

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: May 23, 2011
	Agenda Item No. 52 Roll Call No. <u>11-920</u> Communication No. <u>11-333</u> Submitted by: Terrance N. Vorbrich, Acting Economic Development Administrator

AGENDA HEADING:

Actions regarding the expansion of Kemin Industries World-wide Corporate Headquarters and Corporate Campus, 2100 Maury, Des Moines

SYNOPSIS:

On the City Council Agenda are several actions for City Council approval related to the expansion of the Kemin Industries world-wide headquarters and corporate campus located at 2100 Maury, Des Moines, as follows:

- a) Opening and Closing a Public Hearing on the following items: i) proposed sale of City owned SE Connector Road Project excess right of way, ii) proposed vacation and conveyance of portions of Scott Avenue and SE 20th Street, iii) rezoning of the proposed project area from M-1 Light Industrial District to M-2 Heavy Industrial District, and iv) proposed urban renewal development agreement with Kemin Industries, Inc. for an expansion of the Kemin world-wide corporate headquarters and corporate campus.
- b) Receive and file recommendations from the City Plan and Zoning Commission regarding the street vacations and rezoning;
- c) Received and file recommendations from the Urban Design Review Board on the reasonable and appropriate use of financial assistance funded from tax increment revenues to assist the expansion project;
- d) First reading of an ordinance vacating portions of Scott Avenue and SE 20th Street with a request from Kemin Industries to waive the second and third readings;
- e) First reading of an ordinance rezoning the project property from M-1 Light Industrial District to M-2 Heavy Industrial District with a request from Kemin Industries to waive the second and third readings;
- f) Resolution approving an Urban Renewal Development Agreement with Kemin Industries, Inc. for the expansion of its world-wide corporate headquarters and corporate campus located at 2100 Maury.

FISCAL IMPACT:

Amount: \$602,000.00

Funding Source: \$500,000 from future tax increment funds generated by the Kemin Industries expansion project in 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 and job creation requirements are met.

ADDITIONAL INFORMATION:

Kemin Industries continues to be an expanding major life sciences / 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 worldwide corporate office, research and development facilities and manufacturing facilities at 2100 Maury. Its new five-year capital expansion plan consists of a new 100,000 square foot worldwide headquarters, new research & development facilities totaling approximately 40,000 square feet and six new manufacturing facilities totaling approximately 110,000 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, which it will retain at the Des Moines facility.

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.

The conveyance of the SE Connector Road Project excess right of way will occur over four years beginning in 2011 through 2014. The conveyance schedule of the road project excess right-of-way will accommodate both Kemin's 5-year capital development plan and the City's ability to relocate existing field service functions displaced by the SE Connector Road Project. The City's Public Works field services have temporarily moved to the former Des Moines Asphalt site. This temporary move will enable the City to convey to Kemin Industries sufficient excess right-of-way for its Phase II (beginning construction in May 2011) and Phase III (beginning construction in May 2012) expansions. This first conveyance is slated to occur by May 31, 2011, with a subsequent date of June 30, 2011, if needed.

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 in

annual installments calculated at 50% of the new incremental property taxes collected from the project's new value added improvements in the Southeast AgriBusiness Urban Renewal Area / Tax Increment Financing District. Kemin has agreed to a minimum assessment on the new buildings to be constructed calculated at \$63 per square foot on what is actually constructed. Based on Kemin's Master Development Plan, it is estimated that under the minimum assessment agreement the project will create minimum new taxable values of approximately \$15.7 million.

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 and upon completion of the increased tax base resulting from the construction of the planned improvements.

If Kemin Industries were not to develop the site or create the jobs as anticipated, the development agreement provides for recapture of a pro rata portion of the economic development grant and forgivable loan based on the percentage of shortfall in either job creation and retention or building valuation constructed.

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 under the state's Enterprise Zone Program \$3.6 million in benefits comprised of investment tax credits, research and development tax credits and sales tax refund on construction materials.

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: April 25, 2011

Roll Call Number: 11-0682

Action: [On](#) proposed Urban Renewal Development Agreement with Kemin Industries, Inc. and vacation, sale and rezoning of property, (5-23-11) and approving preliminary terms of agreement. ([Council Communication No. 11-255](#)) Moved by Hensley to adopt. Motion Carried 7-0.

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 14th Street to SE 30th 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. 20th 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 & Zoning Commission

Date: May 19, 2011

Resolution Number: N/A

Action: Approval of Recommendation for vacation of SE 20th Street right-of-way beginning at the southern SE Connector right-of-way line and extending south to the northern right-of-way line of Scott Avenue; and Approval of Recommendation for rezoning the Kemin Industries project site from M-1 Light Industrial District to M-2 Heavy Industrial District

Board: Urban Design Review Board

Date: May 3, 2011

Resolution Number: NA

Action: Approval of Recommendation on the reasonable and appropriate use of financial assistance funded from tax increment revenues to assist the expansion project

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 conveyance documents and proposed amendments to the Southeast AgriBusiness Urban Renewal Area

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.