

**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**99-033**

**SYNOPSIS -**

**AGENDA:**

JANUARY 25, 1999

**SUBJECT:**

**KEMIN INDUSTRIES  
ENTERPRISE ZONE  
APPLICATION**

**TYPE:**

**RESOLUTION  
ORDINANCE  
RECEIVE/FILE**

**SUBMITTED BY:**

**RICHARD CLARK  
DEPUTY CITY  
MANAGER**

On the January 25, 1999 Council agenda is a roll call recommending approval of an application by Kemin Industries, Inc. for enterprise zone benefits and authorizing enterprise zone property tax exemption for the Kemin Industries, Inc. expansion to the Des Moines Enterprise Zone Commission. The Des Moines Enterprise Commission has adopted an application process that requests the Council to review and forward its recommendation to the Commission.

By Roll Call Nos. 98-660 and 98-661, dated March 2, 1998, Council approved a financial packaged designed to finance a part of the \$17.2 million Kemin Industries expansion of their home offices and manufacturing facilities located at 2100 Maury Street in the Des Moines Agribusiness Park Enterprise Zone. As part of that package, it was anticipated that the company would make an application for enterprise zone benefits.

Terrance N. Vorbrich, Development Financing Coordinator with the City's Office of Economic Development, is the City staff contact.

**FISCAL IMPACT -**

The majority of enterprise zone benefits is state of Iowa corporate income tax credits and will have no effect on the General Fund. The enterprise zone tax exemption schedule provides for one dollar of tax exemption on the project's new value-added improvements per year for ten years, which will have no fiscal impact on the General Fund.

**RECOMMENDATION -**

**Approve the roll call making the recommendation to**

**approve the application from Kemin Industries, Inc. for enterprise benefits to the Des Moines Enterprise Commission.**

**BACKGROUND -**

Kemin Industries is investing approximately \$17.2 million, which \$9.2 million is in value-added improvements to real property and new "state of the art" equipment, in the expansion of their home office and manufacturing facilities. The Kemin Industries expansion project meets or exceeds all the requirements for enterprise zone benefits, which include: (a) a minimum capital investment of at least \$500,000 located in a certified Enterprise Zone; (b) the creation of at least ten full-time positions (the Kemin Project will create a total of 52 new positions, which 34 will be located in the enterprise zone); (c) the payment an average wage of at least \$9.50 per hour (the Kemin project will pay an average starting wage of at least \$16.60 per hour); and (d) pay at least 80 percent of the cost of health and dental insurance or the monetary equivalent.

If approved by the Des Moines Enterprise Zone Commission and the Iowa Department of Economic Development, the enterprise zone benefits provide for: (a) the refund of sales, service, and use taxes paid on construction materials used in the project, (b) a ten percent investment tax credit applied to state corporate income taxes; and (c) a 13 percent research and development activity state of Iowa corporate income tax credit. The enterprise zone tax exemption schedule provides for one dollar of tax exemption on the project's new value added improvements per year for ten years. The City must provide a partial tax exemption on the project's value-added improvements in order for the company to obtain the state of Iowa investment tax credit.

On March 2, 1998, by Roll Call Nos. 98-660 and 98-661, City Council approved a financial package designed to finance a part of Kemin Industries, Inc., expansion of its home office and manufacturing facilities located at 2100 Maury Street. The approved financing package consists of a City forgivable loan in the amount of \$1,250,000; a Polk County loan in the amount of \$1,750,000 at zero percent interest; a State of Iowa Community Economic Betterment Account (CEBA) loan in the forgivable amount of \$500,000 and \$250,000 repayment loan at zero interest; and a State of Iowa Railroad Economic

Development (RED) Project Grant in the amount of \$100,000.

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