Iowa Boosts Tax Breaks for Fertilizer Plant

DAVID PITT, Associated Press

DES MOINES, Iowa (AP) — Iowa landed a much sought-after $1.4 billion fertilizer plant Wednesday by offering the state's largest single incentive package, worth $110 million.

Gov. Terry Branstad and Orascom Construction Industries CEO Nassef Sawiris announced that the company chose Iowa over Illinois. Though Illinois offered a financially superior package, Siwiris said, he was concerned the financially strapped state wouldn't be able to follow through with its promises.

Iowa officials have been working hard to keep Orascom from building the factory across the Mississippi River. In the end, it will cost Iowa more than $110 million in tax breaks, loans, job training funds, and transportation improvements.

The state economic development board approved the revised incentive package on Wednesday. And supervisors in Lee County in southeast Iowa, where the project will be built, approved their own property tax incentive that is worth about $130 million over 20 years.

The reason for such a large incentive package can be summarized in one word — jobs. They're desperately needed in Lee County, which has one of the state's highest unemployment rates at around 8 percent. The state average is just above 5 percent.

The Cairo, Egypt-based company has promised to create 165 jobs that will pay about $48,000 a year. Siwiris also said a minimum of 1,000 jobs outside the plant will be needed for transportation and other support.

Construction of the plant — located just off U.S. Highway 61 between Fort Madison and Burlington — will begin later this year and be completed in mid-2015, a task that Sirwiris said will need as many as 2,500 construction workers.

Branstad acknowledged the incentives are the largest ever offered for a single project, but he said the fertilizer plant also is the largest single capital investment ever to be made in Iowa.

"This project will invigorate the Iowa economy and provide some great quality jobs and provide important fertilizer for Iowa farmers," he said.

Critics say the state and local governments are giving away too much for too few jobs.

"On a per job basis, that is an astounding amount of money," said Peter Fisher, an economist and research director for the Iowa Policy Project, a nonprofit research

group focusing on state tax and budget issues. "I think we need to pay more attention to whether we're getting our money's worth."

Branstad used the announcement as an opportunity to push again for state property tax reform, which he failed to get through the Iowa Legislature this year. He said if business taxes were more reasonable the state wouldn't have to offer so much money in incentives to get businesses to come.

The fertilizer plant will make anhydrous ammonia and related fertilizer products to sell to Midwest farmers. Research by the Iowa Farm Bureau indicates Iowa farmers will save about $740 million a year in cost if the fertilizer is made in-state, as much of the nitrogen fertilizer used to grow corn is imported.

Lee County Supervisor Larry Kruse said the project will be good for the county and the entire region.

"We have always said that to do this the county had to be better off with it than without it," he said.

Orascom also announced Wednesday that it is buying Iowa's largest building contractor, Des Moines-based The Weitz Co., which will play a major role in the plant's construction. Financial details were not immediately released. Weitz managers and employees will remain with the company.

Orascom posted a profit in excess of $4 billion for 2011 and has $1 billion on its balance sheet. It is publicly traded but controlled by the Sawiris family which owns 55 percent of stock.

Out of the project's $1.4 billion cost, the company is expected to spend $101 million. It would borrow most of the rest — as much as $1.2 billion — through the Midwest Disaster Area Bonds program, created in 2008 by Congress to help states suffering economic losses from flooding and tornadoes.

To be eligible for the bonds in Iowa, a project must be located in one of 78 counties declared a federal disaster area in 2008. Lee County is among those counties.

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