



Rupert fruit plant receives taxpayer handouts, tally could go higher

By Dustin Hurst-November 8, 2013

A deal to bring a fruit processing plant to the southeastern city of Rupert will cost taxpayers at least a million dollars and officials say that millions more in taxpayer cash may be required to finalize the plan.

Frulact, a Portugal-based fruit processing operation, announced last month that it will open its first processing plant in the United States, choosing Rupert, a town of just more than 5,500 residents, for its American home base.

The company plans to break ground yet this year and open its doors sometime late next year. The plant, slated to bring at least 100 permanent jobs to the area, will check in right around 200,000 square feet.

Jaoa Miranda, the company's CEO, said last month that the company is thrilled to build in Rupert because of the "sense of their community, and a commitment that Rupert is ready and currently in position to guarantee that Frulact can start immediately with the construction of our factory in order to meet our objectives."

But, hundreds of thousands of dollars of taxpayer subsidies are probably enticing, too.

According to officials, the deal will cost taxpayers at least \$1.2 million, but will likely grow larger in the coming weeks and months. Bob Fick, spokesman for the Idaho Department of Labor, told IdahoReporter.com that his agency will give the \$1.2 million to subsidize worker training.

The money, coming from the Idaho Workforce Development Fund, will train up to 150 workers, Fick said.

Kelly Anthon, city manager for Rupert, detailed other possible sources of subsidies for Frulact including Economic Development Block Grant (EDBG) funding along with the new Opportunity Fund, created by lawmakers during the 2013 legislative session. The EDBG comes from the federal government through the Idaho Department of Commerce, while the Opportunity Fund dollars flow from the state treasury.

Anthon confirmed that the city is exploring forming a new urban renewal district to help offset some construction and infrastructure costs for the plant. The Rupert city manager couldn't provide an exact figure the city would need through urban renewal, but estimated the tally would be in the millions.

The use of urban renewal to provide cash for economic development projects has come under fire as critics, state lawmakers included, increasingly see the program as an avenue to funnel welfare to wealthy corporations. Other critics see urban renewal as nothing more than crony capitalism that distorts market forces.

In the recent city election in Nampa, for example, the newly elected mayor and three new city council members based a portion of their campaigns on reining in urban renewal spending in that community.

State Rep. Lenore Hardy Barrett, R-Challis, stands as a vocal critic of the policy. "What in the world did we do before we went down this path?" she pondered in an interview late last month, adding that entrepreneurs built much of the American economy without government subsidies or intervention.

Somewhat surprisingly, Anthon agrees that urban renewal laws need some sort of reform, but he says his city will deploy effective strategies. He sees urban renewal as an efficient tool to entice businesses to Rupert.

"There is no doubt that urban renewal needs restructuring," Anthon affirmed. "If you've got another solution for bringing businesses to Idaho, I'd love to hear it."

Cities are increasingly turning to urban renewal to fund economic development ventures. The city of Twin Falls, for example, has drawn two major employers, Greek-yogurt manufacturer Chobani and nutrition bar maker Clif Bar, to the Magic Valley in the last 18 months. Those deals cost taxpayers approximately \$50 million.

Randall O'Toole, a policy analyst with the Cato Institute, a free market think tank based in Washington, D.C., wrote in a recent paper about urban renewal that once subsidies start rolling, they are difficult to stop.

"Once one hotel, office building, or housing complex is built with TIF (urban renewal) subsidies, developers are not likely to want to build competing projects without similar subsidies," O'Toole wrote.

O'Toole also noted that urban renewal cuts into other government services that taxpayers might see as more essential to the public good.

“Second, new developments impose costs on schools, fire departments, other urban services, so other taxpayers must pay more to cover those costs or accept a lower level of services as services are spread to developments that are not paying for them,” O’Toole wrote.

Still, Anthon believes this deal—including the possible urban renewal venture—will mean good things for his tiny town. “The response in this town has been overwhelming,” Anthon said. “It’s not just about getting businesses to Rupert, it’s about getting quality businesses to Rupert.”