



OFFICE OF THE CITY ADMINISTRATOR

Johnston, Iowa
AGENDA COMMUNICATION
November 4, 2013
Work Session

SUBJECT: Consider a request by DuPont Pioneer for funding under the Tax Increment Financing (TIF) program

ACTION REQUIRED:

- Ordinance
- Resolution
- Approval
- Receive/File
- Attorney Review

JP3

SYNOPSIS:

DuPont Pioneer is proposing renovations and building expansions to their greenhouse complex on the north side of NW 62nd Avenue, the Carver building on the south side of NW 62nd Avenue (see attached aerial photo) and the Research Samples Group building on NW 70th Avenue. A description of the improvements are:

- Construction of a 26,500 square foot expansion to the Mendel complex including additional head houses upgrades to the Insectory and the APT (Application and Production Technology Center)
- A 10,000 - 15,000 square foot expansion of the Carver Building
- Expansion of approximately 20,000 square feet to their Research Samples Group

The estimated total investment is \$28,000,000 with the addition of 105 new jobs.

Pioneer has requested consideration under the expanded TIF program which provides a property tax reimbursement of up to 80% of the taxes paid on the increase in taxable valuation for up to five years. Attached are a copy of their TIF application and a synopsis of their request.

The project meets the requirements for consideration under the expanded TIF program, but at this time it is difficult to determine the actual increase in taxable valuation that will be generated by the improvements.

Staff is requesting the council to consider the request and to determine if there is interest in supporting the project

320

with TIF funding. Staff will work with Pioneer and the Polk County Assessor to determine the anticipated taxable valuation of the improvements which will enable us to determine the actual level of TIF support. Staff will report back to the city council once the information is available.

The approval of this project is on a fast track as DuPont has capital that they need to commit to spending before the end of the calendar year. The amount of incentives provided by the Iowa Department of Economic Development and the city of Johnston will be critical to their decision making process. At this time DuPont Pioneer is seeking the city's support for providing an incentive for this project so they can move forward with the application for incentives from the Iowa Economic Development Authority.

This project does not affect the property taxes paid on existing facilities in the community owned by DuPont Pioneer.

FISCAL IMPACT:

Although the total investment is estimated to be \$28,000,000, the increase in taxable valuation is expected to be in the range of \$14,000,000.

How the TIF funding works:

DuPont Pioneer will pay property taxes based on the increased value of the property once the improvements are constructed. The City receives the incremental taxes from the new valuation from Polk County and rebates 80% of the taxes to DuPont Pioneer for up to 5 years or until the agreed upon rebate amount is reached. The balance of the additional property taxes (20%) will go to the city and school district to be used for debt service and the school's physical plant and equipment levy (PPEL).

According to the TIF formula a project with a taxable valuation of \$12,500,000 (Mendel/Carver projects) could receive up to \$1,997,000 in TIF property tax rebates or up to \$399,400 per year for five years. A project with a taxable valuation of \$1,500,000 (Research Samples Group) could receive up to \$239,640 in TIF property tax rebates or up to \$47,928 per year for five years.

RECOMMENDATION:



This communication is for use by the intended recipient and contains information that may be Privileged, confidential or copyrighted under applicable law. If you are not the intended recipient, you are hereby

CITY OF JOHNSTON TIF APPLICATION

This application must be completed by a developer/business who intends to apply for Tax Increment Finance (TIF) assistance from the city of Johnston. Feel free to attach additional information to expound on any information requested in the application.

Note: The decision to provide Tax Increment Financing incentives shall be at the sole discretion and approval of the City Council and shall be determined on a case by case basis. The approval process is subject to required legislative policies (published notice and public hearing)

1. **Legal Name of Applicant:** E.I. DuPont de Nemours and Company (recipient) and its wholly-owned subsidiary Pioneer Hi-Bred International Inc. hereafter referred to as DuPont Pioneer (applicant).
Contact Person: Mark Miller – Director of Corporate Services
Mailing Address: P.O. Box 1000, Johnston, IA 50131-1000

