



Agenda Item:

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## COUNCIL COMMUNICATION City Manager's Office

### GENERAL INFORMATION

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Roll Call

Submitted by: Richard A. Clark, Acting City Manger

### SUBJECT—

Approval of loan documents for Economic Development Assistance to Kemin Industries, Inc.

### SYNOPSIS—

On February 7, 2005 by Roll Call No. 05-353 Council approved several actions to assist a proposed new \$17.8 million economic development project for Kemin Industries, 2100 Maury, Des Moines, IA, Dr. Christopher Nelson, President. On the December 5, 2005 council agenda is a roll call to approve development agreements related to the Kemin Industries expansion.

### FISCAL IMPACT—

The City's proposed participation totals \$1,080,000 and is in the form of tax abatement under the City's Urban Revitalization 10-year declining schedule with an estimated value of \$800,000 and an economic development forgivable loan for \$280,000 to be paid in 10 annual installments of \$28,000 funded from the SE AgriBusiness Urban Renewal Area Tax Increment Financing District with commencement of the annual installments contingent upon the new improvements being completed and assessed for taxation by December 31, 2008. Kemin Industries has agreed to a minimum assessment agreement on their entire complex of \$13,873,000. This reflects an increase to their existing assessment of \$4 million on the new improvements. It is projected that with the minimum assessment agreement in place the project will provide over ten years, after tax abatement and the economic development grant, net new property tax revenues of \$742,000.

The majority of Enterprise Zone (EZ) benefits are state of Iowa corporate income tax credits and rebate of sales tax on construction materials. EZ benefits are estimated at \$1.33 million and have no effect on the General Fund.

## **RECOMMENDATION—**

Approval of the Roll Call for the following items:

1. Iowa Community Economic Betterment Account (CEBA) Loan Agreement for a \$300,000, zero percent loan to be repaid over 84 months, and
2. Second Amendment to the Development Agreement between the City of Des Moines, Polk County and Kemin Industries, providing for a City economic development forgivable loan for \$280,000 and a Polk County economic development loan for \$1,250,000 at zero percent with repayment to begin July 1, 2010 and a maturity of July 1, 2015.
3. Minimum Assessment Agreement for \$13,873,000.00.

## **BACKGROUND—**

Kemin Industries, located at 2100 Maury, continues to grow and expand its Des Moines research and development, manufacturing and worldwide corporate office complex. Kemin is proposing a new expansion project that involves the expansion of its research and development facility, and the design and construction of a new 43,000 square foot worldwide headquarters.

The expansion of the research and development facility will provide additional space for the company's expanding research and development activities. The administration building will house all of the Des Moines based business units as well as serve as host to its foreign owned subsidiaries for entertaining dignitaries and major customers. The research and development expansion represents a hard cost expansion of \$1.0 million and the administration building is contracted at a cost of \$7.75 million. Kemin will invest an additional \$1.5 million in new production equipment for its Lutein product and \$7.8 million in working capital to support continued marketing, and product development. Kemin has growth plans to hire an additional 40 employees over the next 5 years at an average wage of \$28.37 per hour, plus benefits.

City staff working in conjunction with staff from Polk County, the Iowa Department of Economic Development, the Greater Des Moines Partnership and Des Moines Area Community College have proposed a \$4.5 million financial assistance package so this expansion will occur at the Des Moines complex. Kemin Industries evaluated sites at its plants in Belgium, Texas and Des Moines for this project. Without the proposed financial assistance, the project would not have gone forward in Des Moines.

### **Good Neighbor Task Force**

On January 31, 2005, representatives of Kemin Industries met with the Des Moines Good Neighbor Task Force to discuss the proposed expansion project in the Des Moines Agribusiness Enterprise Zone. By a unanimous vote, the Des Moines Good Neighbor Task Force approved a resolution finding that Kemin Industries meets the Good neighbor Policy and recommends approval of the Good Neighbor Agreement

### **Enterprise Zone Award**

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 10 full-time positions; the Kemin Project will create 40 new positions, (c) the payment of an average wage of at least \$13.61 per hour; the Kemin project will pay an average wage of at least \$28.37 per hour; and (d) pay at least 80% of the cost of health and dental insurance or the monetary equivalent.

The approved enterprise zone benefits provide for: (a) the refund of sales, service and use taxes paid on construction materials used in the project, (b) a 10% investment tax credit applied to state corporate income taxes and (c) a 13% research and development activity state of Iowa corporate income tax credit.

### **Polk County and Iowa Department of Economic Development Assistance**

Polk County will provide to Kemin a \$1,250,000, zero percent loan to be repaid beginning July 1, 2010 with a maturity of July 1, 2015. The Iowa Department of Economic Development has approved assistance under the CEBA program for a \$300,000, zero interest rate loan to be repaid over 84 months. Additionally, the Iowa Department of Economic Development has approved a \$250,000 forgivable loan under its Physical Infrastructure Improvement Program (PIAP).

### **Company History**

Kemin Industries, Inc. (Kemin) (KI) was formed in 1961 by Rolland W. Nelson to manufacture and sell products to the major agricultural and manufactured food markets of the world. Kemin, headquartered at 2100 Maury in Des Moines, develops and manufactures specialized liquid and dry, nutritional additives for animal feeds and human foods, and value added agricultural products. Product lines include: antioxidants, inhibitors, flavors, enzymes, pigmenters, minerals, and gluconeogenics. Specific product lines have been developed for swine, poultry, dairy cattle, beef cattle, sheep and pets. Kemin currently distributes its products on a worldwide basis through a network of international manufacturing and sales facilities. Kemin has grown its operations to include six manufacturing facilities located both nationally (Iowa and two in Texas) and internationally (Singapore, Belgium, Thailand, China, India and Mexico). Kemin Industries continues to refine and develop new products as feed additives for the poultry, swine, dairy and beef cattle industries.

Kemin Industries d/b/a Kemin Nutrisurance (KN) continues to expand into the companion animal market with all natural antioxidants as well as developing nutritional supplements to enhance the life of the companion animal. Kemin Nutrisurance has recently announced the arrival of a marigold extract, the first ever naturally-stabilized marigold extract for use in pet food. KN is currently conducting studies on including a satiety aid in pet food to promote animal health.

Two new affiliates were established, Kemin Foods (now d/b/a Kemin Health (KH)) in January 1996, and Kemin Consumer Care (KCC) in 2003 (a fully owned subsidiary of Kemin Foods). KH manufactures and sells nutraceuticals. New products it has brought to market include an assortment of vitamins and dietary supplements, containing lutein. Medical research has shown that increased consumption of lutein may help prevent an eye disease. KCC is Kemin's first retail company. KCC is taking our new all natural satiety aid, Satise, straight to the consumer through infomercials, the internet and retail stores.