

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: July 13, 2015
	Agenda Item No. 63 Roll Call No. [_____] Communication No. <u>15-374</u> Submitted by: Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Receive and file communication regarding proposed economic development financial assistance to Marel Meat Processing, Inc. (Marel) and authorize the City Manager to negotiate a final development agreement for City financial assistance based on the preliminary terms of agreement as outlined in the communication.

SYNOPSIS:

Marel is the successor company to Townsend Engineering Company, with operations located at 2425 Hubbell Avenue, Des Moines. In January 2015, Marel announced a refocusing of its product portfolio. As part of the refocusing, the Des Moines manufacturing operations located at 2425 Hubbell will be consolidated to an existing Marel facility in Gainesville, Georgia. Marel further announced that it will make a \$2.5 million investment in a new innovation center in the greater Des Moines area. The new innovation center will focus on sales, customer service and product development and will retain a staff of approximately 75 full-time employees. The existing facility at 2425 Hubbell is listed for sale.

FISCAL IMPACT:

Amount: \$150,000 forgivable loan

Funding Source: Economic Development Enterprise Account

Amount: \$266,500 estimated amount over 10 years of an economic development grant

Funding Source: Project generated tax increment financing district revenues calculated at 50% of the net new taxes—consolidated tax levy rate less protected debt levies and Self Supported Municipal Improvement District (SSMID)—paid into the Metro Center Urban Renewal Project Area Tax Increment Financing District on the project’s value added improvements at 401 SW 7th Street, Des Moines.

ADDITIONAL INFORMATION:

Marel is the leading global provider of advanced equipment, systems and services to the fish, meat and poultry industries. Marel is a multinational company with over 4,000 employees located in over 30 countries on six (6) continents. Marel’s U.S. operations consist of four (4) locations with approximately 600 employees. The company’s international corporate offices are located in Gardabaer, Iceland.

Marel hired CBRE/Hubbell Commercial to assist the company with a metro-wide site search for the new innovation center and to sell the existing Hubbell Avenue site. Marel representatives indicate that the company requires approximately 40,000-square-feet of space, willing to execute a seven (7) to 10 year lease, and make a \$2.5 million investment in the new innovation center. Each landlord was asked to provide in their lease proposals a \$40 per square foot tenant improvement allowance, with Marel being responsible for costs associated with improvements over and above the allowance. Several locations throughout the greater Des Moines area were reviewed with formal requests for lease proposals going to several locations, only one of which is in the City of Des Moines -- 401 SW 7th Street. The property has been recently purchased by MLK River Park, LLC (Richard Eychaner, Manager) as part of a multi-property acquisition.

To incent Marel to locate its new innovation center at 401 SW 7th Street, Office of Economic Development (OED) staff have presented a proposed financial assistance package that consists of the following:

- \$150,000 forgivable loan, advanced in one (1) installment upon the commencement of a lease and retention of the company's employment base of at least 75 full-time jobs with an average annual compensation of \$79,000 per year plus benefits at a new innovation center to be located at 401 SW 7th Street, Des Moines. The forgivable loan will be forgiven in equal annual installments over the term of the lease, upon receipt of an annual certification that Marel has met or exceeded the retained base employment and average wage requirements.
- It is anticipated that the proposed \$2.5 million investment in improvements to 401 SW 7th Street will result in an increase in taxable value to the property, but to what extent taxable value will be added is not yet determinable. To assist in keeping the City of Des Moines location occupancy costs competitive, staff has proposed an economic development grant to be calculated at 50% of the incremental increase in net new property taxes paid into the Metro Center Urban Renewal Project Area Tax Increment Financing District resulting from the proposed value added improvements to the site. The grant installments will be paid annually over the term of the lease (either seven (7) or 10 annual installments) with the first payment to correspond with the first fiscal year's full-payment of increased property taxes on the value added improvements.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Referral to Urban Design Review Board for recommendation to City Council on the appropriate use of tax increment financing revenues; approval of final Development Agreement.

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