

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	October 12, 2015
	Agenda Item No.	55
	Roll Call No.	<u>15-1741</u>
	Communication No.	<u>15-547</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Approving Urban Renewal Development Agreement with Krause Holdings, Inc. and Linden Street Investments, L.L.C., and approving economic development assistance contract with Krause Holdings, Inc. and the Iowa Economic Development Authority (IEDA), for the redevelopment of property at 1459 Grand Avenue.

SYNOPSIS:

Krause Holdings, Inc. (dba Kum & Go) (Niki DePhillips, Senior Vice President, 6400 Westown Parkway, West Des Moines, Iowa 50266) has proposed an approximate 160,000-square-foot corporate headquarters in the Western Gateway in downtown Des Moines. The project will be located on multiple parcels Kum & Go has assembled on the block bound by Grand Avenue, Ingersoll Avenue, 14th Street, and 15th Street.

The building, designed by world-renowned Renzo Piano Building Workshop, will be a striking complement to the John and Mary Pappajohn Sculpture Garden immediately south of the project site.

Kum & Go plans to retain their current employment of 224 employees and add an additional 101 jobs, for a total of 325 new employees downtown.

The City’s Office of Economic Development has negotiated an incentive package to facilitate the project. Much of this incentive is targeted to assist with two (2) levels of very costly underground parking. Shifting the parking underground will ensure that parcels Kum & Go owns west of the project site will remain available for future redevelopment should Kum & Go choose to pursue redevelopment.

FISCAL IMPACT:

Amount: See the chart below in Additional Information.

Funding Source: Land sales proceeds and 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 Solar 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.

The 160,000-square-foot building has space to house up to 800 employees. A 5-floor building with a 6-floor pavilion is proposed. Building planning includes 225 parking spaces on two (2) levels below grade. The building negotiates 17 feet of grade difference between Grand and Ingersoll Avenues by introducing a 2-3 story lobby space along 15th Street. Main public entrances are located along Grand Avenue and Ingersoll Avenue at 15th Street. Service entries are located along 14th Street. The first two (2) floors include building amenities and conference space, floors 3-5 are office space, and a small pavilion occupies 6-floor.

The building design, proposed by Pritzker Prize-winning architect, Renzo Piano Building Workshop, and supported locally by OPN Architects and Confluence, will create an icon on Western Gateway Park while also forming an edge along the Park. Floors 1-4 of the building are parallel to Grand Avenue, with the first floor enclosure sitting back off of the street. Large cantilevers from the upper floors form the continuation of the urban edge along Grand Avenue and the Park. The project relies on landscape to form the edges on the other three (3) sides of the building. The 5-floor is rotated to acknowledge the site's location at the splay of downtown's urban grids with the rotation allowing for a gracious roof terrace overlooking the Park and downtown. Large expanses of glass form much of the exterior enclosure at all levels, creating light-filled flexible work environments. The building will be LEED certified with the potential of achieving LEED Silver.

Kum & Go's \$151 million project represents an incredible investment in downtown Des Moines. The proposed incentive package will entice world-class design adjacent to the John and Mary Pappajohn Sculpture Park and will help offset the high cost of underground parking, which is critical to maintaining potential development opportunities on surrounding blocks. The graduated incentive schedule will be paid over a period of 20 years and is calculated on a percentage of the new tax increment paid by Kum & Go (minus protected levies). The yearly percentages are fixed, while the actual amount paid will fluctuate based on the assessed value. Kum & Go will enter into a minimum assessment agreement of \$100 per square feet, however the actual assessment may be higher. The chart below is for illustrative purposes based on the current tax levy and assumes 1% inflationary growth. Construction start is planned for November 2015, with completion anticipated for early 2018. Because property taxes are paid in arrears, the first TIF installment (labeled as "Year 1" below) will occur in 2020.

Proposed economic development assistance package:

Year	Total Taxes Paid	Total TIF Available	Incentive %	Annual Incentive
0	Land Sale	\$ 1,240,000	Land Sale	\$ 870,000
1	\$ 715,500	\$ 620,100	90%	\$ 558,090
2	\$ 722,655	\$ 626,301	90%	\$ 563,671
3	\$ 729,882	\$ 632,564	90%	\$ 569,308
4	\$ 737,180	\$ 638,890	90%	\$ 575,001
5	\$ 744,552	\$ 645,279	90%	\$ 580,751
6	\$ 751,998	\$ 651,731	85%	\$ 553,972
7	\$ 759,518	\$ 658,249	85%	\$ 559,511
8	\$ 767,113	\$ 664,831	80%	\$ 531,865
9	\$ 774,784	\$ 671,479	80%	\$ 537,184
10	\$ 782,532	\$ 678,194	75%	\$ 508,646
11	\$ 790,357	\$ 684,976	75%	\$ 513,732

12	\$	798,261	\$	691,826	75%	\$	518,869	
13	\$	806,243	\$	698,744	70%	\$	489,121	
14	\$	814,306	\$	705,732	70%	\$	494,012	
15	\$	822,449	\$	712,789	70%	\$	498,952	
16	\$	830,673	\$	719,917	60%	\$	431,950	
17	\$	838,980	\$	727,116	60%	\$	436,270	
18	\$	847,370	\$	734,387	50%	\$	367,194	
19	\$	855,844	\$	741,731	50%	\$	370,866	
20	\$	864,402	\$	749,148	50%	\$	374,574	
							\$	10,903,537

PREVIOUS COUNCIL ACTION(S):

Date: June 9, 2014

Roll Call Number: [14-0861](#)

Action: [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. ([Council Communication No. 14-280](#)) Moved by Hensley to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: September 22, 2015

Resolution Number: N/A

Action: Motion: Approve final design as presented with updates to the signage and landscape plans as they are finalized. Yes = 7; No = 0; Abstain = 1; Absent = 2.

Motion: Approve financial assistance package as proposed. Yes = 7; No = 0; Abstain = 1; Absent = 2.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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