

Date..... July 9, 2007

RECOMMENDING APPROVAL OF THE PRINCIPAL LIFE INSURANCE COMPANY APPLICATION TO THE IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT FOR ENTERPRISE ZONE BENEFITS REGARDING A PROJECT IN THE GATEWAY ENTERPRISE ZONE

WHEREAS, on September 14, 1998 by Roll Call No. 98-2839, the Des Moines City Council established the nine-member Des Moines Enterprise Zone Commission (“Commission”), and on June 21, 1999 by Roll Call No. 99-2002, the City Council designated the Des Moines Gateway Enterprise Zone, which the State of Iowa subsequently certified, all pursuant to Iowa Code sections 15E.191-96 (2001); and

WHEREAS, the Commission’s authority is independent of the Council, and said Commission is required to review applications primarily for State tax incentives from qualified businesses or housing providers located within or requesting to locate within or develop housing within an enterprise zone in order to encourage new development, and to forward its recommendation to Iowa Department of Economic Development; and

WHEREAS, on January 28, 1999, the Commission adopted a requirement that as part of the application process for benefits in any State of Iowa Enterprise Zone located in Des Moines, businesses and developers must meet with the appropriate neighborhood group to obtain a recommendation on the project; and

WHEREAS, the Principal Life Insurance Company (“Principal”) is a business requesting approval of its application for enterprise zone benefits regarding a project in the State of Iowa Gateway Enterprise Zone; and

WHEREAS, Principal is proposing to invest approximately \$36 million to build an 1,800-space employee parking ramp at 707 8th Street, a childcare center at 801 Park Street and obtain computer hardware and other equipment, and intends to create 1,500 jobs within the next five years; and

WHEREAS, Principal’s application appears to meet all of the requirements for enterprise zone benefits as described in the staff report herein referenced as Exhibit “A”; and

WHEREAS, on June 27, 2007, the Downtown Des Moines Neighborhood Association sent a letter to the City that recommended approval of the project; and

WHEREAS, Council is requested to recommend approval of Principal’s application for enterprise zone benefits to the Des Moines Enterprise Zone Commission as well as to the Iowa Department of Economic Development, which administers the State of Iowa Enterprise Zone Program.

Date July 9, 2007

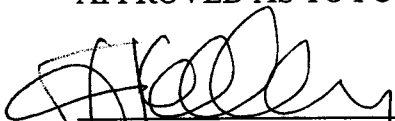
NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Des Moines, Iowa, that:

1. The staff report describing how Principal's application meets the requirements for enterprise zone benefits, herein referenced as Exhibit "A", is hereby accepted.
2. Principal's application is recommended for approval to the Des Moines Enterprise Zone Commission and to the Iowa Department of Economic Development.
3. The Office of Economic Development is directed to transmit a copy of this Roll Call to the Commission and to the Iowa Department of Economic Development and is directed to conduct project compliance monitoring.
4. Upon approval of the application by the Iowa Department of Economic Development, the Mayor is authorized to execute and the City Clerk is directed to attest to his signature any documents necessary for Principal to receive enterprise zone benefits.

(Council Communication No. 07-388 Attached)

Moved by _____ to approve.

APPROVED AS TO FORM:


 Michael F. Kelley
 Assistant City Attorney

COUNCIL ACTION	YEAS	NAYS	PASS	ABSENT
COWNIE				
COLEMAN				
HENSLEY				
KIERNAN				
MAHAFFEY				
MEYER				
VLASSIS				
TOTAL				

MOTION CARRIED

APPROVED

.....
 Mayor

CERTIFICATE

I, DIANE RAUH, City Clerk of said City hereby certify that at a meeting of the City Council of said City of Des Moines, held on the above date, among other proceedings the above was adopted.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal the day and year first above written.

