

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	December 17, 2012
	Agenda Item No. Roll Call No. Communication No. Submitted by:	49 <u>12-1968</u> <u>12-624</u> Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution to continue public hearing to January 14, 2013 on approval of final 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:

On December 3, 2012, by Roll Call No. 12-1837, City Council approved preliminary terms of an Urban Renewal Development Agreement with Helena Industries, Inc. (Troy Hugen, Plant Manager, Helena Industries, Inc., 3525 Vandalia Road, P.O. Box 5004, Des Moines Iowa 50306) to purchase 30 acres of City-owned land directly adjacent to the current Helena Industries contract chemical manufacturing campus in the SE Agribusiness Urban Renewal Area. The land purchase will allow the long term Des Moines company to expand operations, beginning with an estimated \$4.7 million project planned for 2013. An economic development assistance grant of \$168,000 will be provided to the company, to be paid over five (5) years from tax increment generated by the new project.

The proposed project has been reviewed and approved by the Urban Design Review Board and the Good Neighbor Task Force, a group of residents and businesses located in the vicinity of the SE Agribusiness area, and will be reviewed by the Des Moines Water Works (DMWW) Finance Subcommittee December 11, as part of a 28E Agreement between the City of Des Moines and Des Moines Water Works. 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.

FISCAL IMPACT:

Amount: Helena Industries will purchase 30 acres for \$450,000. One third (\$150,000) of the land sale proceeds will be provided to Des Moines Water Works, per the approved 28E Agreement between the City of Des Moines and DMWW for the original purchase of the subject property. The remaining \$300,000 will be deposited into the Economic Development Enterprise Account. An Economic Development Assistance Grant, not to exceed \$168,000, will be paid to Helena Industries in five (5) annual installments following the conclusion of the tax abatement for the 100,000 square foot building. This Grant will be from project generated tax increment.

Funding Source: The Economic Development Assistance Grant will be paid from tax increment revenues generated by the Project in the SE Agribusiness Urban Renewal Area. Two thirds of the land sale proceeds (\$300,000) will be deposited into the Economic Development Enterprise Account, SP743-CMOO980717-480060.

ADDITIONAL INFORMATION:

Helena Industries, Inc. is a contract chemical manufacturing company that has been in operation in southeast Des Moines for decades. 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 seven (7) of the last eight (8) years and invested nearly \$8 million in improvements and projects since 2008 to ensure continued growth opportunities. The company has 80 full time employees and a locally-staffed contract labor force that numbers between 40 and 100.

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 be able to build facilities to house new operations and employees. Growth and expansion in recent years has required the company to lease 200,000 square feet of warehouse space outside the City of Des Moines. Helena Industries' ability to purchase land directly adjacent to their site will allow the company to remain in their current location, expand a long term Des Moines business and provide taxable valuation and employment for the community.

The Office of Economic Development began working with Helena Industries on expansion plans 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 levee is anticipated to be de-accredited due to insufficient freeboard above the 100 year flood. The area where Helena Industries is located and plans to expand will likely be designated as a Zone D, which is an undetermined flood risk. The company has worked with the City to review and evaluate information from FEMA and the Corps of Engineers, a process that has provided an 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.

Helena Industries will purchase 30 acres of land for \$450,000. In the event that construction of the 100,000 square foot building is not commenced by November 1, 2014 the company would be required to pay a penalty of \$210,000. The penalty is equal to the difference between the \$450,000 asking price and the original \$660,000 value assigned to the 30 acres by a 2010 appraisal. The appraisal did not adequately reflect the impact of the Des Moines River levee recertification process, which has been a core issue in the negotiation process with Helena Industries for the past two years.

An Economic Development Assistance Grant in the amount of \$168,000 will be provided to Helena Industries, to be paid in from tax increment revenues generated by the 100,000 square foot building, following the conclusion of tax abatement for the project. This grant will assist the company in meeting the extraordinary development costs presented by elevating a portion of the site for the expansion project.

PREVIOUS COUNCIL ACTION(S):

Date: December 3, 2012

Roll Call Number: [12-1837](#)

Action: [On](#) proposed Urban Renewal Agreement with Helena Industries, Inc. for the sale and redevelopment of 30 acres, south of the 3600 block of Vandalia Road, (12-17-12). ([Council Communication No. 12-599](#)). Moved by Hensley to adopt. Motion Carried 7-0.

Date: August 29, 2011

Roll Call Number: [11-1536](#)

Action: [Approving](#) preliminary terms for sale of property in the Southeast Agribusiness Urban Renewal Area to Helena Industries, Inc. Sponsor: Council Member Meyer. ([Council Communication No. 11-570](#)). Moved by Meyer to adopt. Motion Carried 7-0.

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):

Board: Urban Design Review Board

Date: December 4, 2012

Resolution Number: N/A

Action: Motion to approve as presented by Rypma. Seconded by Allen. Motion carried.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

A closing date for sale of the property will be set by the City's Real Estate office.

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