

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	October 25, 2010
	Agenda Item No.	62B
	Roll Call No.	[_____]
	Communication No.	<u>10-636</u>
	Submitted by:	Richard A. Clark, City Manager

AGENDA HEADING:

Communication from the City Manager regarding the proposed expansion of Kemin Industries in the City of Des Moines at 2100 Maury Street, and the construction of the SE Connector east of SE 14th Street.

Authorization to acquire the necessary right-of-way and easements for the Southeast Connector – SE 14th Street to SE 30th Street Project by gift, negotiation, or eminent domain.

Authorizing the City Manager to initiate certain actions as outlined in the Council Communication.

Recommending Approval of the Application of Kemin Industries, Inc., to the Iowa Department of Economic Development for Enterprise Zone Benefits and for a forgivable loan to assist in the expansion of its corporate headquarters in the Agribusiness Enterprise Zone.

SYNOPSIS:

On the October 25, 2010 Council agenda are roll calls approving actions related to the authorization to acquire right-of-way for the Southeast Connector – SE 14th Street to SE 30th Street Project; communication from the City Manager regarding the proposed expansion of Kemin Industries and authorizing the City Manager to initiate certain actions to assist a proposed new \$39.6 million economic development project for Kemin Industries, 2100 Maury, Des Moines, IA, Dr. Christopher Nelson, President.

SOUTHEAST CONNECTOR – SE 14TH STREET TO SE 30TH STREET PROJECT

Recommend authorization to acquire the necessary right-of-way and easements for the Southeast Connector – SE 14th Street to SE 30th Street Project. This action is required by Iowa law before the City can initiate the right-of-way acquisition process under eminent domain. It is anticipated the City will need to acquire 15 properties between SE 14th Street and SE 30th Street, including relocation of the City facilities located at SE 20th Street and Scott Avenue.

KEMIN INDUSTRIES EXPANSION

Kemin Industries is proposing to expand its Des Moines manufacturing and worldwide corporate office. Its new five-year capital expansion plan consists of a new 100,000 square foot worldwide headquarters, three new research & development facilities totaling approximately 65,000 square feet and six new manufacturing facilities totaling approximately 165,000 square feet. Total new building construction and site preparation is estimated at \$21.85 million with an additional investment of \$6.3 million in manufacturing machinery and equipment, \$1.5 million in furniture and fixtures and \$10 million investment in new research and development. Kemin has growth plans to hire an additional 98

employees over the next five years at a projected weighted average starting wage of \$24.07, plus benefits. Kemin currently employs 349 workers at its Des Moines location at an average hourly wage of \$31.37 plus benefits.

City staff, in conjunction with staff from the Iowa Department of Economic Development, The Greater Des Moines Partnership, Polk County, and Des Moines Area Community College, are working together to provide a yet undetermined financial assistance package so this expansion will occur at the Des Moines campus.

City Council is asked to authorize the City Manager to initiate:

1. Negotiations with Kemin Industries for an urban renewal development agreement that details economic development incentives associated with the Kemin's new facilities;
2. Discussions with Polk County for the acquisition of county-owned land located in the proposed project area;
3. Evaluations of potential interim and permanent locations for City services located on land to be acquired for construction of the SE Connector; and initiate property acquisitions for appropriate locations;
4. Staff actions to vacate for conveyance of Scott Avenue beginning at East 20th Street to the east edge of the proposed Kemin project area; and
5. Amendments to the existing Southeast AgriBusiness Urban Renewal Plan for appropriate actions.

City Council is asked to approve:

1. Recommendation to the Des Moines Enterprise Zone Commission of Kemin Industries' Application for Enterprise Zone Benefits for a project in the Des Moines Agribusiness Enterprise Zone;
2. Support for an application of up to \$1,000,000 in direct financial assistance from the State of Iowa Department of Economic Development.

FISCAL IMPACT:

SOUTHEAST CONNECTOR – SE 14TH STREET TO SE 30TH STREET PROJECT

Amount: \$10,000,000 total estimated acquisition and relocation costs, including estimated functional replacement costs of City facilities located at SE 20th Street and Scott Avenue.

Funding Source: 2010-11 CIP, Street Improvements, SE Connector – SE 14th to SE 18th, STR219, Page Street Improvements – 42 and 2010-11 CIP, Street Improvements, SE Connector – SE 18th to SE 30th, Page Street Improvements – 43.

KEMIN INDUSTRIES EXPANSION

The City's economic development assistance is yet to be determined. The project is located in the Southeast AgriBusiness Urban Renewal Area / Tax Increment Financing District, and the Southeast Urban Revitalization Area that provides for property tax abatement on new value added industrial and commercial construction under either the three-year 100% or the ten-year declining tax abatement schedules.

ADDITIONAL INFORMATION:**SOUTHEAST CONNECTOR – SE 14TH STREET TO SE 30TH STREET PROJECT**

The proposed roadway would create a new multi-lane, major arterial roadway connecting the Martin Luther King (MLK) Jr. Parkway terminus at SE 14th Street to the Vandalia Road/U.S. 65 Bypass interchange. With these termini, the SE Connector would provide a strong connection between two major transportation facilities in southeast Des Moines. The Southeast Connector will provide the City a safe, efficient, and direct route from downtown to the U.S. 65 Bypass on the southeast side of the metropolitan area and will help spur economic development along the corridor.

