

**CITY COUNCIL  
COMMUNICATION:**

**03-457**

**AGENDA:**

SEPTEMBER 22, 2003

**SUBJECT:**

PRELIMINARY LOAN  
TERMS WITH  
GCOMMERCE, INC.  
AND  
AUTHORIZATION TO  
NEGOTIATE FINAL  
LOAN TERMS

**TYPE:**

**RESOLUTION**  
**ORDINANCE**  
RECEIVE/FILE

**SUBMITTED BY:**

RICHARD CLARK  
DEPUTY CITY  
MANAGER

**ITEM \_\_\_\_\_**

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**SYNOPSIS —**

On the September 22, 2003, City Council agenda is a roll call to approve the preliminary terms of an economic development loan with GCommerce, Inc. (Steven Smith, Chief Executive Officer, 612 Corporate Way, Suite 8M Valley Cottage, NY 10989) and to authorize the City Manager to negotiate the final terms of the Loan Agreement. The loan terms will outline the parameters of the forgivable economic development loan.

GCommerce, Inc. is proceeding with a plan to relocate its corporate headquarters from New York to downtown Des Moines.

**FISCAL IMPACT —**

The Loan Agreement will contain the parameters of the City's financial participation in the GCommerce relocation project.

The City will propose a \$100,000 forgivable loan to GCommerce. The loan will only be forgiven provided certain job creation goals are reached. Additionally, the City will provide for the extension of two additional forgivable economic development loans should GCommerce continue to expand its employment and office space in Des Moines. Benchmarks will be established and the loans will be advanced when GCommerce executes new leases to expand their office space by a predetermined amount. These two subsequent loans will be in the amount of \$75,000 each.

The funding source for the loans will be the Economic Development Enterprise Account. If possible, this account may be repaid this amount through Tax Increment Financing (TIF) funds.

**RECOMMENDATION —**

**Approve preliminary terms of agreement and authorize the City Manager to negotiate the final economic development loan terms with GCommerce, Inc.**

**BACKGROUND —**

GCommerce, Inc. is implementing a plan to relocate its corporate headquarters from New York to downtown Des Moines. The GCommerce Board of Directors approved the move earlier this

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month. The firm provides low-cost, non-invasive software solutions designed to streamline and improve supply chain operations for manufacturers, distributors, buying groups, and retailers of hard goods. Their primary customers include TrueValue Hardware, Kohler, and Dee Zee (located in Ankeny, IA).

GCommerce, Inc. has been in operation for three years and is seeking a lower cost and higher quality of life location for its rapidly growing headquarters. Employment is projected at 29 employees in Year 1 and growing to over 100 employees after four years. GCommerce has recently been awarded two multi-year contracts that support this growth trend. The average annual wage is estimated to exceed \$50,000.

Company officials have toured approximately 12 office sites in the Central Business District, East Village, and River Point. GCommerce will lease approximately 8,000 – 10,000 sq. ft. in Phase 1. They are currently reviewing owner proposals and hope to select a location by the end of September.

