

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	December 21, 2015
	Agenda Item No.	25
	Roll Call No.	<u>15-2124</u>
	Communication No.	<u>15-645</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution Approving Urban Renewal Development Agreement with Marel Meat Processing, Inc. (Marel), for the development of its innovation center at 401 SW 7th Street.

SYNOPSIS:

On July 13, 2015, by Roll Call No. 15-1206, City Council approved the preliminary terms of agreement for a City financial assistance package to Marel Meat Processing, Inc., to assist in the company’s re-location and renovations to 401 SW 7th Street. The final development agreement is being presented for approval.

FISCAL IMPACT:

Amount:

- \$150,000 forgivable loan; and
- \$266,500 estimated amount over 10 years of an economic development grant.

Funding Source:

- Economic Development Enterprise Account; and
- Project generated tax increment financing revenues calculated at 50% of the net new taxes (consolidated tax levy rate less protected debt levies and SMIDD) paid into the Metro Center Urban Renewal Project Area Tax Increment Financing District on the project’s value added improvements at 401 SW 7th Street, Des Moines.

ADDITIONAL INFORMATION:

Marel is the successor company to Townsend Engineering Company, with operations located at 2425 Hubbell Avenue, Des Moines. Marel is the leading global provider of advanced equipment, systems and services to the fish, meat, and poultry industries. Marel is a multinational company with over 4,000 employees located in over 30 countries on six (6) continents. Marel’s U.S. operations consist of four (4) locations with approximately 600 employees. The company’s international corporate offices are located in Gardabaer, Iceland.

In January 2015, Marel announced a refocusing of its product portfolio to concentrate on areas of competitive advantage and to strengthen its market position. As part of the refocusing, the Des Moines manufacturing operations located at 2425 Hubbell Avenue is to be consolidated to an existing facility in Gainesville, Georgia. Marel further announced that it will make an investment in a new innovation center in the greater Des Moines area with a focus on the meat and further processing industries. The

new innovation center will replace the existing facility at 2425 Hubbell, which will be sold. The new innovation center will focus on sales, customer service and product development and will retain a staff of approximately 70 full-time equivalent positions.

Marel hired CBRE/Hubbell Commercial to assist the company with a metro-wide site search for the new innovation center and to sell the existing Hubbell Avenue site. Several locations throughout the greater Des Moines area were reviewed with formal requests for lease proposals going to several locations, only one (1) of which was in the City of Des Moines - 401 SW 7th Street. The property has been recently purchased by MLK River Park, LLC (Richard Eychaner, Manager) as part of a multi-property acquisition.

To induce Marel to locate its new innovation center at 401 SW 7th Street, OED staff negotiated a City financial assistance package, as follows:

- \$150,000 Forgivable Loan: To be advanced in one (1) installment upon the commencement of a lease and retention of the company's employment base of at least 70 full-time equivalent jobs with an average annual compensation of \$70,000 per year plus benefits at the new innovation center to be located at 401 SW 7th Street, Des Moines. The forgivable loan will be forgiven in equal annual installments of \$15,000 over the term of the lease, upon receipt of an annual certification that Marel has met or exceeded the retained base employment and average wage requirements.
- Economic Development Grant: The proposed \$2.5 million investment in improvements to 401 SW 7th Street will result in an increase in taxable value to the property, but to what extent taxable value will be added will be determined by the January 1, 2016 property assessment by Polk County Assessor. To assist in keeping the City of Des Moines location occupancy costs competitive, staff proposed an economic development grant to be calculated at 50% of the incremental increase in net new property taxes paid into the Metro Center Urban Renewal Project Area Tax Increment Financing District resulting from the value added improvements to the site. To qualify for the economic development grant, the January 1, 2016 assessed property valuation must increase by at least 15% over a base value set by the January 1, 2014 assessed property valuation and Marel must certify annually that the company has met or exceeded the retained base employment and average wage requirements. The grant installments will be paid annually over 10 years with the first payment to correspond with the first fiscal year's full-payment of increased property taxes on the new value added improvements.

Based on City Council's preliminary approval of the City financial assistance package under Roll Call No. 15-1206, dated July 13, 2015, Marel has begun the improvements to 401 SW 7th Street and anticipates moving into the renovated building in January 2016.

PREVIOUS COUNCIL ACTION(S):

Date: July 13, 2015

Roll Call Number: [15-1206](#)

Action: [Regarding](#) proposed economic development financial assistance and authorizing the City Manager to negotiate a final development agreement with Marel Meat Processing, Inc. for 401 SW 7th Street. ([Council Communication No. 15-374](#)) Moved by Hensley to receive and file the communication, and to direct the City Manager to negotiate a development agreement with Marel

Meat Processing, Inc. based on the preliminary terms of agreement and proposed financial assistance package set forth in the Council Communication No. 15-374. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: August 4, 2015

Resolution Number: NA

Action: Approved Recommendation to City Council on the level of financial assistance funded from tax increment revenues are reasonable and appropriate. Approved on vote of 6-0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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