



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 10/10/05
578

Communication No.: 05-

Agenda Item Type: Resolution

Roll Call No.:

Submitted by: Richard Clark, Acting City Manager

SUBJECT—

Resolution Recommending Approval of Hershey Systems' Application for Enterprise Zone Benefits for a Project in the Des Moines Gateway Enterprise Zone, Approving Submission of Applications to the State of Iowa for Funding Under the Community Economic Betterment Account (CEBA), and Preliminary Approval of a Local Contribution from the City of Des Moines, Iowa for Hershey Systems

SYNOPSIS—

Council is requested to recommend approval of the application for Enterprise Zone benefits for Hershey Systems (Ron Christian, Vice President, Sales, 14111 Freeway Drive, Suite 100, Sante Fe Springs, CA 90670 and who resides at 2025 NW 149th Street, Clive, IA 50325). The Developer is proposing a \$6.7 million project in downtown Des Moines in the Midland Building at 206 6th Avenue or at 1300 Walnut Street in the Des Moines Gateway Enterprise Zone.

Council is also requested to submit a State of Iowa Community Economic Betterment Account (CEBA) application in the amount of \$400,000 and provide preliminary approval of a City economic development loan for \$140,000. Hershey Systems would create 70 new jobs over three years at an average wage of \$30.41/hour plus benefits.

The City and staff from Polk County, the Iowa Department of Economic Development, the Greater Des Moines Partnership and Des Moines Area Community College have proposed a \$680,000 direct financial assistance package to provide assistance to this expansion in Des Moines plus enterprise zone and job training benefits. Hershey Systems is comparing expansion options in Des Moines to its offices in Los Angeles, CA and Charlotte, NC. The proposed financial assistance is essential for expansion to move forward in Des Moines.

FISCAL IMPACT—

Hershey Systems will be eligible to receive up to \$50,000 in investment tax credits, \$10,000 in a sales tax refund and \$50,000 in research and development tax credits from the State of Iowa Enterprise Zone Program (\$110,000 in total State enterprise zone benefits).

The City's proposed participation is a three-year, \$140,000, zero interest rate loan that would be funded from the Economic Development Enterprise Account. One half of the loan (\$70,000) will be repaid over three years; the other half (\$70,000) will be forgivable upon creation of all 70 jobs described above. If the jobs are not created, a lump sum payment will be due at the end of the loan term.

RECOMMENDATION—

Approval.

BACKGROUND—

Hershey Systems, Inc., founded in 1966, is a manufacturer of scalable and extensible document and process management solutions. The company is a privately held corporation headquartered in Los Angeles, California with a branch office in Charlotte, North Carolina. It provides a comprehensive range of document management solutions designed to meet the needs of paper intensive organizations.

Hershey's products, Singularity and DocBox XE, offer totally integrated document management solutions to help customers transform the way they process, store, manage and access valuable information. DocBox XE is an "all in one" hardware (Internet appliance) device created to allow the secure disbursement of mission critical files and documents in a department or throughout an entire organization. The DocBox is distributed via the company's global partner ecosystem. Today, more than 25 channel partners market DocBox throughout North America. Singularity is an enterprise software solution that manages organizations' content and streamlines business processes. The primary vertical market for Singularity is higher education with more than 125 colleges and universities today.

Enterprise Zone Application

Hershey Systems' expansion project meets or exceeds all requirements for enterprise zone benefits. These include (a) a minimum capital investment of at least \$500,000 in a certified enterprise zone, (b) creation of at least 10 full-time positions within three years and retention of jobs for 10 years, (c) payment of an average wage of at least \$14.09/hour and (d) payment of at least 80% of the cost of health and dental insurance or providing the monetary equivalent. The project will begin in Fall 2005. All 70 positions will be created within three years.

The Downtown Neighborhood Association will review the project at its October 5, 2005 meeting and has provided a letter of support. The Enterprise Zone Commission will take action on the application at its October 12, 2005 meeting.

Polk County Loan and City Loans

Polk County is considering providing a 10-year, \$140,000, zero interest rate loan to Hershey Systems. Loan payments would be deferred for three years and repaid over seven years. On October 20, 2005, the

Iowa Economic Development Board is anticipated to take action on a half forgivable loan (\$200,000) and half repayment loan (\$200,000, zero interest, five-year term) totaling \$400,000 under its CEBA Program.