

 <p style="text-align: center;"><b>Council</b> <b>Communication</b> Office of the City Manager</p>	<b>Date:</b> March 11, 2013
	<b>Agenda Item No.</b> 37 <b>Roll Call No.</b> <u>13-0418</u> <b>Communication No.</b> <u>13-124</u> <b>Submitted by:</b> <b>Matthew A. Anderson,</b> <b>Assistant City Manager</b>

**AGENDA HEADING:**

Resolution closing hearing on Amended and Restated Urban Renewal Development Agreement with Kemin Industries, Inc. on the proposed vacation of a portion of SE 20th Street; and on the proposed sale and conveyance of such vacated right-of-way together with additional City-owned land north of Scott Avenue between SE 20th and SE 22nd Streets to Kemin Industries, Inc. for an expansion of the Kemin home office, research and manufacturing facilities; and approving same.

**SYNOPSIS:**

By Roll Call No. 11-1048, dated June 18, 2011, City Council approved an urban renewal development agreement with Kemin Industries and Kemin Holdings, LC (hereinafter referred collectively to as “Kemin”) for the an expansion of the Kemin Home Office, Research and Manufacturing facilities located at 2100 Maury. Since June 2011, the proposed Kemin five (5) year conceptual master plan has expanded to include a larger geographic area expanding westward to between SE 19th and SE 18th Street north of Scott Street and south of the SE Connector Route and has requested to purchase from the City areas north of the SE Connector Route to Market Street and west of the Union Pacific Railroad. The larger geographic footprint will allow Kemin to incorporate into the master plan larger manufacturing and new warehousing buildings not originally contemplated.

The Resolution presented today approves the Amended and Restated Development Agreement that (1) amends the original conceptual plan to incorporate the larger geographic area; (2) provides for the sale at fair-market value of additional City excess rights-of-way (SE 20th Street north of the SE Connector Road Project to Market Street) and SE Connector Road Project excess rights-of-way (parcel north of the SE Connector Road Project to Market Street and west of the Union Pacific Railroad) to Kemin for incorporation into the project area for a total of \$348,864; (3) amends the amount of the forgivable loan from \$102,000 to \$95,400; (4) amends the terms of the \$500,000 economic development grant by deferring the start of the grant payments for a term of ten years to December 2024; (5) amends the minimum assessment agreement by increasing the minimum values of the new buildings to be constructed by an additional \$3.3 million to a total of \$13.8 million; (6) restricts tax abatement on new development within the Kemin Project area that is located north of the SE Connector Road Project and south of Market Street; and (7) provides a license agreement for a private drive to be constructed at Kemin’s expense beneath the SE Connector Road Project Viaduct, which will provide Kemin a connection between the parcels south and north of the SE Connector Road Project.

The resolution is subject to final passage of an ordinance vacating the portion of SE 20th Street between the S.E. Connector and Market Street. Concurrent with this action, the City Council is also asked to give first reading, and to waive readings and give final passage to an ordinance vacating the portion of SE 20th Street located between the S.E. Connector and Market Street, to permit such vacated right-of-way to be conveyed to Kemin pursuant to the Amended and Restated Development Agreement.

**FISCAL IMPACT:**

Amount: \$322,182

Funding Source: Fair-market land sale proceeds to be credited to the SE Connector Road Project.

Amount: \$26,136

Funding Source: Fair-market land sale proceeds to be credited to the Real Estate Enterprise Account.

Amount: \$800,000

Funding Source: Fair-market land sale proceeds to be credited to the SE Connector Road Project.

Amount: \$95,400 Forgivable Loan

Funding Source: Forgivable loan funded from Kemin's purchase of vacated street rights-of-way for that portion of Scott Avenue east of SE 20th Street and west of the Union Pacific Railroad and that portion of SE 20th Street north of Scott Avenue and south of the SE Connector Road Project.

Amount: \$500,000 Economic Development Grant

Funding Source: Grant payments beginning in December 2024 to be paid at the rate of 50% of the new tax increment funds paid by Kemin on its new expansion project in the Southeast AgriBusiness Urban Renewal Area / Tax Increment Financing District.

**ADDITIONAL INFORMATION:**

Kemin Industries continues to be a major life sciences/agribusiness within Des Moines. The expansion project is the company's fifth major expansion at the Maury Street campus in the City of Des Moines. This expansion will retain Kemin's current employment base of 332 full-time positions, create 98 new full-time jobs and result in new investment of at least \$21.8 million. Kemin's previous expansions have resulted in investments in new buildings and equipment in excess of \$25 million and creation of 165 jobs at wage levels from \$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's master plan for its campus reflects growth to the north and west of Kemin's existing campus location. Kemin has privately acquired a significant portion of the needed land, and under the original development agreement has agreed to purchase land owned by the City of Des Moines located north of Scott Avenue and east of SE 20th Street that was 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 rendered this site functionally obsolete for the City services operating on the site, which are being relocated as part of the SE Connector Road Project. Kemin agreed to purchase this site at the fair-market appraised value of \$800,000, which are to be credited to the SE Connector Road Project.

