

COUNCIL ACTION FORM

SUBJECT: **ECONOMIC DEVELOP-MENT AGREEMENT WITH UNITED SUPPLIERS, INC.**

BACKGROUND:

United Suppliers, Inc. is an Eldora, Iowa based agricultural wholesale distribution company owned by 775 agricultural retailers located in 20 states. The company currently has 30 employees located in the Ames Crop Nutrients business unit.

The proposed project will include expansion of the offices in Ames and moving 15 employees from the Eldora offices to Ames and adding 35 new jobs over the next five years with the Ames office becoming the corporate headquarters. The company will add approximately 12,000 square feet to the current office location and purchase land for future expansion. Total investment expected for the project is over \$1.975 million, including a \$1.9 million business contribution. The company will also be applying for Industrial Property Tax Abatement under the existing City program.

Since the project is a relocation of a company within the State of Iowa, there is no application or assistance expected from the Iowa Economic Development Authority. **The application to the City of Ames and AEDC for local assistance is in the form of a \$75,000 forgivable loan to be funded with \$50,000 from the City of Ames (from the available balance in the Economic Development Fund) and \$25,000 from the Ames Economic Development Commission (AEDC).** Terms of an agreement still need to be established and Council will need to approve a final agreement.

ALTERNATIVES:

1. Authorize the City Manager to negotiate an Economic Development Agreement with United Suppliers, Inc. and the Ames Economic Development Commission providing local assistance in the form of a forgivable loan in the amount of \$75,000 (\$50,000 from the City of Ames from available balance in the Economic Development Fund and \$25,000 from the Ames Economic Development Commission).
2. Do not authorize the City Manager to negotiate an Economic Development Agreement with United Suppliers, Inc.

MANAGER'S RECOMMENDED ACTION:

United Suppliers, Inc. is a well-established, Iowa-based agricultural company with a current presence in Ames and with plans to expand employment here. In keeping with the Council's goal to promote economic development, this project will expand the number of quality jobs within our city.

An analysis of their proposal utilizing our evaluation matrix for industrial/manufacturing companies indicates that they would qualify for a revolving loan rather than a forgivable loan. However, there are three significant benefits from this project that justify the forgivable loan incentive: (1) this is an expansion of an existing Ames company, (2) they will be locating their corporate headquarters here in Ames, and (3) the project reflects a number of very high paying jobs planned for this facility.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, thereby authorizing the City Manager to negotiate an Economic Development Agreement with United Suppliers, Inc. and the Ames Economic Development Commission providing local assistance in the form of a forgivable loan in the amount of \$75,000 (\$50,000 from the City of Ames from available balance in the Economic Development Fund and \$25,000 from the Ames Economic Development Commission).