

MEMORANDUM

Date: December 10, 2013

To: Mayor Hopkins and Muscatine City Council

From: Gregg Mandsager, City Administrator

Re: Heinz Iowa Economic Development Authority (IEDA) Project

Below are the project parameters for the Heinz Muscatine facility. Heinz is asking that the City take formal action to sponsor its IEDA application under the High Quality Jobs program at the City Council meeting on Thursday, December 12th, 2013.

H.J. Heinz Company is transferring production of Canadian ketchup, Canadian mustard, BBQ sauces, honey, hot sauce, cocktail sauce and sweet and sour sauces from Ontario, Lea & Perrin sauces from New Jersey, and some ketchup manufacturing from Ohio, to the Muscatine facility. The Ontario products are manufactured specifically for Heinz's Canadian market. Construction is anticipated to begin at the end of December 2013 and be completed by the end of December 2014. Installation of machinery and equipment will also begin by the end of December 2013 and be completed by the end of December 2014. The following is a summary of the local investment:

- \$24,500,000 Total Investment
- \$3,000,000 in building construction and remodeling
- 4,500 square feet expansion of warehousing storage
- 2,600 square feet building to cover vinegar tanks
- Within the walls remodeling for equipment installation
- \$21,500,000 manufacturing equipment for additional product lines
- Create 106 new jobs
 - 100 hourly, \$11.56 starting wage, Increases to \$15.06 after 36 months
 - 6 salary, \$70,000/year average

In supporting the application, the City is agreeing to supply the required local match. The local match is defined in Iowa Code and may be met through tax abatement, economic development grants, and tax increment financing (TIF). As Heinz is already part of a TIF district, TIF seems the most logical route. The local match is further defined by a minimum schedule of five years at the following percentages - 75%, 60%, 45%, 30%,

15%. Additionally, should no increment be created as part of this project, the local match requirement will be waived as well. Given this fact, the need for a minimum assessed valuation as part of the TIF agreement would be waived.

The following is additional detail supplied by the state:

IEDA is looking for the City to sponsor the application for financial assistance through the High Quality Jobs Program and to have the Mayor sign the application. Please see the attached program flyer and additional information. Also, the State would ask that the city begin to consider the local match for the project. Attached is a copy of the local match policy. The section of interest for the City is for tax credits only, which I've copied below:

IV. Local match for projects receiving tax credits

For projects receiving tax credits under the EZ or HQJP programs, local match requirements will be determined by the local fiscal impacts of the project.

For projects that will result in an increase in local taxes (i.e. new construction, building additions), applicants will be expected to show one of two forms of local match:

- 1.) Tax abatement for the project, provided under Chapter 427B of the Iowa Code OR
- 2.) An acceptable form of local match that is equal to the value of tax abatement under Chapter 427B, under the established 5-year sliding scale.

Chapter 427B tax abatement is a five year declining scale (75%, 60%, 45%, 30%, 15%).

Next steps will include amending the Urban Renewal Plan to include this project and entering into a TIF agreement with Heinz.

Staff recommendation:

That the City of Muscatine sponsor the Heinz application under the High Quality Jobs Program and that the City Council authorize the Mayor to sign the application on behalf of the City.

The Iowa Economic Development Authority will review Business Finance projects to ensure that local match is included in the project budget, when required.

I. Entities that may provide local match

Local match may come from, but is not limited to, the following entities:

- A. Local government (City and/ or County)
- B. Local development organizations & Chambers of Commerce
- C. Utility companies
- D. Other local foundations, institutions, or endowments
- E. Councils of Government

II. Acceptable forms of local match

The following contributions will be considered local match in IDED Business Finance projects:

- A. Cash participation including grants, loans, forgivable loans, gifts, and endowments
- B. Revolving loan funds – if revolving loans funds are the only form of local match, the interest rate charged on that loan will be 0%. The terms of the revolving loan should match IDED's terms (typically 5 years) or IDED will match the terms of the revolving loan fund.
- C. Tax abatement
- D. Industrial property tax exemption
- E. Tax Increment Financing (TIF), including TIF rebates
- F. Bond financing, including General Obligation, TIF & Revenue bonds
- G. Direct investment in infrastructure that supports a business such as water and sewer extensions, gas and/ or electric service, and street improvements.
- H. Differentials in space or building costs (i.e. subsidized building acquisitions or lease costs)
- I. Differentials in rates provided by service providers including water and

sewer service, electric service, gas and other services.

When local match is necessary in a project, the match provided must be project specific.

The form and terms of local match may impact the form and terms of IDED assistance.

III. Local match for projects receiving direct financial assistance

Projects receiving direct financial assistance from the 100% component and 130% component will be expected to show local match equal to 20% of the proposed IDED award amount.

Projects requesting EDSA funds will be expected to show local match equal to 10% of the proposed IDED award amount.

Projects requesting infrastructure component, entrepreneurial component, value added agriculture component or disaster recovery component will not be required to show local match in the project budget, due to the nature of the projects funded under these programs.

IV. Local match for projects receiving tax credits

For projects receiving tax credits under the EZ or HQJP programs, local match requirements will be determined by the local fiscal impacts of the project.

For projects that will result in an increase in local taxes (i.e. new construction, building additions), applicants will be expected to show one of two forms of local match:

- 1.) Tax abatement for the project, provided under Chapter 427B of the Iowa Code OR
- 2.) An acceptable form of local match that is equal to the value of tax abatement under Chapter 427B, under the established 5-year sliding scale.

If a project will not result in an increase in local taxes (i.e. project includes only the purchase of machinery/ equipment), then no local match is required.

VI. Policy implementation

This policy will go into effect with applications received by the January 28, 2008 application deadline.

