

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b>	April 25, 2011
	<b>Agenda Item No.</b>	<b>30</b>
	<b>Roll Call No.</b>	<b><u>11-0682</u></b>
	<b>Communication No.</b>	<b><u>11-255</u></b>
	<b>Submitted by:</b>	<b>Terrance N. Vorbrich, Acting Economic Development Administrator</b>

**AGENDA HEADING:**

Resolution approving the preliminary terms of agreement, setting hearing on vacation and sale of City-owned real estate, and rezoning of property for the proposed expansion of Kemin Industries.

**SYNOPSIS:**

On October 25, 2010 the City Council approved several resolutions related to the proposed expansion of Kemin Industries and authorizing the city staff 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. City staff is recommending approval of preliminary terms of agreement for City financial assistance as outlined below, and that City Council proceed with scheduling a public hearing on the final Urban Renewal Development Agreement and on the vacation and conveyance of portions of SE 20th Street and Scott Avenue, the conveyance of City owned SE Connector Road Project excess right of way parcel located north of Scott Avenue and east of SE 20th Street, and initiate the rezoning of all such property together with the adjoining block to the west owned by Kemin Holdings, Inc. from the “M-1” Light Industrial District to the “M-2” Heavy Industrial District to assist in the proposed expansion of the Kemin Industries corporate campus.

**FISCAL IMPACT:**

Amount: \$602,000

Funding Source: \$500,000 from future tax increment funds generated by the project to the Southeast AgriBusiness Urban Renewal Area / Tax Increment Financing District; and \$102,000 for the purchase of vacated street right-of-way to be forgiven if redevelopment standards are met.

**ADDITIONAL INFORMATION:**

Kemin Industries continues to be an expanding major agribusiness within Des Moines. 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.

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.

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. 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. The approved path for the SE Connector Road Project renders this site functionally useless for the City services operating on the site. These City functions will be relocated as part of the SE Connector Road Project.

Kemin has proposed that the city sell to it any remaining property south of the SE Connector Road pathway determined excess right-of-way after the Iowa Department of Transportation and the Federal Highway Administration approves functional replacement costs for the existing City services impacted. Verbal approval to declare excess right of way has been received from both the Iowa Department of Transportation and the Federal Highway Administration conditioned upon the sale proceeds at fair market value being credited to the SE Connector Road Project. Fair market value of the excess right of way has been set by appraisal at \$800,000.

#### City Financial Assistance

The City's proposed economic development assistance is comprised of property tax abatement on the proposed value added improvements under the city-wide Industrial tax abatement 5-year declining schedule (Chapter 427B, Code of Iowa) and a \$500,000 economic development grant to be funded over ten years from the project's incremental taxable value added to the Southeast AgriBusiness Urban Renewal Area / Tax Increment Financing District.

Additionally, Kemin has requested that the city vacate and convey a portion of Scott street from the eastern intersection with SE 20th Street to the eastern edge of the project area (which is the western edge of the rail road tracks) and that portion of SE 20th Street from the SE Connector Roadway southern right of way line to the northern intersection of Scott Avenue. The Fair Market Value of the vacated right of way has been valued at \$102,000. City staff is proposing that Kemin Industries purchase the right of way for fair market value of \$102,000, with the payment deferred and forgiven in consideration of the increased tax base and jobs that will result from the construction of the planned improvements.

#### State of Iowa Financial Assistance

The Iowa Department of Economic Development has approved a \$1 million forgivable loan to be funded at the end of the expansion project after completion of the 5-year performance and 2-year maintenance period. Additionally, the Iowa Department of Economic Development has approved investment tax credits, research and development tax credits and sales tax refund benefits under the Enterprise Zone program totaling an estimated \$3.6 million.

Good Neighbor Task Force

Kemin Industries has meet with the Des Moines Good Neighbor Task Force regarding the proposed expansion project in the Des Moines Agribusiness Enterprise Zone, and the Task Force has endorsed the project as presented.

**PREVIOUS COUNCIL ACTION(S):**

Date: October 25, 2010

Roll Call Number: 10-1785

Action: [Receive](#) and file City Manager Communication. ([Council Communication No. 10-636](#)) **Moved by Meyer to receive and file. Motion Carried 7-0.**

Date: October 25, 2010

Roll Call Number: 10-1786

Action: [Authorization](#) to proceed with acquisition of necessary right-of-way and easements for the SE Connector – SE 14<sup>th</sup> Street to SE 30<sup>th</sup> Street. **Moved by Meyer to adopt. Motion Carried 7-0.**

Date: October 25, 2010

Roll Call Number: 10-1787

Action: [Approve](#) recommendation from the City Manager regarding economic development incentives to retain Kemin Industries, Inc. and accommodate a proposed expansion in the vicinity of 2100 Maury Street. **Moved by Meyer to: 1) Authorize the City Manager to negotiate with Kemin Industries Inc. on an Urban Renewal Development Agreement addressing economic development incentives associated with the construction of Kemin’s Five-year Capital Expansion Plan in the City of Des Moines, subject to further City Council review and approval; 2) Authorize the City Manager to hold discussions with Polk County for possible acquisition of County-owned parcels located in the proposed economic development project area; 3) Authorize City Manager to evaluate and recommend potential interim and permanent locations for City services now located on land to be acquired for construction of the SE Connector, subject to further City Council review and approval; 4) Initiate the vacation of the Scott Avenue right-of-way beginning at E. 20<sup>th</sup> Street and extending to the east edge of the proposed economic development project area; 5) Initiate the appropriate amendments to the SE Agribusiness Urban Renewal Plan; all as more specifically described in the Council Communication. Motion Carried 7-0.**

Date: October 25, 2010

Roll Call Number: 10-1788

Action: [Approving](#) application from Kemin Industries, Inc. to Iowa Department of Economic Development for Enterprise Zone Benefits and a forgivable loan to assist in the expansion of its corporate headquarters in the Des Moines Agribusiness Enterprise Zone. **Moved by Meyer to adopt. Motion Carried 7-0.**

**BOARD/COMMISSION ACTION(S):**

Board: Plan and Zoning Commission

Date: November 18, 2010

Resolution Number: N/A

Action: Approval of Recommendation for vacation of Scott Avenue right-of-way beginning at E. 20th Street and extending to the proposed economic development project area.

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Approval of final development agreement and approval of actions related to vacation and sale of city-owned right-of-way and rezoning of property

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