 City Clerk

GATEWAY ENTERPRISE ZONE (EZ-3)

**Staff Report Regarding Application for Benefits
(Commercial/Industrial Uses)**

Applicant Name: Principal Life Insurance Company

Project Location: 707 8th Street (Parking Ramp) and Child Care Center (801 Park Street) , Des Moines, Iowa

Project Summary: The Principal Life Insurance Company, founded in 1879 as Banker's Life Association, is the largest member of the Principal Financial Group, which has 15,000+ employees worldwide, more than 17 million customers and greater than \$250 billion in assets under management. The Principal, one of Iowa's largest employers, is a leader in offering businesses, individuals and institutional clients a wide range of financial products and services. These include retirement and investment services as well as life and health insurance and integrated wellness programs.

Principal intends to expand its workforce by 1,500 net new employees over the next five years. This project will allow Principal to significantly expand its Global Investors business unit, an area which typically requires higher skilled and higher paid positions than many others at the company. As part of this expansion, the company will construct an 1,800-space employee parking ramp at 707 8th Street. The structure will connect by skywalk to Principal's Corporate Four ("Z") building. The total cost of the ramp is estimated at \$27.6 million. Work is anticipated to commence in September 2007 with the west half to be completed by August 2008 and the east half, by March 2009.

Furthermore, Principal will build a childcare center to accommodate 180 children at 801 Park Street. This facility will be the first building in downtown Des Moines to be designated LEED-certified based on the U.S. Green Building Council's rating system. Total cost of the childcare center will range between \$7 million and \$7.5 million. Groundbreaking is scheduled for August 6, 2007. The project is expected to be completed in mid 2008.

The total eligible project costs are estimated at between \$36.3 million and \$36.8 million, which include the parking garage, childcare center, other machinery and equipment at \$87,300 and computer hardware at \$1.6 million. Principal will also invest approximately \$65 million into furniture and fixtures for the additional employees, which are ineligible Enterprise Zone expenditures.

Project Budget:

USE OF FUNDS	COST	SOURCE OF FUNDS	
		PRINCIPAL (EQUITY)	DMACC
Site preparation	\$ 4,700,000	\$ 4,700,000	
Building construction	\$ 29,900,000	\$ 29,900,000	
Other machinery and equipment	\$ 87,300	\$ 87,300	
Computer hardware	\$ 1,632,500	\$ 1,632,500	
Furniture & fixtures	\$ 65,423,468	\$ 65,423,468	
Job training	\$ 1,400,285		\$1,400,285
TOTAL	\$103,143,553	\$101,743,268	\$1,400,285

*Excludes Enterprise Zone investment tax credits estimated at between \$3.63 million and \$3.68 million; a sales tax refund at between \$865,000 to \$877,500 and City of Des Moines real property tax abatement at \$7,248,500.

GATEWAY ENTERPRISE ZONE (EZ-3)

**Staff Report Regarding Application for Benefits
(Commercial/Industrial Uses)**

**Meets Statutory
Requirements**

- Yes** 1. Business has not closed or substantially reduced its operation(s) in one area of Iowa and relocated into the Enterprise Zone.
- Yes** 2. Business is not retail or a business whose entrance is limited by a cover charge or membership requirement.
- Yes** 3. Business will provide all new "project" employees with one of the following:
- _____ a. 80% of medical and dental insurance, or
 - X b. Monetarily equivalent plan as referenced in Item a.

Description: Principal offers several medical and dental insurance plans. It pays 74% of the premiums for medical and 58% of the premiums for dental insurance for an employee. In addition, Principal pays 97% of the cost of life insurance and 100% of the cost of short-term disability, long-term disability and accidental death and dis-membership insurance. It contributes \$3,307 for every employee to a pension plan, an average of 4.4% of an employee's salary to a 401(K) plan, a financial incentive plan to encourage high performance, and health, wellness and other benefits.

- Yes** 4. Business will pay an average wage of \$15.29/hour for all new full-time project-related positions and no less than \$7.50/hour.

Average hourly wage for new positions: \$17.95

- Yes** 5. Business is committed to creating a minimum of 10 full-time project-related positions in the enterprise zone within three years of the Iowa Department of Economic Development's approval of the application and will maintain them for at least 10 years.

