



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 07/18/05
Agenda Item Type: Resolution

Communication No.: 05-372
Roll Call No.:

Submitted by: Richard Clark, Acting City Manager

SUBJECT—

Resolution authorizing submission of a CEBA loan and Enterprise Zone applications to the State of Iowa and approving preliminary terms of an economic development loan to Meredith Corporation.

SYNOPSIS—

Approves the preliminary terms of an economic development loan with Meredith Corporation (William Kerr, Chairman and CEO, 1716 Locust Street, Des Moines, IA 50309) and to authorize the City Manager to negotiate the final terms of the Loan Agreement. This action also authorizes submittal of a CEBA Loan and Enterprise Zone applications to the State of Iowa on behalf of Meredith Corporation.

Meredith is expanding its Des Moines operations and adding 70 new jobs to its downtown campus. The average annual salary plus bonus is projected at \$65,000.

FISCAL IMPACT—

A \$140,000 economic development loan is proposed to facilitate Meredith Corporation's pledge to add 70 jobs in Des Moines. The proposed assistance will be advanced in one installment. The loan will bear interest at zero percent. Twenty-five percent of the \$140,000 loan balance (\$35,000) will be forgiven after 5 year, assuming Meredith has met the job creation requirements. The remaining loan balance (\$105,000) will be repaid in one balloon payment 5 years following execution of the Loan Agreement.

The funding source for the loan will be the Economic Development Enterprise Account.

The State of Iowa is negotiating an incentive package for Meredith Corporation. The City's economic development loan is contingent upon the State's approval of a final incentive package.

The formal Economic Development Loan Agreement between the City of Des Moines and Meredith Corporation will be presented to Council for final approval at an upcoming meeting.

RECOMMENDATION—

Approval

BACKGROUND—

Meredith Corporation is expanding its operations with the purchase of 4 magazines (Parents, Child, Fitness and Family Circle) effective July 1, 2005. This acquisition will make Meredith the second-largest consumer magazine publisher in the United States and the leading publishing company serving women whose primary interests are their homes, their families and their personal development.

Due to the growth associated with purchasing these magazines, Meredith has the opportunity to expand their workforce in Des Moines by 54 employees (positions currently located in New York City). While Meredith sees benefits to relocating the jobs to Des Moines, there are cost factors to be considered. The additional costs associated with relocating the positions include: moving expenses, business disruption costs, building renovation and new workstations and equipment. The new job creation in Des Moines would be complete in late 2005 or early 2006.

Additionally, Meredith has engaged in a business expansion initiative that will create 16 new jobs in 2005 focusing on these areas:

- Launch of ¡Siempre Mujer!, a Spanish-language title focused on Hispanic women (2 Des Moines based jobs).
- An increased emphasis on selling magazines and books at retail (2 Des Moines based jobs).
- Expansion of an integrated marketing function to accommodate new business (1 Des Moines based job).
- Expansion of special interest publications business (2 Des Moines based jobs).
- Expansion of websites (1 Des Moines based job).
- Expansion of new business development activities (1 Des Moines based job).
- Image Center (7 Des Moines based jobs).

Associated with these initiatives are major equipment purchases Meredith will be making over the next three years. These will include items such as desktop computer purchases and upgrades, equipment necessary to operate additional web sites, and storage capacity to their digital asset management system to incorporate the images and content from the new titles.