

COUNCIL ACTION FORM

SUBJECT: RESOLUTION SETTING THE DATE OF PUBLIC HEARING FOR NOVEMBER 13, 2018 ON A DEVELOPMENT AGREEMENT WITH BARILLA AMERICA, INC WITH TAX INCREMENT REBATE INCENTIVES IN AN AMOUNT NOT TO EXCEED \$3,000,000 AND PROJECT DEVELOPMENT REQUIREMENTS

BACKGROUND:

In February 2017, the City Council approved proceeding with economic development assistance for the expansion of Barilla manufacturing facilities in Ames as a local match for Iowa Economic Development Authority (IEDA) incentives. In July 2017, the City Council approved the establishment of the Barilla Urban Renewal Area and Tax Increment District to provide for the local match in the form of a rebate of incremental taxes. A summary of the project is provided below.

The project includes: 1) a building expansion of 71,374 square feet to house two additional processing lines and associated packaging/feeding equipment, 2) a rail yard expansion to accommodate a larger number of train cars, and 3) six new silos to store wheat. The total investment in this project is estimated to be approximately \$62 million including engineering/design work, construction, machinery, and equipment. When completed, the assessed value of the expansion project is estimated to be \$16,320,000. In addition, 41 new jobs will be added at the Ames site.

The Iowa Economic Development incentive package totals \$1,591,000. The package consists of: 1) \$375,000 in the form of a Forgivable Loan if the 41 jobs are created in a timely manner, 2) \$400,000 in Investment Tax Credits, and 3) \$816,000 in State Sales Tax Credits.

The City local match consists of a rebate of incremental property taxes generated by the new valuation for the facility expansion for a period of 10 years or a total of \$3,000,000, whichever comes first. The company in return will agree to a minimum assessment of \$16,320,000 for the expanded facility and a requirement for job creation to continue to receive the full rebate.

Next Steps

City staff, with the assistance of bond counsel, has negotiated a development agreement with Barilla per the terms approved by City Council. There are some minor issues that need to be resolved, but staff expects to have the agreement ready by the November 13 meeting. The rebate of incremental taxes constitutes a debt for the City and a public hearing is required for the City to enter into a debt agreement.

With Council approval, a public hearing will be held at the November 13, 2018 City Council meeting. After the hearing, the Council will be asked to approve the development agreement as well as the associated debt in the form of rebate of property taxes and minimum assessment agreement.

Please note that the rebate of property taxes is subject to the local government debt limit. To avoid recording the entire rebate against the debt limit, City Council will be required to approve an annual tax increment resolution. This is the same process for the Kingland rebate and will be a Council action item each November until the terms of the agreement have been fulfilled.

ALTERNATIVES:

1. Adopt a resolution setting the date of public hearing for November 13, 2018 on a Development Agreement with Barilla America, Inc., with tax increment rebate incentives in an amount not to exceed \$3,000,000 and project development requirements.
2. Do not adopt a resolution setting the public hearing.

MANAGER'S RECOMMENDED ACTION:

Barilla is an international company with a long-term presence in Ames and has expanded the Ames facility multiple times. Barilla is again making a significant investment of capital to expand employment. In keeping with the Council's goal to promote economic development, this project will expand the number of quality jobs within our city. A public hearing is required to proceed with the economic development incentives for the Barilla expansion.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, adopting a resolution setting the date of public hearing for November 13, 2018 on a Development Agreement with Barilla America, Inc., with tax increment rebate incentives in an amount not to exceed \$3,000,000 and project development requirements.