State of Incorporation: Pioneer (Iowa) DuPont (Delaware)
Telephone #: 515-535-4378
Fax #: 515-535-4378
E-mail address: mark.miller@pioneer.com
2. Type of business for which TIF funds are requested: Agribusiness – advanced genetics
3. Physical location (address/description) of project: 7301 NW 62ND AVE, Johnston, IA
4. Zoning classification of the subject property: Agriculture
5. TIF District in which the project will occur: NW 62nd Ave. TIF District
6. The request is for () expansion of an existing business, () a new business () residential redevelopment
7. For what purpose(s) are TIF funds being requested? () infrastructure or () building () property redevelopment
8. Amount of TIF funds requested: Building Approximately \$500,000 Infrastructure _____ Property redevelopment _____ Total Approx. \$500,000 annually over five (5) years
9. Current taxable value (including structures) of the property for which TIF funding is requested: 12.5M (Based on 50% of total investment)
10. Describe minimum improvements (building(s) or infrastructure) for which TIF assistance is being Requested:
Pioneer proposes to expand the construction of additional head houses, upgrade the Insectory to the current Pioneer owned site located on NW 62nd St - or - also known as Mendel (District/Parcel: 241/00178-002-000), expand the Carver Building District/Parcel: 241/00523-053-002) and expansion of approximately 20,000 square feet of the Research Sample Group(RSG) (District Parcel: 241/00141-003-003).
11. Total investment for the construction of minimum improvements: Approximately \$28 M
12. Square feet of building(s) to be constructed: approximately 26,500 (Mendel / Insectary / APT), approximately 10,000 – 15,000 square feet (Carver Bldg.), approximately 20,000 square feet (RSG)
13. Estimated taxable value of the property once the improvements are made: Approximately \$14,000,000
14. Estimated start date for construction: 4th quarter 2013

15. Estimated completion date for construction: 4th quarter 2016

16. Estimated substantial completion date (if different from above): _____

17. Number of jobs generated by the project: _____ existing jobs, 105 new jobs

18. Describe the types of jobs maintained or created by the project (including wage ranges and benefits)

Full-Time Created Jobs			
Job Title	Number of CREATED Jobs	Starting Hourly Wage	Hourly Wage at End of Year Three
Software Developer	14	24.32	24.32
Information Management Consultant	20	26.44	26.44
Information Management Associate, Sr	24	29.81	29.81
Research Associate	27	23.65	23.65
Research Associate, Sr	20	26.44	26.44
Total Wages		\$5,045,568	\$5,045,568
Average Wages		\$26.13	\$26.13
Total Created Jobs	105		

19. When will new jobs be added? New jobs are anticipated to be added by 4th quarter 2016, subject to completion of the expansion projects

20. Are you applying for funding from state economic development programs? yes, no, if yes, attach a copy of your application.

21. Describe specific utility/infrastructure needs of the project: None

22. Describe any unique architectural aspects of the project: State of the art head house that is a recognizable icon in the Johnston community

23. Will the project be LEED Certified? No

24. Will the project involve public art or an amenity that would be of interest to the public? No

25. How will the City benefit from the project?

Pioneer provides significant employment opportunities for the community, a commercial tax base which supports City, County and School services, and many contributions to community organizations and activities.

26. How does the project accomplish the goals of the TIF program to encourage quality economic development, enhance the industrial, commercial and residential property tax base, create quality employment and attract businesses that contribute to the general well-being and quality of life of Johnston's residents and business community?

DuPont Pioneer is an international enterprise with options for locating in other regions and facilities managed by its parent organization, DuPont. There is tangible competition among sites for research and related business activity. Financial assistance from the city and State of Iowa is needed to ensure that opportunities for economic growth occur in

the metro area. Long term benefits will accrue to the City and its residents in the form of an expanded tax base and more high quality jobs. Pioneer is active in the community and consistently contributes to a high quality of life in Johnston.

27. Describe why the TIF funding is necessary for the project to be constructed in Johnston or how the scope of the project may be affected if TIF funds were not available.

The Des Moines metro area and the proposed expansion in Johnston are subject to an internal DuPont evaluation of alternative locations including Wilmington, DE and Hayward, CA. and other DuPont businesses all competing for the same capital. Additionally, substantive community participation is required to access state economic development programs.

28. If you would like to be considered for expanded funding as described in the TIF criteria, on a separate sheet of paper provide justification for the expanded funding.

Yes- we request that the project be considered for the expanded TIF program, because the long term tax base for the City will be increased by more than \$12,500,000 and 100 high quality jobs will be created which exceed the specified criteria. The project provides for an expansion of high quality facilities on the existing corporate campus.

