

**COUNCIL ACTION FORM**

**SUBJECT:**            **WEBFILINGS INCENTIVE CONTRACT TERMS**

**BACKGROUND:**

The highly successful WebFilings, which currently employs approximately 350 people in Ames, has announced its intention to add 700 positions (salaries ranging from \$55,869 to \$79,414) to our community with the completion of its second, 60,000 square foot building at the ISU Research Park and to designate this complex as the company's corporate headquarters. In order to accomplish this expansion, the Iowa Economic Development Authority has agreed to provide \$5,500,000 in incentives to the company (\$500,000 in sales tax rebates, \$2,500,000 in the form of a no interest loan, and a \$2,500,000 grant). A condition of this financial package is that the City of Ames must provide a tax abatement incentive totaling \$2,740,000 as a local match to the State funding.

Current estimates indicate that based on a incremental value for a new building of approximately \$8.5 million, it could take a 100% tax abatement up to ten years to yield the level of incentive the State is requiring.

As you will recall, the City has traditionally offered three partial tax abatement schedules (a three, five, and ten year decreasing abatement options) for projects within an urban revitalization area that meet specific prescribed criteria. With the recent passage of the "High Quality Jobs Act" by the State legislature, cities are now empowered to offer 100% abatement for up to a twenty year period.

**Prior to instructing the City Attorney to develop an agreement with WebFilings, it is important that the City Council members agree on the most important terms of an agreement.**

Reflected below are the recommendations for the most important terms for your review:

- Provide a 100% tax abatement on the incremental value of the improvement of the new building for up to \$2,740,000 or ten years, whichever comes first.
- Require a minimum assessment agreement at a taxable value that will assure the required abatement incentive is provided in, at least, ten years. The assessed value could be higher or increase over the term of the agreement, but could not go lower.

- Include a requirement that the property owner can not apply for or be eligible for other abatement programs during the term of the agreement for property included in the agreement.
- A commitment that employment in Ames be increased by 700 full-time employees meeting the pay and benefits qualifications and time requirement (5 years to meet target) in the IEDA agreement.
- A commitment that Ames be designated as the WebFilings company headquarters.
- A provision that any abatement or reduction in property tax on the property covered by the agreement that is provided due to the provisions of the State of Iowa Property Tax Reform bill of 2013 will be counted towards the maximum abatement amount.
- The inclusion of penalty provisions that will provide for stopping of the property tax abatement if terms of the agreement (for example: job creation, continuation of operations within Ames, and designation of Ames as the company headquarters) are not met.
- The requirement to pay pro rata penalties to the City if job creation numbers are not met. (\$3,915 per job not created)
- The agreement will include other provisions typical of this type of incentive agreement.

### **ALTERNATIVES:**

1. The City Council can approve the contract terms suggested by the City staff in the presentation above and direct the City Attorney to develop a contract that reflects these concepts.

Under this alternative the final contract will be brought back to the City Council for approval in November.

2. The City Council can request that any, or all, of the major contract terms suggested above be modified and direct the City Attorney to develop a contract that reflects the modified concepts.

Under this alternative the final contract will be brought back to the City Council for approval in November.

**The Council should understand that the omission of the \$2,740,000 tax abatement incentive from the contract will likely result in the inability of**

**WebFilings to secure the \$5,500,000 incentive from the Iowa Economic Development Authority.**

**MANAGER'S RECOMMENDED ACTION:**

**While the City Council has established as one of its primary goals to increase the number of jobs in the community, it must be prudent in its application of financial incentives as it strives to reach this objective. Over the years, the City staff has cautioned against ratcheting up incentives that create new precedents. We have advised to only use nontraditional incentive packages for unique projects. The addition of 700 high quality jobs that will be assured with the financial assistance for the Phase II building construction for WebFilings represents this type of extraordinary opportunity not seen in this community for the past thirty years. Therefore, it is the recommendation of the City Manager that the City Council direct the City Attorney to draft an agreement with WebFilings that includes the major terms reflected above.**