



# Tacoma's Russell Watch

CIVIC LEADERS TRY THEIR BEST TO ENTICE THE CITY OF DESTINY'S BIGGEST EMPLOYER TO STAY DOWNTOWN. **By Todd Matthews**



Will the Russell Investment Group receive an offer they can't refuse? That is the \$144 million question.

**IT'S SAFE** to say downtown Tacoma's business community is holding its collective breath till New Year's Eve. That is the date when city officials will find out the future of a high-profile global company that has called Tacoma home since 1936: Russell Investment Group.

Late last year, Russell announced it would decide by the end of 2008 whether to remain in Tacoma or to move away when its downtown leases expire in 2013. Though the company was founded in Tacoma, it was purchased by Milwaukee-based Northwestern Mutual Insurance (NMI) in 1998. Expiring leases and out-of-town ownership have left some people wondering if the company will move to NMI's Midwest headquarters or find a home in a more high-profile location like New York City.

Another twist: Russell CEO Craig Ueland, who would have had a big role in the decision, abruptly resigned in June after 25 years with the company.

Adding extra pressure, Tacoma's vacancy rate for Class A office space has hovered near 2 percent for several years, leaving Russell to scatter its offices in several buildings downtown. To date, no developers plan to build another Tacoma high-rise in the near future—at least not until Russell makes a decision. However, should Tacoma's biggest employer pull up stakes and move its 1,100 employees elsewhere, the company would leave a glut of vacant office space.

Local dealmakers are doing their best to stave off such a disaster by forming a group of city, county and state leaders, known as the "Tacoma Partnership," to conduct a year-long courtship to woo Russell with financial perks. In April, the partnership met with Russell executives to make its pitch, which includes \$144 million in benefits. Similarly, in June, the Tacoma City Council approved an ordinance that created an international financial services

area in a swath of downtown that just so happens to include Russell's building. This move opened the door for many of the benefits presently being waved in front of the company.

Among the many perks offered should Russell stay in town:

⇒ State business and occupation (B&O) tax credits valued at \$7.5 million.

⇒ A phase-out of Tacoma's B&O tax between 2009 and 2013 by 20 percent annually, resulting in \$16.5 million in savings.

⇒ A city pledge to build a \$15 million, underground, 500-stall parking garage to serve Russell employees.

⇒ A waiver of up to \$32 million in state sales taxes related to up-front construction costs should Russell choose to build a new Tacoma headquarters.

⇒ A pledge from Gov. Christine Gregoire to make \$700,000 from the state's economic development reserve account available for the Tacoma Partnership and Russell.

Will these generous gifts be enough to keep Russell in the City of Destiny? During this upcoming holiday season, city leaders may be just as anxious as the area's children will be about what they'll find in their stockings. **SB**

## DEAL Digest

- In the largest venture capital deal so far this year in the Seattle area, casual games company **Big Fish Games** has landed **\$83.3 million** in funding from a group that includes Balderton Capital, General Catalyst Partners and Salmon River Capital.
- **Drugstore.com** has restructured its deal with the **Rite Aid** drugstore chain, allowing Drugstore.com to manage Rite Aid's over-the-counter online store. Rite Aid, which will assume control of its local prescription pickup service, will pay the Bellevue-based Drugstore.com **\$10 million** in 10 monthly payments.
- Seattle-based private-equity firm **Evergreen Pacific** has created a **\$425 million** buyout fund. According to Evergreen's executives, the firm plans to acquire about eight mature companies with the new fund, some of which may be located in the Pacific Northwest.