

Berkshire Hathaway Guard Insurance closes deal to buy WB building; new jobs on the way

By Jerry Lynott - jlynott@timesleader.com | November 1st, 2017 12:14 pm - updated: 7:15 pm.



The Wilkes-Barre Center on Public Square, in the background at right, is where Berkshire Hathaway GUARD Insurance will establish its new corporate headquarters.

WILKES-BARRE — Berkshire Hathaway GUARD Insurance didn't have to look beyond the city for its new corporate headquarters, but it did consider other locations before deciding on a largely empty high-rise building downtown.

The company ended months of speculation Wednesday, announcing it closed a deal to buy the Wilkes-Barre Center at 39 Public Square. A sales price was not disclosed.

The move means an additional 170 or so jobs will be coming to the downtown over the next two years.

CEO Sy Foguel said the search began more than a year ago to accommodate the company that was growing financially and in number of employees.

GUARD, a subsidiary of billionaire investor Warren Buffett's Berkshire Hathaway Inc., had increased six-fold to more than \$1.2 billion in annual sales and doubled its workforce to more than 675 over the past five years. It's already added about 114 of the 285 new hires to be filled by August 2019.

"Staying in downtown Wilkes-Barre has always been a high priority for us, but we had an obligation to our parent company and their shareholders to do a thorough due diligence and fully explore the feasibility of numerous alternatives in Wilkes-Barre, other parts of Northeast PA, and elsewhere," Foguel said in a prepared statement.

The more than \$1.8 million in incentives offered by the state to stay put was key and competitive with what other areas put on the table, said Foguel.

"We're very happy to anchor our operations in the downtown," he said.

GUARD, which sells a variety of products including workers' compensation, commercial auto, professional liability and disability, will invest more than \$10 million in the acquisition, renovation and other improvements at the 90,378 square-foot property that includes buildings with tenants Rodano's, Dunkin' Donuts and Dollar Tree. It purchased the property from Wilkes-Barre Square LP, which bought it last year for \$4 million.

GUARD has been leasing one floor in the building for its accounting and finance staff, said Eitan Ajchenbaum, the company's chief financial officer.

Another group of employees will move from other city buildings by year's end, and the rest of the downtown staff by the first quarter of 2018, according to Ajchenbaum.

"Renovations will commence immediately," he said. "Once we conclude renovations, the complex will have a potential to accommodate up to 730 employees, enabling us to consolidate staff previously spread out across five downtown locations – a layout that created inefficiencies."

Mayor Tony George beamed over the news and huddled with other elected officials out of the rain under the exterior awning at Rodano's.

"It might be dark and gloomy and rainy today, but it's the sunniest day Wilkes-Barre has ever had," George said.

The announcement marked a more than two-year effort to keep GUARD in Wilkes-Barre where it began more than 30 years ago, he said.

"People have been courting them all over — Allentown, Scranton, throughout the whole East Coast," George said.

But this area's workforce and work ethic helped to cement the deal, he said, adding the GUARD move will get noticed.

"When you have a person like Warren Buffett coming here, it's going to open the eyes of other investors and other businesses," George said.

He hinted at future developments but would not elaborate.

"There's a lot more coming to the city," said the mayor.

'Significant victory'

State Sen. John Yudichak, D-Plymouth Township, who was part of the group of elected and economic development officials that worked on the GUARD project, said a lot has already come to the city in the past 18 months.

Including GUARD, McCarthy Tire and Pepperjam, more than 1,000 jobs were created in the downtown, Yudichak said.

“That’s exciting news for any city. That’s great news for the city of Wilkes-Barre,” said the lawmaker. “This is, again, the most significant economic development victory for the city of Wilkes-Barre in decades.”

It sends the message that Wilkes-Barre and Northeastern Pennsylvania have the workforce to attract quality jobs, and the region can compete for “any world-class company in the United States,” said Yudichak.

“It’s tremendous and we are eager to work with many businesses to attract them here to the city of Wilkes-Barre, (it) has tremendous amenities, and also to Northeastern Pennsylvania,” added state Rep. Eddie Day Pashinski, D-Wilkes-Barre.

For the GUARD project, the Governor’s Action Team in conjunction with the Department of Community and Economic Development identified \$855,000 in tax credits and incentives. The city applied for and received a \$1 million Local Share Account grant funded by gambling revenue from the Mohegan Sun Pocono casino in Plains Township.

“The project is a big win for Wilkes-Barre, both now and in the future,” Gov. Tom Wolf said in a press release Wednesday.

Yudichak explained the state’s help was vital along with the ready-made site, plus safe and secure parking at the James F. Conahan Intermodal Transportation Facility behind the office building.

“I know that’s frustrating sometimes for taxpayers to hear. But the reality is, economic incentives are how we attract jobs whether it’s in Pennsylvania or any other state in the country. It’s part of the economic chase, if you will, to attract jobs,” Yudichak said.

The state’s offer was small compared to what GUARD is committing to the project, he noted.

“You’re talking \$1.8 million and you’re leveraging \$11 million in total project costs and you’re talking about \$14 million every year in tax revenue generated from this project,” explained Yudichak. “So it’s money well-spent. You’re talking about 700 careers, quality jobs paying above average wage. This is a smart investment and I’ll make this investment every time to attract national companies.”

Downtown-wide boost expected

The numbers are on the city’s side, too, in terms of the economic impact, said Wico van Genderen, president and CEO of the Greater Wilkes-Barre Chamber of Business and Industry.

“It probably impacts about \$29 million, by the way, in annual revenue to the city. As well as also \$40 million in state and local taxes that that impacts too,” van Genderen said.

The taxes are calculated over a 10-year period, van Genderen clarified.

The added workers will boost revenues for downtown businesses, especially those that sell food and beverages, said Larry Newman, executive director of the Diamond City Partnership, which also assisted in the GUARD project.

“To focus on just one indirect impact, independent studies show that downtown office workers are spending an average of \$25 per week on food alone,” Newman said.

GUARD is one of the four largest private employers in the downtown and one of the 50 largest in Luzerne County, Newman said.

GUARD was founded in 1982 by Judd and Susan Shoal and was sold to Israel-based Clal Insurance Enterprise Holdings in 2007 for a reported \$135 million.

National Indemnity Co., a subsidiary of Buffett’s Berkshire Hathaway, purchased Guard in 2013 for \$221 million and the assumption of a \$48 million bank-loan guarantee, according to Times Leader files.

GUARD’s decision to move to Public Square will free up the vacant Hotel Sterling property across the street from the the company’s present offices on West Market Street. GUARD had signed a letter of intent for the property owned by the city.

City Administrator Ted Wampole said others have been interested in the Sterling property and the city will reissue a request for proposals.

“It’s not going to be a gas station. It’s not going to be a parking lot,” Wampole previously said.