Number of full-time positions to be created: 900 jobs within three years and an
additional 600 jobs within the next two years (Total of 1,500 jobs within five years)

- Yes** 6. Business will invest a minimum of \$500,000 within three years of the Iowa Department of Economic Development's approval of the application (\$250,000 of appraised value of building and land may be counted toward capital investment requirement).

New Capital Investment for Purposes of Enterprise Zone Program:

<u> \$ 4,700,000 </u>	Site preparation
<u> \$ 29,900,000 </u>	Building construction
<u> \$ 87,300 </u>	Other machinery and equipment
<u> \$ 1,632,500 </u>	Computer hardware
<u> \$ 36,319,800 </u>	TOTAL

Principal will be eligible to receive up to \$3.63 million to \$3.68 million in investment tax credits and an estimated \$865,000 to \$877,500 refund of sales, service or use taxes paid during construction.

GATEWAY ENTERPRISE ZONE (EZ-3)

**Staff Report Regarding Application for Benefits
(Commercial/Industrial Uses)**

**Meets Additional
Requirements**

- Yes** 1. Business has submitted a 10-year long-term strategic plan which includes labor and infrastructure needs.
- Description:** Principal intends to retain more than 9,000 employees in downtown Des Moines area and to create 1,500 jobs in Des Moines.
- Yes** 2. Business has provided information explaining the economic benefits it will bring to the area.
- Description:** Principal will create highly skilled jobs and add at least \$56 million annually in payroll by the fifth year of its expansion. The State of Iowa will benefit from the significant increase in personal income taxes paid by the 1,500 new employees, many of whom will be recruited from out of state. These employees will boost the local economy through housing and retail spending. After tax abatement, Principal estimates it will pay \$1.6 million annually in additional property taxes.
- N/A** 3. Business has explained why it should be considered a good business enterprise.
- Description:** The Iowa Department of Economic Development no longer requires this information.
- Yes** 4. Business has stated the impact its expansion will have on other Iowa businesses in competition with it.
- Description:** Principal's competitors in downtown Des Moines include Wells Fargo, Wellmark Blue Cross and Blue Shield, Allied, Nationwide, Farm Bureau, CitiGroup, Aviva and ING. Most of the aforementioned companies are not direct competitors, although Wellmark competes in health insurance and Aviva and ING compete in the annuity market. The addition of parking, while improving Principal's position in competing for employees, should assist its competitors by freeing up other public parking.
- Yes** 5. Business has provided an affidavit that it has not violated State or Federal environmental and worker safety statutes, rules or regulations within the last five years or that there were mitigating circumstances or that such violations did not affect the public health, safety or the environment seriously.
- Yes** 6. Business has explained why Enterprise Zone benefits are needed in order for the project to proceed.
- Description:** Principal is considering expanding in Des Moines or in Nebraska. It has cited a rate of return gap and location disadvantage (incentive) to demonstrate the need for assistance. Some offsets to its costs are required. Land prices and construction costs are less in Nebraska versus Iowa, and Nebraska offers significant tax incentives for expansion.

GATEWAY ENTERPRISE ZONE (EZ-3)

**Staff Report Regarding Application for Benefits
(Commercial/Industrial Uses)**

**Meets Additional
Requirements**

Yes

7. Business has provided information regarding other financing sources the business will use.

Description: See Project Budget on Page 1.

**Meets Commission
Requirements**

Yes

The Des Moines Enterprise Zone Commission requires businesses expanding in the Gateway Enterprise Zone to meet with the neighborhood most closely located to the proposed project. The company discussed the project with the Downtown Neighborhood Association (DNA) Board. On June 27, 2007, the DNA Board voted to pre-approve this project and provided a letter of support.

Recommendation:

Staff recommends approval of the application and submittal to the Des Moines Enterprise Zone Commission for consideration at its July 2007 meeting.

Respectfully Submitted,

Ellen Walkowiak
Economic Development Coordinator