

**CITY COUNCIL
COMMUNICATION:**

03-521

AGENDA:

NOVEMBER 3, 2003

SUBJECT:

ECONOMIC
DEVELOPMENT LOAN
AGREEMENT WITH
GCOMMERCE, INC.
AND AUTHORIZATION
TO EXECUTE
AGREEMENT

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 November 3, 2003 City Council agenda is a roll call to approve the Economic Development Loan Agreement with GCommerce, Inc. (Steven Smith, Chief Executive Officer, 612 Corporate Way, Suite 8M, Valley Cottage, NY 10989). On September 22, 2003, by Roll Call No. 03-2205, City Council approved the preliminary terms of an economic development loan with GCommerce, Inc., and authorized the City Manager to negotiate the final terms of the Loan Agreement.

GCommerce, Inc. has executed a lease and will relocate its corporate headquarters from New York to 601 East Locust Street, Suite 100, Des Moines, Iowa.

FISCAL IMPACT —

The City will extend a \$100,000 forgivable loan to GCommerce. The loan will only be forgiven provided GCommerce attains a job creation goal of 50 employees within three years. 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 have been 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 and authorize the Mayor to execute the agreement.

BACKGROUND —

After an extensive review of office locations in Las Vegas, New Jersey, and Chicago, GCommerce, Inc. will relocate its corporate headquarters from New York to downtown Des Moines. The GCommerce Board of Directors approved the move in September, and they have negotiated a five-year, seven-month lease for 8,630 square feet of office space at 601 East Locust,

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Des Moines, Iowa. The lease also provides an option to extend the lease for an additional five years.

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. GCommerce will employ approximately 15 people in Des Moines when their transition is complete, and they will begin aggressive recruiting efforts to grow their staff to approximately 50 employees within three years. The average annual salary will be approximately \$50,000.

