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SECOND-TIER MARKETS

Corporate Opportunities

Secondary markets' strong fundamentals attract America's top companies.

By Jennifer Norbut |

Editor's note: As corporations seek new ways to maximize their profits, many are finding that secondary markets offer highly productive labor forces and lower costs of operation. This changing dynamic opens new business opportunities for CCIMs in many of these markets.

Douglas A. Siedenburg, CCIM, CRE, SIOR, president of The Siedenburg Group (TSG) in Des Moines, Iowa, assisted Wells Fargo Home Mortgage (WFHM) in their corporate campus development in West Des Moines, Iowa. TSG consulted with WFHM on their real estate strategy, state and local economic development incentives, the site-selection process, and other components of the transaction. For his consulting work in the project, Siedenburg received the 2005 James Felt Creative Counseling Award from The Counselors of Real Estate.

The following case study highlights TSG's role in the WFHM corporate campus real estate decision.

Headquartered in West Des Moines, Iowa, Wells Fargo Home Mortgage is one of the nation's leading home mortgage lenders. As part of its long-term management development strategy, the company decided to consolidate approximately 3,300 employees in 10 metropolitan Des Moines locations into one campus facility. This would enable better future management development and also create real estate efficiencies.

Given the size of WFHM's present Des Moines employee base, the company preferred to stay in central Iowa if a real estate alternative could be located and incentives appropriately negotiated. The company had office facilities under development in Ft. Mill, S.C., Tempe, Ariz., and Springfield, Ill., and recognized the need to consider other alternative locations outside Des Moines. The company also desired a site that initially could accommodate 4,000 people with the ability to grow well beyond that number.

WFHM retained **Douglas A. Siedenburg**, CCIM, of The Siedenburg Group in Des Moines, as a consultant in five primary areas:

- coordinating and facilitating communications with local cities;

- strategically comparing different metropolitan locations;
- assisting in strategic planning, acquisition and developer strategies, and infrastructure development;
- assisting in the development of the business case for executive management; and
- assisting in overall communication strategies.



Due to the size of Wells Fargo Home Mortgage's corporate campus and its potential number of employees, traffic and accessibility were major site considerations.

Photos: Wells Fargo Home Mortgage



Narrowing the Field

Preliminary studies revealed 10 possible central Iowa sites in Des Moines, Altoona, Johnston, Urbandale, Ankeny, and West Des Moines.

TSG initiated confidential contacts with each of the cities for broad-based site-selection searches and preliminary discussions regarding economic incentives.

Simultaneously at the direction of WFHM, TSG made initial contacts with state of Iowa officials to inquire about the potential of becoming involved in the Grow Iowa Values Fund, an economic development initiative under consideration by the state legislature. The fund anticipated raising \$500 million to be granted to businesses representing significant growth potential within Iowa. The WFHM project was a prime candidate for the fund, which was to come before the state legislature in July 2003.

By late March 2003, a threefold strategy was in process:

- a preliminary list that identified 10 corporate site alternatives;
- an economic package that included state and city incentives; and
- negotiations with a local landowner on one of the primary sites located in Urbandale.

The major issues driving site selection were traffic and accessibility. The projected traffic generated from this project was significant — initially 4,000 cars per day were anticipated. Additionally, WFHM

wanted to grow at the site, anticipating a total of 10,000 employees. This criterion eliminated seven of the alternative Iowa sites, narrowing the search to Urbandale, West Des Moines, and Ankeny.

Concurrent with the site analysis development, the WFHM team and the architectural firm of SVPA & Associates of West Des Moines conducted a space programming process to determine the number of square feet WFHM would require to be built to meet the company's needs. The early collaboration between the WFHM team, SVPA, and TSG determined the basic size and scope of the corporate campus project.

By late May 2003, the programming process had increased the site's number of full-time employees to 4,500. Due to these changing space needs, the larger 176-acre West Des Moines site became more appealing. Located immediately south of General Growth Properties' new \$200 million retail development, Jordan Creek Town Center, the property had excellent access to two interstate interchanges and access to a third interstate interchange could be added to the south. Ultimately, WFHM determined the West Des Moines location best met its current and future goals.

Obtaining Economic Support

While interested in the WFHM project, the city of West Des Moines previously had not provided direct economic development incentives to any company. The city maintained that, due to the bonds it sold to finance Jordan Creek Town Center's \$60 million transportation infrastructure, it could not further increase its debt without risking its credit standing.

In fall 2003, TSG assisted WFHM in successfully negotiating a development agreement that included the following elements.

- The company would provide a guaranteed \$118 million minimum tax base, thereby generating the real estate tax revenue necessary to finance \$38 million of tax exempt bonds for infrastructure construction. The bonds would finance the building of streets, water lines, and sewer lines necessary to support the project and extend a primary artery south to connect to an existing interstate interchange, thus creating the site's third interstate link. This interstate connection was a critical element of the project.
- Recognizing the significance of the project, West Des Moines agreed to provide \$5 million in direct economic incentives to WFHM, a factor critical to the subsequent inclusion of the project in the Grow Iowa Values Fund.
- Noted as the largest economic development transaction in Iowa's history, the project received the Grow Iowa Values Fund's first grant for \$10 million.

During the 30-day negotiation period, the parties met many times to work out details with attorneys and develop language acceptable to West Des Moines and WFHM. The West Des Moines City Council appointed two members to handle negotiations along with the mayor and other top city officials. The collaborative attitudes of WFHM and West Des Moines were the key to negotiating the successful agreement.

The city of West Des Moines requires all developers to work through city traffic engineers. TSG suggested working outside the normal city process by having WFHM hire its own traffic engineer to

work directly with the city. This process increased the speed with which the traffic engineering studies were completed, created a closer working relationship between the city and WFHM, and eliminated areas of potential conflict by allowing the city and WFHM to negotiate their joint traffic goals.

Construction Begins

The WFHM development was announced publicly in October 2003, but the behind-the-scenes negotiations continued. The exact size of the parcel and the location of streets had to be coordinated between two selling parties. TSG moved into a real estate brokerage role to negotiate the land acquisition process representing WFHM. TSG addressed site access points, elevation considerations, local neighborhood concerns, parking and traffic difficulties, water run-off issues, and traffic improvement capacities in negotiations from October through December 2003. The actual land purchase transactions were completed in spring 2004.

The WFHM campus project broke ground in late summer 2004. Phase I is a four-building, 960,000-sf facility. The WFHM campus is projected to have a total economic impact of \$627 million over 10 years. The company expects to move employees into the first building this fall.

Ready access to qualified labor pools, high quality of life, and the lower costs of doing business in secondary markets such as Des Moines will continue to attract U.S. corporations in the future. New opportunities for local commercial real estate professionals will emerge as more companies take notice of this growing trend.