

BLUE CROSS TO BUILD 10-STORY HQ IN AKSARBEN VILLAGE

By Steve Jordon

WORLD-HERALD STAFF WRITER

Despite a national commercial building slowdown, one of Nebraska's biggest businesses made it official Thursday: Central Omaha will get a \$98million, 10-story office building in Aksarben Village by spring 2011.

Officers of Blue Cross Blue Shield of Nebraska, the state's biggest health insurer, said they expect to save at least \$2 million a year by selling three existing buildings and signing a 25-year lease for a 315,000-square-foot "green" office building.

"I'm grateful that this can happen now and help the Nebraska economy, while not affecting our members' premiums," said Steve Martin, president and chief executive of Blue Cross.

About 1,000 employees will move into the Blue Cross Centre from the insurers' longtime headquarters at 72nd Street and Mercy Road.

Blue Cross moved there in 1968, added a second building in 1997 and later purchased an adjacent office tower. Those three buildings, worth about \$50 million, will be sold, said Janet Richardson, senior vice president at Blue Cross.

Blue Cross has had inquiries about the buildings but no offers, she said.

Site preparation is under way, and cranes will move into place within weeks, said Don Mohlman, president of Tetrad Development Corp., which will develop and own the structure. QuadTech LLC, a division of Tetrad, will manage the project.

Leo A. Daly Co. designed the structure, which Kiewit Building Group will build. Mohlman said financing is in place but declined to identify the lenders.

"It's not just a 10-story box," he said.

The lower level will fit into the Aksarben Village's design concept, Mohlman said. An attached 1,200-stall parking garage will have room for future neighboring development and, after business hours, for people using the entertainment zone planned across the street, he said.

The building also will have some surface parking.

The structure will qualify for energy-saving status by using efficient lighting and mechanical systems and local building materials. It will include an employee cafeteria and wellness center.

Martin said bringing a major employer into Aksarben Village fits its concept of living, working and playing in one area and might spur residential sales and attract other businesses.

Jay Noddle, president of Noddle Cos., which is playing a major role in the mixed-use development, was unavailable to comment on how the office building might stimulate other office construction.

Aksarben Future Trust, which owns the property formerly occupied by Ak-Sar-Ben's racetrack and coliseum, cooperated in allowing the 10-story building, Mohlman said. That's taller than envisioned in original plans for the development.

Martin said Blue Cross spent three years examining its facilities needs, eventually deciding that it should pull its capital out of office buildings.

Managing office buildings is not one of Blue Cross' "core competencies," he said.

He said he was confident that the company would sell the buildings by the time it occupied the new

building.

The review process was lengthy because Blue Cross directors wanted to be sure that it would be in the best interests of Blue Cross members, Martin said, especially as health care costs continue to rise.

Proceeds from selling the office buildings will be invested, he said, providing capital and income.

Becoming a tenant rather than an owner will save about \$2 million a year in administrative costs, Martin said, which is less than 1 percent of its \$230 million yearly administrative budget.

The savings will help offset costs for new technology, wellness programs and other member benefits, Martin said. Blue Cross will keep its 300-employee member services headquarters in leased space at 120th and Blondo Streets, which also provides a backup in case of power outages.

Reports that Blue Cross was considering a new headquarters have circulated for more than two years, especially after the company hired Richardson as a senior vice president.

The former ConAgra Foods executive was key in developing ConAgra's downtown campus, Omaha's first major corporate office and a catalyst for riverfront development.

Martin said Thursday that Blue Cross also considered locations in La Vista, west Omaha and downtown. A downtown location would make more sense for a business that wanted to own its own headquarters, would have meant different travel patterns for Blue Cross employees and might have been more expensive, he said.

Blue Cross also was attracted to the Aksarben location because of its proximity to the Kiewit Institute and University of Nebraska at Omaha offices, the Scott Technology Center and other developments, said Lew Trowbridge, executive vice president of Blue Cross.

Blue Cross confirmed its building plans in December 2007. This past fall, the Omaha City Council approved Tetrad's proposal, allowing \$12 million in tax incentives to acquire the land, prepare the site at Aksarben Drive and Frances Street and make other improvements.

But the official go-ahead from the Blue Cross board of directors came only recently, Martin said, opening the way for Thursday's official announcement.

Richardson said one of the current Blue Cross buildings holds about 700 employees; the capacity of the other is about 400. The office tower has other tenants and may be used for interim office space in the transition to the new building.

Blue Cross recently helped form a new information technology company, CoreLink Administrative Solutions LLC, to develop software for handling health care claims. That business may add 100 employees within five years as it sells its services to other insurers, Martin said.