

Staff Report

**WORKIVA ECONOMIC DEVELOPMENT PROPERTY TAX EXEMPTION INCENTIVE
AGREEMENT PENALTY**

January 14, 2025

BACKGROUND:

Workiva has software development, sales, and marketing support operations located in the ISU Research Park. In 2013, Workiva entered into an agreement (attached) with the City and the Iowa Economic Development Authority (IEDA) for economic development assistance for a project that included an additional 60,000 square foot building at the ISU Research Park, the addition of 700 new full-time positions, and the designation of the Ames complex as the company's corporate headquarters.

To incentivize Workiva's job creation, the IEDA agreed to provide \$5,500,000 in incentives to the company (\$500,000 in sales tax rebates, \$2,500,000 in the form of a no-interest loan, and a \$2,500,000 grant). As a condition of the state incentives, the City provided a local match through a tax abatement incentive totaling \$2,740,000. The following are the key terms of the agreement:

- Provide a 100% tax abatement on the incremental value of the improvement of the new building for up to \$2,740,000 or ten years, whichever comes first.
- A commitment that employment in Ames will be increased by 700 full-time employees meeting the pay and benefits qualifications and time requirement (5 years to meet target) in the IEDA agreement.
- A commitment that Ames is designated as the Workiva headquarters.
- Penalty provisions that will discontinue the property tax abatement if terms of the agreement (for example, job creation, continuation of operations within Ames, and designation of Ames as the company headquarters) are not met.
- Require the payment of pro rata penalties to the City if job creation numbers are unmet.

The penalty provision included the following requirements:

- At the time of employment measurement by the IEDA, approximately five years after the commencement of the agreement, if the employment requirement was not met, the abatement of property taxes could cease.
- At the end of the agreement, if the employment requirement was not met, Workiva would provide a proportional return of the property tax abatement received.

In accordance with the agreement, Workiva received tax abatement for the first five years, amounting to \$1,850,363.23. Following the fifth year, the IEDA concluded that Workiva did not meet the obligation to create 700 full-time positions, with a shortfall of 589 jobs or roughly 84.14% at the time. **Based on the agreement's provisions, the City stopped providing tax abatement as well.**

Also, in accordance with the agreement, Workiva recently notified the City that they did not anticipate meeting the job requirement required at the end of the agreement and indicated that the company's position count was 164 qualifying positions towards the 700-job target, which amounted to a penalty of 77% of the property tax abatement during the first five years of the agreement, or \$1,424,799.69.

At issue is the location of 164 qualifying jobs. The agreement states that Workiva would "...create 700 permanent jobs, after the contract date, in the city of Ames, Iowa." Workiva has indicated that the implied intent of the agreement was to create jobs in Iowa, utilizing the Ames office as their designated "home office." City staff gathers that many of these employees may visit the home office from time to time, but on a routine basis the employees are working remotely or from home, as has become more prevalent in recent years, particularly among technology companies like Workiva. It is not clear to City staff how many of the 164 employees regularly work in the Ames office.

The agreement places substantial weight on the City's interpretation of the agreement, stating that "in the event of any disagreement between Workiva and the City relating to the requirements of the agreement, the decision of the City shall prevail." Therefore, the question before the City Council is whether to accept the count of 164 employees as qualifying jobs in Ames, or to count only employees who are regularly physically present in the Ames office, or propose some other count of qualifying employees.

OPTIONS:

1. Accept Workiva's proposal to count all jobs located in Iowa as qualifying jobs.

Under this option, Workiva would pay the City \$1,424,799.69 in previously granted tax abatement. Workiva will retain \$425,563.54 in property tax abatement over the past five years from the 164 positions created.

2. Direct staff to accept the count of employees only physically present on a regular basis in the Ames office.

It is not clear to staff exactly how many of the 164 created positions are employees who work on a routine basis in the Ames office, as opposed to employees who live in communities outside Ames and work remotely. If the City Council pursued this option, staff would need to establish some definition of "routineness" and rely on information from Workiva (badge-in data, etc.) to validate the number of qualifying jobs.

3. Accept a count of employees based on the distance from their homes to the Ames office.

The City Council could agree to count jobs as qualifying if the employee works routinely in the Ames office or if the employee works remotely but lives within a specified radius from Ames (e.g., 50 miles). This option may offer a balance between the City's interest in creating jobs in Ames that generate local trips and commerce, and the changes in workforce dynamics since the time the agreement was signed, where technology and workplace norms allow for increasing remote work and work-from-home situations.

STAFF COMMENTS:

Since the approval of the agreement with Workiva, the nature of work, particularly for technology companies, has changed. It is increasingly common for employers to offer remote work opportunities. **Workiva has provided a letter to the City Council indicating its position and rationale related to the jobs issue, which is attached to this report.**

Staff believes the City has broad discretion under the agreement to interpret what constitutes a qualifying job for the purpose of calculating the tax abatement. It is clear that the minimum amount to be repaid to the City under the agreement is the \$1,424,799.69. The interpretation of the qualified jobs may increase that amount, potentially up to the full abatement amount of \$1,850,363.23, depending on the interpretation and the data provided from Workiva. However, rejecting Workiva's contention of 164 qualifying jobs may result in legal challenges and strained relations between the City and the company. Staff, therefore, is seeking City Council direction regarding which option to pursue to finalize the penalty provisions of the agreement with Workiva.

ATTACHMENT(S):

[Workiva Agreement.pdf](#)

[Workiva October 2024.pdf](#)

[Workiva January 2025.pdf](#)