 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	January 24, 2011
	Agenda Item No. Roll Call No. Communication No. Submitted by:	56 <u>11-0140</u> <u>11-039</u> Terrance N. Vorbrich, Acting Economic Development Administrator

AGENDA HEADING:

Approving submission of application to the State of Iowa for economic development financial assistance and preliminary approval of Terms of Agreement with Hewlett-Packard Company, Timothy O’Brien, Real Estate Manager-Americas, 2 Penn Plaza, New York, NY 10121, for expansion of operations at 3600 Army Post Road, Des Moines, IA 50321.

SYNOPSIS:

Hewlett-Packard Company (HP) is in the final stages of evaluating a 300,000 square foot expansion adjacent to its existing 408,000 square foot facility at 3600 Army Post Road. This expansion, a national consolidation of HP’s logistics operations, would create about 150 new jobs and retain the existing 440 FTE positions at the Des Moines facility. The company estimates building construction costs in the \$13 million range, with an additional \$1.4 million investment in upgrading electrical and security services and new equipment for the overall operations. The new facility, to be built and owned by Opus Development, Jeff Smith, P.E., 1200 35th Street, Suite 206-11, West Des Moines IA 50266, will be leased to HP for 10 years and is anticipated to be operational by April 2012.

HP’s decision to proceed with the expansion of its operations at this location is contingent on financial assistance from the State of Iowa; the application for state assistance must be approved by the City Council. The State financial assistance package application totals about \$1.6 million in benefits and consists of a Grow Iowa Values Fund forgivable loan of \$600,000; High Quality Jobs Program refundable credit for sales/use tax on construction materials of \$450,000; refund of sales tax on racks, shelving and conveyors of \$60,000; and Iowa New Jobs Training Program & New Job Tax Credits of \$498,000. The City is proposing a provision of three-year, 100% tax abatement on the proposed improvements and the vacation/conveyance of the southern portion of SW 34th Street at nominal cost to provide property that will allow for the connection of the existing structure to the new proposed structure.

FISCAL IMPACT:

Amount: The new improvements to 3600 Army Post Road is projected to increase the location’s property tax assessment by \$10 million, which will generate an additional \$450,000 per year in property taxes after the three-year, 100% tax abatement is completed.

Funding Source: The developer will work with the current property owner, ABC Partners, Richard Margulies, Managing Partner, 2100 Westown Parkway, Suite 220, West Des Moines, IA 50265, to install the required public infrastructure as required by the plat of improvements previously approved by the Council. The current property owner or his designee is eligible to apply to the City for

reimbursement of those public improvement costs in accordance with the redevelopment agreement executed with the City; those costs must be certified by the City’s Engineering Department and are capped at approximately \$636,600. Funding source for this reimbursement is from the cash-on-hand generated from the Airport Business Park Urban Renewal Area tax increment finance district.

ADDITIONAL INFORMATION:

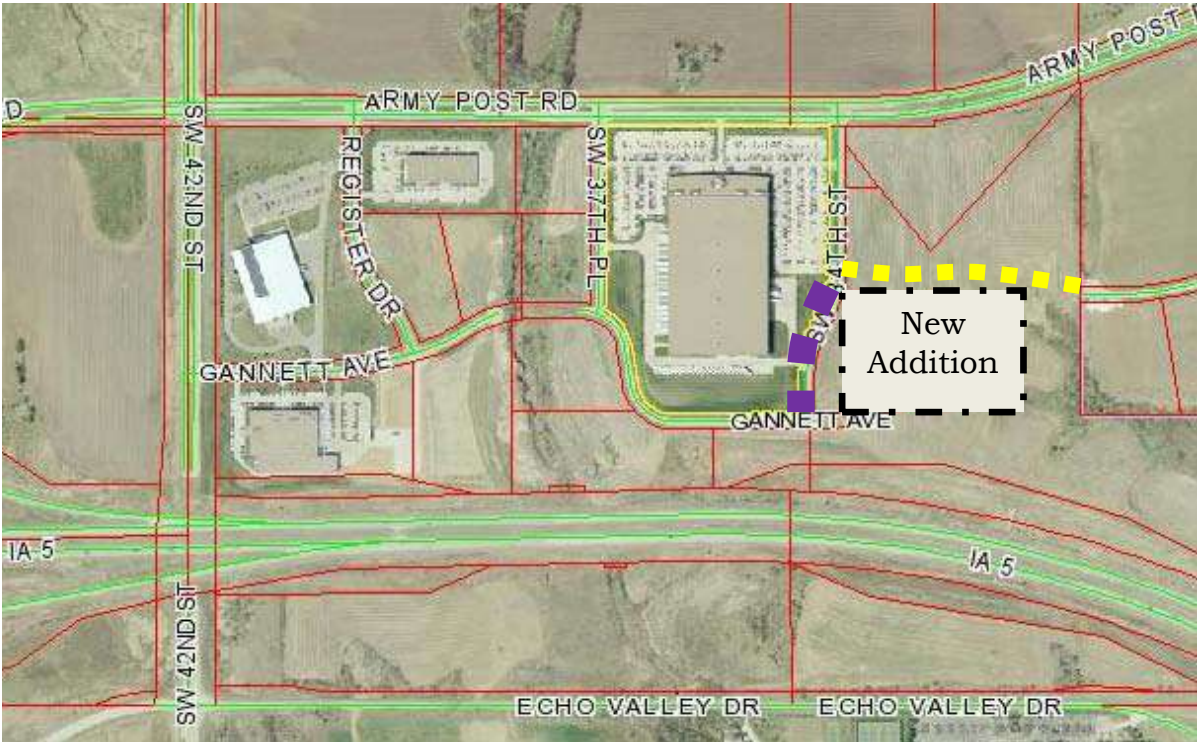
Background:

HP currently has a long-term lease for its current 408,000 square foot warehouse/distribution facility at 3600 Army Post Road. This facility currently employs about 440 FTE jobs which have full medical and dental benefits.

The company has made the decision to expand and consolidate its logistics facilities; the Des Moines operation is their first choice for the expansion, subject to obtaining state and city assistance to assist in developing this site. The State of Iowa has approved its financial assistance package on January 20, 2011. Because of the site’s physical limitations, it is necessary to construct a second building that will then require a connection to the existing building that allows employees and product flow between the two buildings. If the assistance is not forthcoming, HP has stated it will select another site for the expansion and may close the Des Moines facility, moving its operations to the other site.

Vacation and Sale of a portion of SW 34th Street:

The portion of SW 34th Street proposed for vacation and conveyance is minimally used. With the proposed relocation of Gannett Avenue, good quality traffic circulation in the area will be maintained and permit the proposed expansion to proceed. The sales price will be \$1, as part of the economic development assistance package contingent on the expansion proceeding.



Gannett Avenue portions to be constructed = yellow dashed lines
SW 34th Street to be vacated and sold = purple dotted line

PREVIOUS COUNCIL ACTION(S):

Date: December 2, 1996

Roll Call Number: 96-4043

Action: Resolution closing hearing on urban renewal agreement with ABC Partners relating to installation of infrastructure in the Airport Business Park.

BOARD/COMMISSION ACTION(S):

The Plan and Zoning Commission is scheduled to review and make recommendations to the City Council on the proposed site plan, the proposed amendment to the PUD plat and the proposed vacation and sale of a portion of SW 34th Street at its January 20, 2011 meeting. The Council will then act on these items, including setting the date of public hearing on the proposed sale of the to-be vacated portion of SW 34th at the February 14, 2011 meeting.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

The proposed site plan, the amendment to the PUD plat and the proposed vacation and sale of a portion of SW 34th Street will be brought to Council for approval. The sale and vacation action will require setting a public hearing date and publishing a public notice prior to Council approval.

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.