

COUNCIL ACTION FORM

SUBJECT: REVOLVING LOAN FUND AND COMMUNITY INVESTMENT FUND LOANS FOR RENEWABLE ENERGY GROUP, INC

BACKGROUND:

Renewable Energy Group, Inc. (REG) is an Ames, Iowa company that designs and builds turnkey bio-diesel plants. The company relocated from Ralston, Iowa to Ames over the past two years and has experienced the rapid growth of the alternative fuels industry. Total investment in the relocation of the corporate headquarters to Ames and associated expansion is \$1,900,000 with 110 new jobs in Ames over three years. The company utilized an existing building and did not require infrastructure investment.

The company received approval from the Iowa Department of Economic Development (IDED) for direct assistance in the amount of \$350,000 and tax credits and refunds totaling \$450,000. REG will be investing company funds totaling \$1,000,000 for the project. The local match required for the project is \$100,000 with \$50,000 as a forgivable loan and a \$50,000 loan. The forgivable loan will be funded equally by the City and the Ames Economic Development Commission and the \$50,000 loan will be funded by the City for a total City commitment of \$75,000.

At the April 10, 2007 City Council meeting, the Mayor and Council authorized the City Manager to begin negotiations for loan agreements with REG in an amount not to exceed \$75,000 to be brought back to City Council for approval. The City Manager, Finance Director, and AEDC have worked with REG staff and have prepared loan agreements that meet the general terms approved by the City Council for a Revolving Loan Fund loan in the amount of \$50,000 at an interest rate of one-half of the prime rate (1.625%) and a Community Investment Fund forgivable loan in the amount of \$25,000.

ALTERNATIVES:

1. Adopt a resolution authorizing the Mayor to sign loan agreements with Renewal Energy Group, Inc. for a \$25,000 Community Investment Fund forgivable loan and a \$50,000 Revolving Loan Fund loan.
2. Refer to staff for changes in terms to the loan agreements.

MANAGER'S RECOMMENDED ACTION:

The proposed project will provide significant expansion of quality jobs without additional public infrastructure.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, thereby adopting a resolution authorizing the Mayor to sign loan agreements with Renewal Energy Group, Inc. for a \$25,000 Community Investment Fund forgivable loan and a \$50,000 Revolving Loan Fund loan.