

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	August 29, 2011
	Agenda Item No.	Extra 2
	Roll Call No.	<u>11-1536</u>
	Communication No.	<u>11-570</u>
	Submitted by:	Terrance N. Vorbrich, Acting Economic Development Administrator

AGENDA HEADING:

Resolution to approve preliminary terms of an Urban Renewal Development Agreement with Helena Industries, Inc. for sale of City-owned property in the SE Agribusiness Urban Renewal Area

SYNOPSIS:

Helena Industries, Inc. (Troy Hugen, Plant Manager, Helena Industries, Inc., 3525 Vandalia Road. P.O. Box 5004, Des Moines Iowa 50306) has requested to purchase and develop a portion of City-owned land located south of Vandalia Road, west of SE 43rd Street and east of SE 30th Street in the SE Agribusiness Urban Renewal Area. The company is proposing to expand their current operations and also provide for future growth. As a contract chemical manufacturing company required to bid on projects that will provide their growth opportunities, it is critical for them to be able to quickly respond with available land to build new facilities. Sale of city owned land directly adjacent to their current site will provide the company with the ability to remain in the City of Des Moines, retain existing jobs, and allow the company to be competitive for future growth opportunities.

The Office of Economic Development has negotiated preliminary terms of an Urban Renewal Development Agreement with Helena Industries for the purchase of 30 acres of land directly east of their current site on Vandalia Road. An appraisal was conducted showing fair market value of the land to be \$22,000 per acre (\$660,000). However, this appraisal did not take into account the significant flood risk mitigation costs that Helena Industries will face to develop the property prior to FEMA re-certification of the Des Moines River Vandalia levee. OED staff recommends a fair value for the 30 acres as \$450,000, taking into account the significant flood risk mitigation and site preparation costs for construction of a 150,000 square foot building. In the event that construction of this building is not commenced by January 1, 2014 the company would be required to pay a penalty representing the difference between the original appraised value estimate and the fair value paid taking into account the development obligations. OED staff supports this course of action in recognition of the company’s need to expand before the levee recertification is finalized.

FISCAL IMPACT:

Amount: Helena Industries will purchase 30 acres for \$450,000.

Funding Source: One third of land sale proceeds from Helena Industries, Inc. will be deposited in the SP370 Southeast Agricultural District Fund, page 120. One third of land sale proceeds will be provided to Des Moines Water Works, per the approved 28 E Agreement between the City of Des Moines and DMWW for the original purchase of the subject property.

ADDITIONAL INFORMATION:

Helena Industries, Inc. is a contract chemical manufacturing company that has been in operation in southeast Des Moines since 1959. Helena Industries provides chemical formulation and packaging to corporations in the agriculture, lawn and garden, and industrial chemicals sectors. The company has experienced solid growth in six of the last seven years and invested nearly \$8 million in improvements and projects since 2008 to ensure continued growth opportunities. The company has 70 full time employees and a locally-staffed contract labor force that numbers between 20 and 60.

The company is out of space at their 3525 Vandalia Road location and is actively engaged in planning for their future growth, including the construction of a 150,000 square foot building for new operations planned for 2012. The ability to purchase land directly adjacent to their site will allow Helena Industries to remain in their current location, expand a long term Des Moines business and provide taxable valuation and employment for the community. The company's planned future expansion is consistent with the vision for the SE Agrimergent Business Park Plan adopted for this area by City Council in 2001 to guide new investment in agribusiness, technology, manufacturing and other industries.

Helena Industries had originally proposed purchase of 20 acres of land for future expansion in 2009. Since that time, information has been provided to the City of Des Moines and Helen Industries regarding the Des Moines River levee re-certification process. The company has worked with the City to review and evaluate information from FEMA and the Corps of Engineers since 2010, a process that has given the company an elevated awareness of the potential risk involved in undertaking development of this site prior to formal re-certification of the Vandalia levee. Additional costs will be incurred by the company to develop on the property, in order to elevate the site appropriately. These costs are considered extraordinary and would potentially impede the company's expansion on this site, making it necessary for them to consider other locations for their new investment. This could include sites outside the City of Des Moines. Throughout the negotiations with Helena Industries, a primary goal has been to retain the business in the City of Des Moines and provide ample opportunities for growth and expansion.

As a contract chemical manufacturing company, Helena Industries is required to bid for new projects within their national organization as they arise. This requires the company to have the ability to react very quickly to new opportunities that would otherwise go to locations in other parts of the United States. It is critical that the company have an adequate supply of land to expand and build facilities to house new operations and employees.

The 30 acres proposed for purchase by Helena Industries is part of the 166 acre parcel purchased jointly by the City of Des Moines and Des Moines Water Works. In accordance with the 28 E Agreement between the entities, both City Council and the Des Moines Water Works Board will review Helena Industries' purchase proposal.

PREVIOUS COUNCIL ACTION(S):

Date: April 20, 2009

Roll Call Number: 09-695

Action: [Resolution](#) to receive and file a proposal from Helena Industries to purchase land in the SE Agrimergent Business Park and refer to City Manager for further review and negotiation. ([Council Communication No. 09-232](#)) **Moved by Meyer to receive and file. Motion Carried 7-0.**

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Council to set public hearing on the sale of property and review final terms of Urban Renewal Development Agreement with Helena Industries.

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