

ITEM # 10
DATE 12-09-2008

COUNCIL ACTION FORM

SUBJECT: SUBMITTAL OF AN APPLICATION TO THE IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT FOR ECONOMIC DEVELOPMENT ASSISTANCE ON BEHALF OF HOME SCHOOL, INC.

BACKGROUND:

Home School, Inc. (HSI) is a company currently based in Des Plaines, Illinois that provides Internet based products, services, support, and guidance for families that are home schooling children. The company has generated strong web traffic and has a large customer base using an online planning and instruction management tool for home schooling families. HSI is expecting rapid growth in sales of curriculum and home school support service and has selected Ames as the new location of headquarters and operations. The company plans include construction of a 25,000 square foot building in Ames with space available for future expansion. The company currently has eleven employees and, with the proposed project, is expected to create 41 new jobs in the first year in Ames and 54 additional jobs over the following two years. Nearly 90 percent of the planned jobs created are expected to pay well in excess of 130% of the Story County average wage rate. The total cost to construct and equip the Ames facility and train new employees is \$7,919,398. The City economic development committee consisting of the City Manager, City Attorney, Finance Director, and AEDC Executive Director has met and recommends that the Council proceed with this assistance project.

The application for assistance from the Iowa Department of Economic Development (IDED) includes a \$1,000,000 combination of grant and forgivable loan, and \$1,000,000 in training assistance. The local match proposed for the project is a \$125,000 no interest loan to be funded by the City and the Ames Economic Development Commission (AEDC) with a City commitment of \$75,000. Due to the level of IDED assistance, an additional local match will be required and the company is requesting tax abatement. Assuming incremental value of \$3,000,000, the value of a five-year sliding scale property tax abatement would be approximately \$230,000. To provide property tax abatement, the City will need to establish an Urban Revitalization District that includes the HSI property.

HSI has not finalized the assistance agreement with the IDED, and all local match from the City and AEDC will be contingent upon IDED assistance and future approvals by the City Council. City staff will bring the project back to the Council as IDED assistance is finalized and local match requirements are determined. For the IDED to continue consideration of this project, the City Council must adopt a resolution supporting the submittal of the HSI application for IDED economic development assistance. If Council supports the application for assistance, a motion should be made to direct City staff to

begin negotiations for a loan agreement with Home School, Inc. in an amount not to exceed \$75,000 in City funds and establishment of an Urban Revitalization District including tax abatement for the HSI building. Both the loan agreement and the Urban Revitalization District will be contingent on IDED approval of assistance and subject to future Council approval.

ALTERNATIVES:

1. a. Adopt a resolution supporting the submittal of an application from Home School, Inc. requesting economic development assistance from IDED.

b. Pass a motion to direct staff to begin loan agreement negotiations with Home School, Inc. and establish an Urban Revitalization District.
2. Deny the application for assistance.

MANAGER'S RECOMMENDED ACTION:

The proposed project has the potential to provide expansion of quality jobs and expansion of the property tax base without additional public infrastructure.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 a. and b., thereby adopting a resolution supporting the submittal of an application from Home School, Inc. requesting economic development assistance from IDED and passing a motion to direct staff to begin loan agreement negotiations with Home School, Inc. and establish an Urban Revitalization District.