


COUNCIL COMMUNICATION

	Number:	24-063	Meeting:	February 19, 2024
	Agenda Item:	32	Roll Call:	24-0257
	Submitted by:	Cody Christensen, Development Services Director		

AGENDA HEADING:

Resolution approving preliminary terms of an Urban Renewal Development Agreement with Kemin for the construction of a 320,000 square foot warehouse at 606 SE 23rd Street, directly adjacent to their current headquarters.

SYNOPSIS:

Kemin Industries, Inc. (Elizabeth Jacobs, 1900 Scott Avenue, Des Moines, IA 50317) is proposing to construct a 320,000 square foot warehouse, east of their headquarters, between the railroad tracks and SE 23rd Street. The warehouse will consolidate leased space from eight (8) different locations and will increase warehouse capacity to service both current production and future expansion. Total project costs are estimated at \$28 million. Construction is expected to begin in Spring and conclude by the end of 2024.

The Office of Economic Development has negotiated preliminary terms of an Urban Renewal Development Agreement with Kemin which provides for project-generated tax increment to respond to the extraordinary development costs of the project.

FISCAL IMPACT:

Amount: The project will use the Industrial Tax Abatement provision in Iowa Code Section 427B (abatement schedule of 75%, 60%, 45%, 30%, 15%). Once the term of the tax abatement has expired, the project will also receive 80% of the project generated tax increment from the taxable building valuations (exclusive of land) for three (3) years to respond to the identified extraordinary development costs of \$1.7 million. The total Tax Increment Finance (TIF) assistance is estimated at \$2,372,066 million, or a net present value of \$1,743,176, and is estimated at 6.07% of total project costs. The TIF economic development grant will be capped at a maximum of \$2 million Net Present Value (NPV).

Year	Estimated Taxes Received without Project *	Estimated Taxes Received with Project*	Estimated Incentive Paid	Estimated Net Taxes Received
Sum 10 Years	\$225,789	\$12,077,775	\$4,801,576	\$ 7,276,199
Sum 20 Years	\$501,725	\$26,798,748	\$0	\$26,798,748
Sum 30 Years	\$837,154	\$44,741,375	\$0	\$44,741,375

*Taxes include all property taxing authorities (not just City property taxes).

*Taxes received estimates used the following assumptions: two and a half percent (2.5%) growth in reassessment years; one and a half percent (1.5%) growth in non-re-assessment years.

Building and land assumptions at completion of construction:

- \$27,970,500 building assessment
- \$530,000 land assessment

Funding Source: Tax increment generated by the project in the Southeast Ag Urban Renewal Area. The developer will seek a three (3)-year, 100% tax abatement upon completion of the project.

ADDITIONAL INFORMATION:

- Kemin Industries was founded in Des Moines in 1961 by R.W. and Mary Nelson. Since then, it has become a global company with more than 15 manufacturing facilities in 10 countries, working to produce nutrition and immune support to pets and production animals. Currently, Kemin employs more than 640 people.
- In 2017, Kemin purchased a portion of the subject property from the City and the balance of the property from other private property owners. As part of that agreement, Kemin agreed to apply only for the State Industrial Tax Abatement (75%, 60%, 45%, 30%, 15%), rather than through the City's tax abatement program.
- Since 2017, Kemin has invested more than \$30 million in their new worldwide headquarters building at 1900 Scott Avenue. Kemin has also constructed a \$4.5 million application solutions facility, an \$8 million quality control lab, a \$20 million factory expansion, and a \$1.5 million solar power installation.
- Over the past five (5) years, Kemin has added a total of 255 new permanent employees to the Des Moines metro area. In addition to high-paying factory jobs, positions include PhD scientists and researchers, attorneys, accountants, information technology specialists, and engineers.
- Kemin is in the early stages of planning for multiple manufacturing projects that will rely on the warehouse space to support them. Expansion plans include manufacturing equipment for making rumen bypass lysine and rumen bypass methionine, fermentation facilities for manufacturing enzymes, and a renovation and expansion of a 30-year-old blending facility.
- A map of the area can be found below.



PREVIOUS COUNCIL ACTION(S):

Date: December 18, 2017

Roll Call Number: [17-2190](#), [17-2191](#), [17-2192](#) and [17-2193](#)

Action: [On](#) vacation of City right-of-way bounded by Martin Luther King, Jr. Parkway on the north, Maury Street on the south, SE 23rd Street on the east, and the Union Pacific Railroad right-of-way on the west and conveyance of said vacated right-of-way and other excess City property within said boundary to Kemin Holdings, LC for \$455,402. Moved by Gatto to adopt. Motion Carried 7-0.

- A. [First](#) consideration of ordinance above. Moved by Gatto that this ordinance be considered and given first vote for passage. Motion Carried 7-0.
- B. [Final](#) consideration of ordinance above (waiver requested by the applicant), requires six (6) votes. Moved by Gatto that the rule requiring that an ordinance must be considered and voted on for passage at two (2) 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, [#15,638](#). Motion Carried 7-0.
- C. [Economic](#) Development Agreement with Kemin Industries, Inc., represented by Elizabeth Nelson, Officer, to assist in Kemin's purchase of City-owned land for a further expansion of the Kemin home office, research and manufacturing facilities. ([Council Communication No. 17-839](#)) Moved by Gatto to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S):

Board: Plan and Zoning Commission

Date: November 16, 2017

Resolution Number: 11-2017-1.15

Action: APPROVAL of vacation of the following segments of Right-of-Way (ROW) in the vicinity of Southeast 22nd Street and Shaw Street to be sold to Kemin Industries, Inc. for the proposed expansion of their home office, research, and manufacturing facilities campus.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

- Urban Design Review Board – Design and Financial Assistance
- City Council – Final Development Agreement

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.