

COUNCIL ACTION FORM

SUBJECT: CANCELLATION OF ECONOMIC DEVELOPMENT ASSISTANCE AGREEMENTS WITH SMART-AG AND XPANXION, LLC

BACKGROUND:

In 2016 the City entered into economic development agreements with local software service company Xpanxion, LLC as the local sponsor for Iowa Economic Development Authority (IEDA) assistance and a separate agreement to provide a local match in the form of a \$36,000 forgivable loan. In late 2018 and early 2019 the City entered into similar agreements with ag technology company, SmartAg, with a \$50,000 forgivable loan as the local match. **No funding or benefit has been provided under the IEDA and local match agreements for both companies and both have requested to rescind the agreements.**

The IEDA agreements termination terms require written agreement by all parties. It has been a general policy to allow for termination prior to benefits being provided under the contract. The City local match agreement terms state that the agreement remains in effect as long as the loan is outstanding and unpaid or unforgiven. Since no loan has been made yet there is no loan outstanding.

It is our understanding is that both companies are continuing with expansion in Ames, but possibly to a lesser extent and have secured other funding.

ALTERNATIVES:

1. Adopt a resolution approving the termination of the IEDA and local match economic development assistance agreements with SmartAg and Xpanxion, LLC.
2. Do not adopt a resolution of approving the termination of the IEDA and local match economic development assistance agreements with SmartAg and Xpanxion, LLC

MANAGER’S RECOMMENDED ACTION:

SmartAg and Xpanxion have not requested or received any benefits under the economic development agreements. If the companies do not request to draw loan proceeds the agreements are effectively canceled. Approving the request for cancellation makes funding available for other projects.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, adopting a resolution approving the termination of the IEDA and local match economic development assistance agreements with SmartAg and Xpanxion, LLC.