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Insurer plans \$60-million headquarters

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One of Rhode Island's largest private employers said yesterday it wants to build a \$60-million headquarters adjacent to its offices in Johnston.

Executives from commercial-property insurer FM Global were scheduled to go before the city's Planning Board last night to present their proposal for a four-story building off Central Avenue.

FM Global employs about 800 people at its existing headquarters, located on more than 300 acres it owns off the intersection of Central and Atwood Avenues. The company built its headquarters there in 1973 and has since grown to become one of the world's largest commercial-property insurers. The \$4.5-billion insurer employs 4,700 people worldwide and ranks 578th on Fortune magazine's list of the country's largest companies.

"We are seeking a new location that will be scalable and grow with our company in the future," said Shivan S. Subramaniam, FM Global's chairman and chief executive officer. "Renovating our existing headquarters doesn't make economic sense so, accordingly, we are exploring all our options."

Saul Kaplan, an economic advisor to Governor Carcieri, applauded FM Global's plans to remain in Rhode Island

"The signs are good that they'll continue to be an important part of this landscape," Kaplan said during a speech in Providence.

Johnston's mayor, Joseph M. Polisena, said the company lends something significant to the town's identity.

The notion that FM Global considered moving to the Route 128 beltway in Massachusetts made him "gravely ill," the mayor joked.

"FM Global is our Fidelity," Polisena said. "They've been around 34 years; they're part of our fabric."

Merrick Cook, Johnston's economic development director, agreed with his boss, saying the proposal is an important one for the town, where FM Global is among the largest employers. About 100 Johnston residents work for the company.

"It certainly is going to have a positive effect," on the town, Cook said.

The assessed value of the existing headquarters and the surrounding acreage is \$32.6 million, according to the Johnston assessor's office. Real-estate taxes are just under \$620,000.

The proposal for a 340,000-square-foot building fits into the town's Comprehensive Plan, according to Cook. A review by the town's Planning Board could take about three months and include a traffic review. The board would then make a recommendation on the project to the Town Council.

Traffic along Atwood Avenue has been a concern of Johnston residents for years, a problem acknowledged by Steven Zenofsky, an FM Global spokesman: “Traffic is a very serious issue on Atwood Avenue.”

The driveway to the existing building is on Atwood Avenue, but the new building would be accessible via Central Avenue.

The company has discussed with state transportation officials “what can be done to alleviate some of the congestion,” Zenofsky said.

That could include the company giving over some of its immaculately landscaped property to the state to widen the adjacent roads, he said.

The company has urged state agencies, including the state Department of Environmental Management, to make a “timely review” of its proposal, he said.

In 1984, the insurer sold the building to a real-estate firm and then leased it back for 25 years. FM Global wants to be in its new building by July 2009 — the expiration date of the lease on its existing headquarters.

“It’s a tight time frame,” Zenofsky said.

With the lease nearing its end, FM Global began looking at options for its headquarters, according to Zenofsky. The company looked at relocating to the Quonset Business Park in North Kingstown and the never-occupied Brooks-Eckerd building in East Greenwich, both options it rejected.

FM Global owns a research campus in Gloucester, and employs several hundred people in Massachusetts, at offices in Norwood and Waltham. But the company, so far, considers staying put its best option.

“Our first preference is to stay right here in Johnston,” Zenofsky said.

The company worked with design firms, including Vision 3 Architects, of Providence, to craft a more efficient building that would have space to add workers as needed. The proposed building would be higher than the existing one but offer the same amount of space. It would accommodate up to 1,100 workers.

The insurer has no immediate plans to shift workers from the 50 offices it has scattered around the globe or hire new employees, Zenofsky said.

Other than a zoning change, the company isn’t seeking any considerations from Johnston, he said, a point confirmed by town officials.

Under the terms of an existing agreement with the state, FM Global may receive a sales-tax abatement for some portion of its proposed project, according to a spokesman for the Rhode Island Economic Development Corporation. In a 20-year agreement approved by the EDC on Nov. 5, 1998, the company received a tax break for work done at its Gloucester campus and its Johnston offices.

A deal with Allendale Mutual Insurance Co. granted the company a tax credit on equipment it acquired through the merger with Arkwright Mutual Insurance Co. and Protection Mutual Insurance Co. that created FM Global.

At the time, Rhode Island officials estimated the credit would cost the state roughly \$60,000 a year, but the company agreed to increase its payroll enough to generate \$500,000 in new state income taxes.

The Johnston-based insurer also invested \$78 million from 2001 to 2003 to renovate and expand its Gloucester research campus.

“The EDC has been working closely with the senior management at FM Global,” on revisions to the agreement, said Andy Cutler, the EDC spokesman.

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