Financial Programs for Expanding Your Business and Workforce

working with business to locate, modernize and expand

As businesses change and grow, flexible programs are needed to help companies meet the demand of providing valued-added goods on a global scale. The Iowa Economic Development Authority (IEDA) offers assistance to companies to promote growth and profitability and create quality job opportunities for Iowans.

The High Quality Jobs program provides qualifying businesses tax benefits and direct financial assistance to off-set some of the costs incurred to locate, expand or modernize an Iowa facility. To qualify for this very flexible assistance package that includes loans, tax credits, exemptions and/or refunds, a business must be a non-retail or non-service business and meet certain wage threshold requirements. Visit iowaeconomicdevelopment.com/business/wagerates.aspx to view the requirements for wage thresholds.

eligibility requirements

- Actual award amounts will be based on the business' level of need; the quality of the jobs; the percentage of created or retained jobs defined as high-quality; and the economic impact of the project.
- Created jobs must pay at least 100 percent of the qualifying wage threshold at the start of the project and 120 percent of the qualifying wage threshold by project completion and through the project maintenance period.
- Retained jobs must pay at least 120 percent of the qualifying wage threshold throughout the project completion and maintenance periods.

- The business must provide a sufficient benefits package to all full time employees that includes at least one of the following:
 - Business pays 80 percent of medical premiums for single coverage plans, OR
 - Business pays 50 percent of medical premiums for family coverage plans, OR
 - Business pays for some level of medical coverage and provides the monetary equivalent value through other employee benefits

potential tax incentives

The following tax incentives may be available:

- A local property tax exemption of the value added to the property may be available.
- An investment tax credit equal to a percentage of the qualifying investment, amortized over five years. This tax credit is earned when the corresponding asset is placed in service and can be carried forward for up to seven additional years or until depleted, whichever occurs first.
- A refund of state sales, service or use taxes paid to contractors or subcontractors during construction.
- For distribution center projects, a refund of sales and use taxes paid on racks, shelving and conveyor equipment.
- The state's refundable research activities credit may be increased while the business is participating in the program.

There is a maximum tax incentive award available to a business based on qualifying jobs, wages and investment (see schedule of maximum tax incentives on reverse side).



schedule of the maximum tax incentive awards available to a business based on qualifying jobs, wages and investment

Amount of Qualifying Investment	No Jobs Created Modernization or Retention Projects Only	Number of Jobs Created or Retained with a Qualifying Wage Including Sufficient Employee Benefits Equal to 120% of the County Wage			
		1 - 5 Jobs	6 - 10 Jobs	11 - 15 Jobs	16+ Jobs
Less than \$100,000	Up to 1% ITC	Up to 2% ITC	Up to 3% ITC	Up to 4% ITC	Up to 5% ITC
\$100,000 - \$499,999	Up to 1% ITC Sales Tax Refund	Up to 2% ITC Sales Tax Refund	Up to 3% ITC Sales Tax Refund	Up to 4% ITC Sales Tax Refund	Up to 5% ITC Sales Tax Refund
\$500,000 +	Up to 1% ITC Sales Tax Refund Research Activities Tax Credits	Up to 2% ITC Sales Tax Refund Research Activities Tax Credits	Up to 3% ITC Sales Tax Refund Research Activities Tax Credits	Up to 4% ITC Sales Tax Refund Research Activities Tax Credits	Up to 5% ITC Sales Tax Refund Research Activities Tax Credits
Amount of Qualifying Investment	Number of Jobs Created or Retained with a Qualifying Wage Including Sufficient Employee Benefits Equal to 120% of the County Wage				
	31 - 40 Jobs	41 - 60 Jobs	61 - 80 Jobs	81 - 100 Jobs	101+ Jobs
\$10,000,000 or more	Up to 6% ITC Sales Tax Refund Research Activities Tax Credits Local Property Tax Exemption	Up to 7% ITC Sales Tax Refund Research Activities Tax Credits Local Property Tax Exemption	Up to 8% ITC Sales Tax Refund Research Activities Tax Credits Local Property Tax Exemption	Up to 9% ITC Sales Tax Refund Research Activities Tax Credits Local Property Tax Exemption	Up to 10% ITC Sales Tax Refund Research Activities Tax Credits Local Property Tax Exemption

"Amount of Qualifying Investment" means a capital investment in real property including the purchase price of land, existing buildings and structures; site preparation; improvements to real property; building construction and long-term lease costs. It also includes capital investment in depreciable assets. "ITC" means Investment Tax Credit or Insurance Premium Tax Credit. "Sales Tax Refund" means Sales and Use Tax Refunds or Refundable Corporate Income Tax Credit equal to Sales Taxes Paid by Developer.

Actual award amounts will be based on the business' level of need; the quality of jobs; the percentage of jobs defined as high-quality and the economic impact of the project.

how to apply

IEDA staff welcomes the opportunity to work with companies to determine the most beneficial programs and resources to support each project. Please access the online project review form at iowaeconomicdevelopment.com/applications/bus_dev to get started.

The High Quality Jobs program can be used in combination with other state programs with the exception of Wage-Benefit Tax Credit (awarded by the Department of Revenue) and the Enterprise Zone Program.

learn more

Iowa is a right-to-work state with a superior business climate that offers flexible assistance for qualifying business expansions or relocations. Its low cost of doing business, pro-business government, central North American geographic location and world class workforce and education systems make Iowa a great place to do business.

Contact the Iowa Economic Development Authority at any time with questions or to discuss your business. Our staff will guide your business through the qualification process.

For more information on this program, contact the Iowa Economic Development Authority (IEDA)

1.800.245.IOWA

+1.515.725.3100

iowaeconomicdevelopment.com