

COUNCIL ACTION FORM

**SUBJECT: PARTIAL REPAYMENT OF RISE GRANT FUNDING TO IOWA
DEPARTMENT OF TRANSPORTATION**

BACKGROUND:

The previous ISU President, Steven Leath, was able to secure a special \$15,000,000 appropriation from the Iowa Legislature to fund the new Hub Building at the Iowa State University Research Park. This new facility was intended to consolidate all of the various economic development related support offices that had traditionally been scattered throughout the campus into one location. By locating this building at the southern end of the Research Park, City infrastructure was required to service this new building. In addition, this new infrastructure would also open up other lots in the Park for development.

In keeping with our past practice, the University requested that the City build the infrastructure through a Tax Increment Financing strategy with an agreement that the properties in the Research Park would remain subject to paying property taxes.

In order to mitigate the amount of City money needed to accomplish the required infrastructure improvements, the City sought funding for a Revitalize Iowa's Sound Economy (RISE) grant from the Iowa Department of Transportation (IDOT). **On April 8, 2014, the IDOT awarded a RISE grant to the City of Ames for up to \$4,010,728 to help fund the roadway and other utility improvements associated with the ISU Research Park Phase III development. This phase included the extension of University Blvd. south to Collaboration Place with the addition of three roundabouts. The financial award was based on 80% State funding, with a 20% local match requirement from the City.**

The RISE grant award was conditioned on the creation of the additional 365 jobs projected in Workiva's growth strategy, with a weighted average wage of \$18.34/hr. In accordance with the RISE program rules, if the job creation is not met, the maximum grant reverts to the 50% State funding, and the difference up to the 80% of the State award must be refunded by the recipient (City of Ames).

It should be noted that a standard RISE grant without a commitment to job creation is funded at 50% State and 50% local match with no requirement for repayment. **In order to maximize non-City funding for this phase, a decision was made to pursue the 80% funding tied to job creation. The City's financial exposure related to this strategy is reduced substantially as a result of a separate agreement with the**

Iowa State Research Park that requires them to share equally, if the City is required to make any payments to IDOT due to non-attainment of jobs.

Compliance with the job requirement is measured by reviewing and calculating a weighted average number of jobs created using payrolls from the beginning and end of any six-month period from the time funding was awarded (4/8/2014) to three years after the RISE improvement was complete and open to traffic (6/24/2019) to document the existence of the jobs along with a baseline payroll at the time the project was awarded. **The final count of jobs created by Workiva during this reporting period was 138, which is 227 jobs shy of the 365 required.**

Iowa DOT staff has been very helpful in identifying options to assist the City with the job creation and repayment requirements. The IDOT Commission recently adopted a new program, specifically for Research Parks (RP's), that provides 70% state funding without any job creation requirements. This policy was relied upon for our most recent phase in the Research Park where the remainder of Collaboration Place and S. Riverside Road was constructed. **At their July meeting, the IDOT Commission agreed to apply the new 70% Research Park policy retroactively as the baseline for repayment rather than the 50% that was in place at the time of the agreement. They also agreed to allow partial credit for the 138 jobs that were created by Workiva.** The IDOT Commission will make their final decision regarding the repayment settlement at their August monthly meeting.

Below is an illustration of the repayment calculation using the modified requirements noted above.

<i>Final eligible construction costs</i>	<i>\$4,487,459.75</i>
Original 80% RISE agreement	\$3,589,967.80
<u>Base RISE of 70% for RP's</u>	<u>\$3,141,221.83</u>
<i>Difference to be repaid</i>	<i>\$ 448,745.97</i>
<i>Jobs Not Created vs. Jobs Promised</i>	<i>227/365 = 62%</i>

The total estimated amount to be repaid to IDOT with credit for created jobs: \$448,746 x 62% = \$278,223. This repayment would be split equally between the City and Iowa State University; approximately \$139,111.50 each.

In addition, the IDOT has offered the following options for the repayment:

- Repayment in one lump sum
- Repayment in installments for up to 5 years with an interest rate of the Prime Rate minus 3% (As of 6/30/21 the Prime Rate was 3.25%)

ALTERNATIVES:

- 1) The City Council can decide to accept the recommendation of the IDOT staff and repay the State approximately \$278,223 plus an interest charge equal to the Prime Rate minus 3% over a five year period, with reimbursement from the ISU Research Park for 50% of this repayment.
- 2) The City Council can decide to accept the recommendation of the IDOT staff and repay the State approximately \$278,223 in one lump sum payment, with reimbursement from the ISU Research Park for 50% of this repayment.
- 3) The City Council could request that City staff show up at the August IDOT Commission meeting in an attempt to convince the State to accept some lesser amount of repayment.

CITY MANAGER'S RECOMMENDED ACTION:

The IDOT staff has been very fair in determining how much the City should reimburse the State. It is highly unlikely that the City staff can make a convincing argument to reduce further the amount owed to IDOT.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1 and agree to repay the State approximately \$278,223 plus an interest charge equal to the Prime Rate minus 3% over a five year period, with reimbursement from the ISU Research Park for 50% of this repayment. This option will: 1) help the ISU Research Park which does not have a significant fund balance to pay a lump sum for this unbudgeted obligation and 2) allow the City to retain the declining debt balance over a five-year period and invest the remaining funds at an interest rate greater than the rate for the repayment charge.