DuPont Pioneer is committed to completing the projects for 2014 & 2015; building sizes and capital expenditures and project completions are based on estimates and are subject to change.

Signature of Applicant

Title of Applicant

Date

**REQUEST FOR TAX INCREMENT FINANCING BY E.I. DUPONT DE NEMOURS AND COMPANY AND ITS
WHOLLY-OWNED SUBSIDIARY PIONEER HI-BRED INTERNATIONAL**

7301 NW 62nd Avenue & 7200 NW 70th Avenue
(October 31, 2013)

Synopsis of the request:

- DuPont Pioneer has made a request for consideration of Tax Increment Financing for projects on their campus along NW 62nd Avenue and NW 70th Avenue. Plans include:
 - Construction of a 26,500 square foot expansion to the Mendel complex including additional head houses upgrades to the Insectory and the APT (Application and Production Technology Center)
 - A 10,000 - 15,000 square foot expansion of the Carver Building
 - Expansion of approximately 20,000 square feet to their Research Samples Group
- The total investment in the Mendel/Carver projects is \$25,000,000 of which \$12,500,000 is estimated to be the increase in taxable valuation. The investment in the Research Samples Group is \$3,000,000 of which \$1,500,000 is the estimated increase in taxable valuation.
- The company has asked for consideration under the expanded TIF program. Under the expanded program they are eligible for a rebate of up to 80% of the property taxes on the increase in taxable valuation over a five-year period. Based on a taxable valuation of \$12,500,000 and the current consolidated property tax rate (\$39.94/\$1,000) the Mendel/Carver project would generate \$499,250 in annual property taxes. A rebate of 80% of the property taxes equals \$399,400 per year for five years or a total rebate of \$1,997,000. The Research Samples Group would receive a rebate of up to \$47,928 per year for five years or a total rebate of \$239,640.
- The difference between the annual taxes paid for the Carver/Mendel project (\$499,250) and the amount rebated to the developer (\$399,400) is \$99,850, which is distributed to the school district and city for their debt service and the school's PPEL (physical plant and equipment levy) until the rebate is completed. For the Research Samples Group the difference between the annual taxes paid (\$59,910) and the annual rebate (\$47,928) is \$11,982.
- A total of 105 new jobs are proposed to be created by the projects.
- The projects are compatible with the area, other uses on surrounding properties, and the Comprehensive Plan.
- DuPont is considering investing in these projects as well as many other corporate investments that are competing for the same capital. State and local incentives will play an important part in the decision to construct these improvements in Johnston.

How the project rates according to the Johnston TIF criteria:

- The projects involve structural and infrastructure improvements to privately owned commercial property.
- Two projects are located within the NW 62nd Avenue Urban Renewal Area and one is within the East/Central Urban Renewal Area. The projects will require separate TIF agreements since they are in different TIF districts.
- The projects do not involve development of residential structures nor is it associated with a "chain" type store, retail store, service station or restaurant.
- The projects are not speculative therefore they can be considered for funding under the Expanded TIF program.

How the project rates regarding the Expanded TIF criteria:

- The projects will increase the commercial property tax base in the community by an estimated \$14,000,000.
- The projects create up to 105 new jobs.
- The new jobs created include research, information management and software development positions with an estimated wage range of \$23.65 to \$29.81 per hour. A competitive benefit package will be offered.
- The projects are not located in a 'preferred area' (West Park, Johnston Commons, infill development along Merle Hay Road or NW Beaver Drive).
- The projects involve the expansion of an existing business that has had a significant impact on the community regarding tax base, jobs and community involvement.
- The projects involve the improvement of existing properties in Johnston.
- There are no plans for public art to be a part of this project.

How the TIF is proposed to be structured:

- Once the construction for each phase of the projects is complete, DuPont Pioneer will pay property taxes based on the increased taxable value of the properties.
- Polk County collects the property taxes and provides the city's portion of the taxes to the city.
- The city receives the taxes from Polk County and rebates to DuPont Pioneer 80% of the total taxes paid on the new valuation over a five-year period up to a maximum of \$1,997,000 for the Mendel/Carver project and \$239,640 for the Research Samples Group project.
- After the five-year reimbursement period is complete, the entire amount of the new property taxes is collected and spread among the taxing authorities.
- This project does not affect property taxes paid on any other facilities owned by DuPont Pioneer in the community. Those taxes will continue to be collected and distributed to the taxing authorities.