

Iowa Governor Terry E. Branstad and state and local economic development officials pulled out all of the stops this year to beat the competition and land one of the biggest capital investment projects in Iowa's history.

\$1,400,000,000



**NITROGEN
FERTILIZER
PLANT**

Orascom Construction Industries (OCI), Egypt's largest company, was searching for a location for a \$1.4 billion nitrogen fertilizer plant and subsidiary known as the Iowa Fertilizer Company; they selected southeast Iowa's Lee County. Throughout this 18-month long process, IEDA officials worked tirelessly with all of the Iowa sites under consideration for this project. As several Lee County sites emerged as contenders, the highest level of economic development officials in the state coordinated various infrastructure needs and permitting and regulatory considerations to ensure an ideal final location was selected.

Keeping Iowa in the running for the project was not easy. The Iowa Economic Development Authority (IEDA) Board originally awarded incentives in February 2012, but the company faced unforeseen challenges at its original Iowa site and resumed its search for an alternate location. In the meantime, other states pursued the company to try to lure the plant away from Iowa.

Governor Branstad and Iowa's economic development leaders stepped in to ensure the plant stayed in Iowa, and the IEDA Board amended its original award seven months later to secure the deal. The Iowa Fertilizer Company project is just one of the many examples of how Governor Branstad is committed to reaching his goals for Iowa - including creating 200,000 jobs and increasing family incomes by 25 percent.

The IEDA Board approved direct financial assistance of \$1.6 million for the project, as well as tax credits totaling \$57.5 million. The IEDA board will also be asked to consider future amendments in fiscal year 2014 and fiscal year 2015 to increase the tax credit portion of the award by \$25 million in each of those years. The board will consider those future awards only if the company can demonstrate a need for them at the time of request. Also, if income tax reform has been passed in Iowa, the board would weigh OCI's need for future tax credits given a reduced tax liability. If the board approves those amendments, the final award to Iowa Fertilizer Company could amount to \$100 million in Investment Tax Credits (ITC).

Lee County also offered incentives locally for the project, including a 20-year property tax exemption (except for land). The company will replace that revenue with a payment in lieu of taxes (PILOT) schedule and is required to pay all infrastructure costs associated with the project.

A site in unincorporated areas of Peoria County, Illinois, was Iowa's main competition for the fertilizer plant. News accounts describe legislation passed unanimously by the Illinois Senate in the final day of its session that would have provided tax credits to try to convince OCI to locate the plant in Illinois. Iowa's amended offer was crafted in response to that legislation. OCI CEO, Nassef Sawiris, later publicly expressed concerns with the state of Illinois' financial situation, citing that as one reason the company ultimately chose the more stable and fiscally responsible Iowa.

The governor's desire to create a business-friendly environment and grow Iowa's economy has caused him to call on lawmakers to turn their focus to income tax reform. Although Iowa's single-factor income tax structure can be a benefit to some companies, Iowa Fertilizer Company will sell the vast majority of its products in state, thereby creating a high tax liability. The tax incentives awarded for this project were a necessity to level the playing field. An income tax reform change could make Iowa better able to compete for job and capital investment creation projects like this one in the future, without the necessity of providing tax credits at this level.

IOWA ECONOMIC DEVELOPMENT AUTHORITY

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IMPACTED COUNTY UNEMPLOYMENT RATE

5.2%



IOWA

7.9%



LEE COUNTY

The community where the plant will be built is expected to see a significant impact from the project. Lee County has been hit hard by the economic downturn and has had one of the highest rates of unemployment in the state, measuring in at 7.9 percent in September 2012. Lee County includes the cities of Fort Madison and Keokuk and is across the Mississippi River from Illinois. The area is home to many manufacturers, including a Siemens wind blade manufacturing plant, which recently announced major layoffs, and a Pinnacle Foods plant.

Census figures from 2011 estimate Lee County's population at 35,773, which helps put the scope of Iowa Fertilizer Company's \$1.4 billion plant and its economic impact into context. The fertilizer plant is expected to create 165 permanent direct jobs with an average wage of \$20.82 per hour, and the company estimates another 1,500-2,000 construction-related jobs will be created.

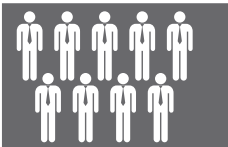
To determine the economic impact of the project, IEDA used REMI, a nationally recognized input-output economic modeling system. Fertilizer companies typically have a high multiplier effect, so REMI predicts the number of indirect jobs (indirect employment) is expected to total 1,592 jobs, spread across multiple industries. Those indirect jobs are in addition to the 165 direct, stable jobs the project is expected to create.

CONSTRUCTION JOBS

1,500



165

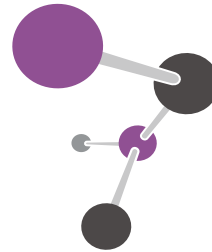


1,592

INDIRECT JOB CREATION

Along with the additional jobs, the project will produce \$108.8 million in direct wages impact. Indirect wages impact is expected to total an additional \$143.5 million.

The Lee County plant will be the first, world-scale natural gas-based fertilizer plant built in the U.S. in nearly 25 years and will supply ammonia and other nitrogen fertilizers farmers need. It is expected to produce 1.5-2 million metric tons of ammonia, urea and urea ammonium nitrate every year.



PLANT WILL PRODUCE NEARLY 2 MILLION METRIC TONS ANNUALLY

The plant's economic impact will stretch beyond the immediate area and is expected to offer additional savings for farmers across Iowa and the Midwest, providing them with a stable source of fertilizer and helping reduce spikes in fertilizer prices. The Iowa Farm Bureau predicts that farmers in the state could save roughly \$740 million annually.

\$740,000,000



IN SAVINGS FOR IOWA FARMERS

Fertilizer producer and construction contractor OCI has 72,000 employees in more than 35 countries and OCI Fertilizer Group is among the world's top producers of fertilizer. This year, the company's production capacity will top seven million metric tons. When looking at the kind of global reach OCI has, it is easy to see how leveraging this relationship will benefit Iowa and help draw attention to Iowa's leadership and dedication to this growing industry.