

**COUNCIL ACTION FORM**

**SUBJECT: SUBMITTAL OF VALUE ADDED AGRICULTURAL PRODUCTS AND PROCESSES FINANCIAL ASSISTANCE PROGRAM (VAAPFAP) AND HIGH QUALITY JOB CREATION PROGRAM (HQJCP) APPLICATIONS TO THE IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT AND ABATEMENT OF PROPERTY TAXES ON BEHALF OF AG LEADER TECHNOLOGY, INC.**

**BACKGROUND:**

Ag Leader Technology, Inc. is a global leader in precision agricultural systems and is committed to meeting the present and future needs of the precision agriculture industry by providing high quality products and first class support. Ag Leader Technology has products which support a wide array of precision farming practices including grain and cotton yield monitoring, application rate monitoring and controlling, site-verification, global positioning, guidance and assisted steering. Ag Leader has led the precision agriculture industry in innovation and quality by providing the best precision farming electronics.

The company is planning to expand operations and employment in Ames and does not have adequate space available at their current site. They will be building an approximately 98,000 sq. ft. addition to their existing 54,000 sq. ft. facility for a total of approximately 152,000 sq. ft. of manufacturing, warehouse, R & D, and office space in the primary facility. They are considering a 4,000 sq. ft. training facility as a secondary structure on the premises. The company anticipates breaking ground in March of 2008 and having the addition ready to occupy by December 2008. Total investment for this planned expansion is \$6,003,000 with 60 new jobs created in Ames.

The company is submitting an application to the Iowa Department of Economic Development (IDED) for direct assistance in the amount of \$203,000 VAAPFAP award and tax credits and new jobs training assistance under the High Quality Job Creation Program (HQJCP) totaling \$250,000. Both IDED programs require that the City of Ames act as a sponsoring agency. The City responsibilities are limited to review of application and project completion and to act as the pass-through agency for IDED funding. The application includes a local match for the project using industrial property tax abatement available through Section 24.8 of the Ames Municipal Code. The City Assessor will determine eligibility for the industrial property tax abatement program. The property tax abatement schedule based on an estimated valuation of \$5,000,000 is provided below:

<b>YEAR</b>	<b>TOTAL TAX</b>	<b>% EXEMPT</b>	<b>TAX PAID</b>	<b>TAX SAVED</b>
1	\$ 153,684	75%	\$ 38,421	\$ 115,263
2	153,684	60%	61,473	92,211
3	153,684	45%	84,526	69,158
4	153,684	30%	107,579	46,105
5	153,684	15%	130,631	23,053
<b>TOTAL</b>	<b>\$ 768,420</b>		<b>\$ 422,630</b>	<b>\$ 345,790</b>

**ALTERNATIVES:**

1. Approve a resolution authorizing the Mayor to sign economic development assistance agreements with Ag Leader Technology, Inc. and the Iowa Department of Economic Development as the sponsoring agency for VAAPFAP and HQJCP awards with property tax abatement as the local match for the project.
2. Deny the agreement.

**MANAGER'S RECOMMENDED ACTION:**

The proposed project will increase the tax-base and provide expansion of quality jobs for an existing business located within the City without additional public infrastructure.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving a resolution authorizing the Mayor to sign economic development assistance agreements with Ag Leader Technology, Inc. and the Iowa Department of Economic Development as the sponsoring agency for VAAPFAP and HQJCP awards with property tax abatement as the local match for the project.