

TO: The Honorable Mayor and City Council Members

FROM: Michael C. Van Milligen, City Manager

SUBJECT: Resolution Setting a Public Hearing on the Amended and Restated Development Agreement Between the City of Dubuque and Simmons Pet Food, Inc.

DATE: December 9, 2020

Economic Development Director Jill Connors recommends the City Council set a public hearing for December 17, 2020 for the approval of an Amended and Restated Development Agreement between the City of Dubuque and Simmons Pet Food, Inc.

Simmons Pet Food, Inc. (“Simmons”) is the sixth largest pet food manufacturer in America and North America’s largest maker of store brand and private label wet pet food products. Simmons manufactures wet and dry pet food for dogs and cats, as well as pet treats for dogs. Wet pet food is available in various forms including cuts in gravy, slices in gravy, ground, pâté, and loaf. Dry pet food is generally available in kibbles, meal, and expanded particles. Customers include blue chip companies that represent the top 10 pet food and retailers in the US.

Simmons is planning to expand its national operations and has given serious consideration to three locations. Subject to State of Iowa and City of Dubuque approval, Simmons has selected to undertake this expansion in the City of Dubuque at the former Flexsteel Industries, Inc. manufacturing facility. It would be the largest wet canning line in its operations.

In order to expand its operations, Simmons has made the following plans amounting to a nearly \$80 Million investment:

1. Purchase the current manufacturing facility from Flexsteel Industries, Inc.
2. Construct three expansions to the existing facility (5,000 square foot receiving area, 10,000 square foot freezer, and 8,000 square foot utility building), as well as the construction of a 75,000 square foot warehouse.
3. Purchase 8.42 usable acres from the City for parking/staging purposes as well as to provide room to add warehouse space. In addition, Simmons will purchase some of the adjacent cul-de-sac to make the properties connect.
4. Create 138 full-time jobs by December 31, 2021 and an additional 133 jobs by December 31, 2023 – for a total of 271 jobs, with the facility running 24/7, and wages starting at approximately \$20/hour.

5. Apply for Iowa Economic Development Authority's high-quality job incentives, including investment tax credits, sales tax refund, and job training funds administrated by Northeast Iowa Community College. Simmons is submitting an application to the State of Iowa for investment tax credits of \$3,000,000, a sales tax refund estimated at \$300,000, and job training funds estimated at \$2,215,520.

The Development Agreement between the City and Flexsteel Industries, Inc. will be assigned by Flexsteel to Simmons. An Amended and Restated Development Agreement between the City and Simmons and will provide for 9 years of Tax Increment Financing (TIF) rebates on existing improvements, and 10 years of TIF rebates for the additional improvements to the property, estimated at \$3,000,000 and the sale of 8.42 usable acres of City-owned property at \$120,000/acre, with a \$60,000/acre land acquisition grant tied to job creation. The land sale would also have a tiered "claw back" provision if Simmons does not perform on its obligations.

In addition to the job creation, an ongoing benefit to the City from this project is the revenue produced by Simmons being a significant user of utilities. Water usage is anticipated to produce revenue of \$600,000 to \$800,000 annually in Phase 1 and up to \$1,000,000 annually in Phase 2. And the City anticipates revenue of approximately \$300,000 annually in Phase 1 and \$600,000 annually in Phase 2 for sanitary use.

This project and several other recent projects have been made possible through the City Council's advance planning by approving ongoing land acquisition in our industrial parks, as well as budget approvals for utility extensions and other improvements such as grading and paving. To date, this preparation strategy has allowed for the attraction and expansion of more than 45 companies in the Industrial Center, accounting for over 4,500 jobs.

It is Dubuque's current readiness, where the Mayor and City Council created excess water and sewer capacity planning for future growth, that has made it a contender in Simmons's search for a business expansion location. Without this foresight, Dubuque would have missed this opportunity to add over 250 high quality jobs.

Based on this project's alignment with the City Council's goal of having a robust local economy, Economic Development Director Jill Connor's recommends the City Council adopt the attached resolution setting a public hearing on December 17, 2020 for the approval of an Amended and Restated Development Agreement between the City of Dubuque and Simmons Pet Food, Inc.

I concur with the recommendation and respectfully request Mayor and City Council approval.

Scott Salmon, President of Simmons Pet Foods Division, is on the line with us to say a few words.


Michael C. Van Milligen

MCVM:jh

Attachment

cc: Crenna Brumwell, City Attorney
Cori Burbach, Assistant City Manager
Jill M. Connors, Economic Development Director