

COUNCIL ACTION FORM

SUBJECT: APPROVAL OF NEWLINK GENETICS CORPORATION FORGIVABLE LOAN AGREEMENT IN THE AMOUNT OF \$200,000

BACKGROUND:

In September 2005, City Council approved a \$200,000 forgivable loan to NewLink Genetics Corporation. At the time, NewLink was in the research phase of developing pharmaceutical products with a primary focus on cancer. The assistance was primarily to enable a move to a larger space to accommodate increased production for large scale product testing.

The company has not drawn down the funding or entered into an agreement since the additional space was not needed until they reached the stage of clinical trials requiring additional production. The company is now at the point where additional space is needed. On October 13, 2009, City Council directed staff to draft a forgivable loan agreement with the following terms for Council approval.

- NewLink commits to a 5-year lease with an option for extension to ten years for an existing building at the ISU Research Park with a minimum size of 20,000 square feet.
- Create/retain 150 new jobs averaging \$40,000/year over five years.
- City to provide \$200,000 forgivable loan with funding at the following milestones:
 - \$100,000 upon finalization of a building lease agreement between NewLink and the ISU Research Park
 - \$50,000 when the leased building is occupied by NewLink
 - \$50,000 when NewLink reaches a total of 70 qualified jobs in Ames

AEDC will also provide a \$200,000 forgivable loan and will match the funding provided by the City. Terms of the loan will include substantial penalties should NewLink move operations out of Ames during the term of the loan. The terms related to the forgivable nature of the loan depend on NewLink reaching employment commitments. Penalties (or reduction in the amount of loan forgiven) would be on a pro rata basis based on job attainment. Though not to be included in the loan agreement, the building is expected to qualify for property tax abatement and the owner is expected to apply for the abatement.

The Board of Directors of the Ames Economic Development Commission has approved a \$200,000 forgivable loan contingent on a match amount from the City of Ames.

ALTERNATIVES:

1. Approve the forgivable loan agreement with NewLink Genetics Corporation in the amount of \$200,000 and with the terms described above.
2. Deny approval of the forgivable loan agreement with NewLink Genetics Corporation and direct staff to make modifications to the agreement.

MANAGER'S RECOMMENDED ACTION:

The effort to retain this growing pharmaceutical company in Ames with its relatively high paying jobs is consistent with the economic development plan of the City Council.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, approving a motion to approve a forgivable loan agreement with NewLink Genetics Corporation in the amount of \$200,000.