

COUNCIL COMMUNICATION

	Number: 24-138	Meeting: April 1, 2024
	Agenda Item: 26	Roll Call: 24-0501
	Submitted by: Cody Christensen, Development Services Director	

AGENDA HEADING:

Resolution approving final terms of an Urban Renewal Development Agreement with Kemin for the construction of a 340,500 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 340,500 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 final 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.

Since the City Council approved preliminary terms, Kemin has decided to expand the size of the warehouse from 320,000 square feet to 340,500 square feet. Kemin and City staff have been working on a plan to allow Kemin to use the existing City stormwater basin located just north of the subject site to enable Kemin to build an additional bay of warehouse at the northernmost portion of their lot, rather than using it for stormwater.

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 \$2,513,007 million, or a net present value of \$1,846,749, 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	\$12,781,980	\$5,086,870	\$ 7,695,110
Sum 20 Years	\$501,725	\$28,361,271	\$0	\$28,361,271
Sum 30 Years	\$837,154	\$47,350,058	\$0	\$47,350,058

*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.

Funding Source: Tax increment generated by the project in the Southeast Ag Urban Renewal Area. The developer will seek 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: February 19, 2024

Roll Call Number: [24-0257](#)

Action: [Preliminary](#) terms of an Urban Renewal Development Agreement with Kemin Industries, Inc. for the construction of a 320,000 square-foot warehouse at 606 SE 23rd Street, directly adjacent to their current headquarters. ([Council Communication No. 24-063](#)) Moved by Gatto to adopt. Second by Voss. Motion Carried 6-0.

BOARD/COMMISSION ACTION(S):

Board: Urban Design Review Board

Date: February 20, 2024

Resolution Number: N/A

Action: Motion to recommend approval of final design by Huggins. Seconded by Clark. Motion carried. Yes=10. No=0. Abstain=0. Motion to recommend approval of the financial assistance package by Clark. Seconded by Rypma. Motion carried. Yes=10. No=0. Abstain=0.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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