiate for a minimum of \$1 million of the escrowed funds to remain in the escrow account for re-establishing skywalk connectivity at the new Blackbird Investments site.

The City Manager’s Office has negotiated preliminary terms of a financial assistance package with EMC to include a declining percentage of project-generated tax increment revenues over a period of 15 years. Additional details on the financial assistance is below.

FISCAL IMPACT:

Amount: A financial assistance package to consist of a declining percentage of the project-generated tax increment not to exceed 90% years 1-5; 85% years 6-10; 80% in year 11; 75% years 12-13; and 50% years 14-15. Project generated tax increment revenues paid above 50% on the project shall not exceed a cap of \$3.5 million (on a net-present-value basis with a 4.5% discount rate) over the duration

of the assistance. If the \$3.5 million cap is reached prior to year 14, the assistance will be reduced to 50% for all remaining years.

Funding Source: Project-generated tax increment from the Metro Center Urban Renewal Area.

ADDITIONAL INFORMATION:

- EMC is a property and casualty insurance company based in Des Moines, which does business in over 40 states. EMC would like to continue to invest in the long-term growth of its headquarters in downtown Des Moines to attract talented, knowledge-based workers.
- If EMC is unable to undertake these activities adjacent to its current operations, the company will consider expanding at one (1) of its other locations.
- EMC has also expressed interest in purchasing the City-owned portion of the 8th and Mulberry parking garage to align with their long-term growth strategy.
- 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 that previously occupied the site.
- As part of the EMC/Blackbird Investments land swap, EMC will deposit funds related to 555 Walnut into an escrow agreement. It is proposed that the City will control the release of these funds as the Blackbird Investments project reaches predetermined milestones. The City Council is asked to authorize the City Manager to negotiate terms of the escrow agreement on behalf of the City.
- Design considerations to be addressed as the project advances include:
 - Skywalk reconnection
 - Vertical access to the skywalk system
 - Walnut Street activation
 - Sustainability and energy efficiency

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – Preliminary reviews.
- Plan and Zoning Commission – Site plan review.
- Urban Design Review Board – Final reviews and recommendations.
- City Council – Consideration of final terms of an Urban Renewal Development Agreement.

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