This segment of the project would require approximately seven homes, one apartment, and one vacant lot to be acquired. In addition, it would displace five businesses in the Project Area. The project will also require the relocation of the City of Des Moines' facilities, which are located east of SE 20th Street between Market Street and Scott Avenue. These City-owned facilities will be replaced with a similar type of facility at project cost.

In accordance with 23CFR 710.509, when a publicly owned property is to be acquired for a federally funded project, the public entity may be compensated by a functional replacement facility which provides equivalent utility. Since the City facilities at SE 20th Street and Scott Avenue will be eligible for functional replacement, Federal funds may be used for providing an equivalent facility.

The Metropolitan Planning Organization Funding Subcommittee has recommended five million dollars be allocated toward property acquisition for this segment of the Southeast Connector. The City intends to pursue additional Federal funds for this project.

On May 27, 2010, the Federal Highway Administration signed the Record of Decision for the Southeast Connector from SE 14th Street to Highway U.S. 65. This approval allows the City to proceed with right-of-way authorization from the Iowa Department of Transportation (IDOT), pending funding availability.

In order to identify a location for the City Replacement Facilities, a master planning consultant will be selected and presented to City Council at a later date.

KEMIN INDUSTRIES EXPANSION

Kemin Industries continues to be a major agribusiness within the Des Moines Agribusiness Enterprise Zone. The proposed project is the company's fifth major expansion at the Maury Street campus in the City of Des Moines. Kemin's previous expansions have resulted in investments in new buildings and equipment in excess of \$25 million and created 165 jobs at wage levels averaging between \$23.78 to \$42.12 per hour. The company also provides health and dental insurance, disability insurance, profit sharing plans and educational reimbursement within its employee benefit program.

The proposed five-year capital expansion plan envisions this growth to the north of Kemin's existing campus location. Kemin has privately acquired a significant portion of the needed land, but is in need of property currently owned and occupied by the City of Des Moines and Polk County. The City site is generally located north of Scott Avenue and east of SE 20th Street, presently used for various field service functions by the City's Public Works, Parks and Engineering Departments. These City functions will need to be relocated due to the construction of the SE Connector Road Project. The approved path

for the SE Connector Road Project renders the site functionally useless for the City services operating on the site. Kemin has proposed that the city convey to it any remaining property south of the SE Connector Road pathway determined excess after the Iowa Department of Transportation and the Federal Highway Administration approves functional replacement costs for the existing City services impacted. City staff will need to identify and evaluate potential locations to relocated City services impacted by the SE Connector Road Project.

Good Neighbor Task Force

Kemin Industries will meet with the Des Moines Good Neighbor Task Force to discuss the proposed expansion project in the Des Moines Agribusiness Enterprise Zone.

Iowa Department of Economic Development Assistance and Enterprise Zone Application

The Iowa Department of Economic Development is processing an application from Kemin Industries for preliminary approval of direct financial assistance consisting of a \$1 million forgivable loan to be funded after project completion of the five-year capital expansion plan and a two-year maintenance period of all future and current jobs.

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, the Kemin project has a qualifying investment of \$28 million; (b) the creation of at least 10 full-time positions that pay a starting wage of at least \$16.06 per hour, the Kemin project will create 67 jobs that pay an average starting wage of \$28.72; and (c) pay at least 80% of the cost of health and dental insurance or the monetary equivalent.

If approved, 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 (10%) 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 State of Iowa has estimated the maximum tax incentive benefit to Kemin at \$3,612,400.

PREVIOUS COUNCIL ACTION(S):

SOUTHEAST CONNECTOR – SE 14TH STREET TO SE 30TH STREET PROJECT

Date: January 26, 2009

Roll Call Number: [09-137](#)

Action: [Authorizing](#) notification of the City's preferred alternative for the Southeast Connector. ([Council Communication No. 09-031](#)) Moved by Meyer to adopt. Motion Carried 7-0.

Date: March 7, 2005

Roll Call Number: 05-531

Action: Approving items regarding Southeast Connector Project: Execution of Professional Services Agreement with Kirkham Michael & Associates, (Dale Miller, President, Omaha, NE) for design services, not to exceed \$4,000,000. ([Council Communication No. 05-099](#)) Moved by Brooks to adopt.

Motion Carried 7-0.

Date: March 7, 2005

Roll Call Number: 05-530

Action: Approving items regarding Southeast Connector Project: Execution of Iowa Department of Transportation Agreement. ([Council Communication No. 05-098](#)) Moved by Hensley to adopt. Motion Carried 7-0.

KEMIN INDUSTRIES EXPANSION: NONE

BOARD/COMMISSION ACTION(S): SE 14TH STREET TO SE 30TH STREET PROJECT

Date: January 15, 2009

Roll Call Number: N/A

Action: Informational presentation to the Plan & Zoning Commission

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

SOUTHEAST CONNECTOR – SE 14TH STREET TO SE 30TH STREET PROJECT

Hiring of consultants, approval of real estate documents, grants agreements.

KEMIN INDUSTRIES EXPANSION

Actions and recommendations required by Plan & Zoning Commission, Urban Design Review Board, Good Neighborhood Task Force, and Des Moines Enterprise Commission. City Council action required on Board/Commission recommendations and proposed terms and conditions of an Urban Renewal Development Agreement.

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the second floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.