Representatives of Kemin have been very involved in the SE Connector Road Project public processes. The SE Connector Road Project will have a viaduct that spans the active railroad lines, which will be immediately adjacent to the Kemin Campus. To facilitate the Kemin expansion, the original earth

embankment to support the viaduct has been changed to a retaining wall at an estimated additional cost to the SE Connector Road Project of approximately \$1.4 million. The retaining wall construction makes available an additional four acres of land that Kemin proposes to purchase and develop upon. Additionally, Kemin has requested that the City sell to it the remaining property north of the SE Connector Road Project to Market Street and west of the Union Pacific Railroad that is determined to be excess right-of-way after the SE Connector Road Project is completed. The fair market sale proceeds for all of this additional land is set by appraisal at \$322,182 and will be credited to the SE Connector Road Project. Additionally, Kemin has requested that the City vacate and convey a portion of SE 20<sup>th</sup> Street north of the SE Connector Road Project to Market Street. The fair market value of this portion of SE 20<sup>th</sup> Street is set by appraisal at \$26,136 and will be credited to the Real Estate Enterprise Account.

#### City Financial Assistance

City Council previously approved economic development assistance in support of the Kemin expansion comprised of: (a) property tax abatement on value added improvements under the City-wide Industrial Tax Abatement 5-year declining schedule (Chapter 427B, Code of Iowa); (b) a forgivable loan in the amount of \$102,000 funded through the purchase at fair-market value of excess City rights-of-way; (c) a \$500,000 economic development grant to be funded in annual installments beginning in December 2014 and 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.

The Amended and Restated Development Agreement incorporates the following changes to the City's financial assistance:

- 1) The forgivable loan amount has been reduced to \$95,400 as a result of land surveys revealing that less square footage of excess rights-of-way will be vacated and conveyed to Kemin than originally estimated.
- 2) Payments of the economic development grant will be delayed for 10 years to December 2024, thereby allowing all initial new revenues from the Kemin expansion to flow to the Southeast AgriBusiness Urban Renewal Area/Tax Increment Financing District to assist in financing the SE Connector Road Project.
- 3) An increase in the minimum assessment agreement of \$3.3 million to reflect additional new taxable value on the buildings to be constructed thereby creating minimum new taxable values for the Kemin expansion south of the SE Connector Road Project of approximately \$13.8 million.
- 4) Kemin will not apply for tax abatement on future new buildings it will build on the parcel located north of the SE Connector Road Project, south of Market Street and west of the Union Pacific Railroad.
- 5) If Kemin 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.

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

Date: June 13, 2011

Roll Call Number: [11-1048](#)

Action: [Urban](#) Renewal Development Agreement with Kemin Industries, Inc. for expansion of World-wide Corporate Headquarters and Corporate Campus, 2100 Maury Street. ([Council Communication No. 11-391](#)). Moved by Meyer to adopt. Motion Carried 7-0.

Date: May 23, 2011

Roll Call Number: [11-0921](#)

Action: (A) [Hearing](#) on the proposed Urban Renewal Development Agreement with Kemin Industries, Inc.; proposed vacation of portions of Scott Avenue and SE 20th Street; proposed sale and conveyance of such vacated rights-of-way together with additional City-owned land, north of Scott Avenue between SE 20th and SE 22nd Streets to Kemin Industries, Inc.; and on the proposed rezoning of all such land together with additional land, north of Scott Avenue between SE 19th and SE 20th Streets from "M-1" (Light Industrial) to "M-2" (Heavy Industrial), for an expansion of the Kemin Home Office, Research and Manufacturing Facilities. Moved by Meyer to adopt. Motion Carried 7-0.

Date: May 23, 2011

Roll Call Number: [11-0922](#)

Action: (B) [Receive](#) and file recommendations from City Plan and Zoning Commission regarding proposed street vacations and rezoning. Moved by Meyer to receive and file. Motion Carried 7-0.

Date: May 23, 2011

Roll Call Number: [11-0923](#)

Action: (C) [Receive](#) and file recommendations from Urban Design Review Board regarding the level of financial assistance funded from tax increment revenues. Moved by Meyer to receive and file. Motion Carried 7-0.

Date: May 23, 2011

Roll Call Number: [11-0924](#)

Action: (D) [First](#) consideration of ordinance vacating portions of Scott Avenue and SE 20th Street. Moved by Meyer that this ordinance be considered and given first vote for passage. Motion Carried 7-0.

Date: May 23, 2011

Roll Call Number: [11-0925](#)

Action: (E) [Final](#) consideration of ordinance above (waiver requested by Kemin Industries, Inc.), requires six votes. Moved by Meyer that the rule requiring that an ordinance must be considered and voted on for passage at two Council meetings prior to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, [#15,019](#). Motion Carried 7-0.

Date: May 23, 2011

Roll Call Number: [11-0926](#)

Action: (F) [First](#) consideration of ordinance rezoning the property described above from the "M-1" (Light Industrial) to "M-2" (Heavy Industrial). Moved by Meyer that this ordinance be considered and given first vote for passage. Motion Carried 7-0.

Date: May 23, 2011

Roll Call Number: [11-0927](#)

Action: (G) [Final](#) consideration of ordinance above (Waiver requested by Kemin Industries, Inc.), requires six votes. Moved by Meyer that the rule requiring that an ordinance must be considered and voted on for passage at two Council meetings prior to the meeting at which it is to be finally passed be suspended, that the ordinance be placed upon its final passage and that the ordinance do now pass, [#15,020](#). Motion Carried 7-0.

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: (A) [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: (B) [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: (C) [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: (D) [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: N/A

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: NONE**

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