

 <p style="text-align: center;"><b>Council Communication</b> Office of the City Manager</p>	<b>Date:</b> May 9, 2011
	<b>Agenda Item No.</b> 32 <b>Roll Call No.</b> <u>11-798</u> <b>Communication No.</b> <u>11-274</u> <b>Submitted by:</b> Terrance N. Vorbrich, Acting Economic Development Administrator

**AGENDA HEADING:**

Approval to execute an economic development contract with the Iowa Department of Economic Development (IDED) for state assistance for the expansion of the Hewlett-Packard (HP) facility at 3600 Army Post Road.

**SYNOPSIS:**

By Roll Call 11-0140, dated January 24, 2011, Council approved submission of an application on behalf of HP to the IDED for up to \$600,000 from the Grow Iowa Values Fund Forgivable Loan and \$465,000 from the High Quality Jobs Program Tax Credits in support of its proposed expansion project at 3600 Army Post Road. IDED has approved the application and City staff recommends approval of the three-party IDED contract, authorizing the Mayor to execute as the sponsoring community in order for the company to receive the proposed state financial assistance so the expansion project may move forward.

**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 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 funds generated from the Airport Business Park Urban Renewal Area tax increment finance district.

**ADDITIONAL INFORMATION:**

The IDED award will assist in the development of a new 275,000 square foot expansion of the HP operations at 3600 Army Post Road; the new facility will be adjacent to its existing 410,000 square foot facility. This expansion, a national consolidation of HP’s logistics operations, will create approximately 150 new jobs and retain the existing 440 full time 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 will be leased to HP for 10 years and is anticipated to be operational by April 2012. Site preparation work is currently underway.

The City is assisting this development through vacation and conveyance of various rights-of-way that will permit the expansion to occur and provide provisions for a 3 year/100% tax abatement for the new improvements.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: January 24, 2011

Roll Call Number: 11-0140

Action: [Regarding](#) application by Hewlett Packard Company to Iowa Department of Economic Development seeking financial assistance from Grow Iowa Values Fund, High Quality Jobs Creation Program and other State programs and preliminary approval of Terms of Agreement for expansion of facility at 3600 Army Post Road. ([Council Communication No. 11-039](#)) **Moved by Hensley to receive and file, and to authorize and direct the Mayor to sign on behalf of the City of Des Moines as a sponsor to the application of Hewlett-Packard Company to the Iowa Department of Economic Development, for State assistance such as, but not limited to the High Quality Jobs Creation Program, sales tax rebates and investment tax credits, for the expansion of the Hewlett-Packard facility at 3600 Army Post Road. The City Manager will review ways to encourage the new employees to buy homes in Des Moines. Motion Carried 7-0.**

Date: February 14, 2011

Roll Call Number: 11-0203

Action: [Amendment](#) to the Airport Business Park Phase II PUD conceptual plan to allow for changes to the public street network and lot configuration to allow the development of a new warehouse facility, subject to conditions, (2-28-11). Moved by Hensley to adopt. Motion Carried 7-0.

Date: February 14, 2011

Roll Call Number: 11-0202

Action: [Vacation](#) and conveyance of rights-of-way necessary for relocation of Gannett Avenue to accommodate the planned expansion of the existing Hewlett-Packard facility at 3600 Army Post Road, (2-28-11). Moved by Hensley to adopt. Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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](mailto:cityclerk@dmgov.org).