

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: June 9, 2014
	Agenda Item No. 33 Roll Call No. <u>14-0861</u> Communication No. <u>14-280</u> Submitted by: Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution approving application for Enterprise Zone Benefits for Krause Holdings, Inc. to be referred to the Des Moines Enterprise Zone Commission and the Iowa Economic Development Authority (IEDA).

SYNOPSIS:

Krause Holdings, Inc. (Niki DePhillips, Senior Vice President, 6400 Westown Parkway, West Des Moines, Iowa 50266) has submitted an application for State of Iowa Enterprise Zone benefits for their proposed 120,000-square-foot corporate headquarters in the Western Gateway in downtown Des Moines. The proposed site is located in the Gateway Enterprise Zone. Benefits requested include a \$6.7 million State investment tax credit and a \$1,860,000 rebate of State sales tax to be paid on the estimated \$92 million project.

The application is being submitted for City approval and referral to the Des Moines Enterprise Zone Commission on a timeframe that will allow for review by the IEDA Board on June 20, 2014. Krause Holdings, Inc. is working to close land acquisitions for the project in July, and will need IEDA Board action on the assistance application on June 20 in order to include the \$20 million acquisition costs as being eligible for Enterprise Zone benefits.

Preliminary terms of a City of Des Moines assistance package will be presented for City Council consideration at a later date. An architect has yet to be hired for the project and parking and other infrastructure items will need to be thoroughly researched until the financial gap is known. Preliminary terms of agreement to formalize this request will be brought to City Council at a future meeting, prior to the final approval of an Enterprise Zone program agreement with IEDA.

FISCAL IMPACT:

Benefits under the Enterprise Zone program are State of Iowa benefits and have no impact on the City of Des Moines general fund.

Amount: \$6,700,000 investment tax credit and \$1,860,000 State sales tax rebate; anticipated \$13.4 million in City tax increment generated by the project over 20 years, to be reviewed by Council at a future meeting.

Funding Source: State of Iowa Enterprise Zone program. Any Council approved City financial assistance will be funded through project generated tax increment.

ADDITIONAL INFORMATION:

Krause Holdings, Inc. is the parent company of Kum and Go, L.C., the 5th largest privately held, company operated convenience store chain in the United States and Sole Transport, L.C. (dba Solar Transport), a common carrier of gasoline, diesel, ethanol, aviation fuel, soy, propane, lube oil, and anhydrous ammonia in 21 states including Iowa. Krause Holdings has 5,500 employees worldwide, with 2,240 employees in Iowa.

Kum & Go anticipates outgrowing its current headquarters at 6400 Westown Parkway in West Des Moines due to plans for increased employment. A total of 221 employees are currently located at this site. Kum & Go has selected a site in the Western Gateway on Grand Avenue between 14th and 15th Streets for its new proposed headquarters, with a proposed construction start date in 2015 and completion by 2017.

The company is planning a state of the art iconic building designed to complement the Pappajohn Sculpture Garden and Western Gateway Park landscape, and provide the amenities and work spaces necessary to attract and retain the best and brightest employees.

PREVIOUS COUNCIL ACTION(S): NONE**BOARD/COMMISSION ACTION(S): NONE****ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Following review by the Des Moines Enterprise Zone Commission and the IEDA, a program agreement will be prepared for signature by the company, IEDA, and City of Des Moines. City Council will be requested to review preliminary terms of agreement for tax increment assistance for the Kum & Go Headquarters project.

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 first 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.