



Council
Communication
Office of the City Manager

Date

September 11, 2006

Agenda Item No. 41

Roll Call No. 06-

Communication No. 06-558

Submitted by: **Richard A. Clark, City Manager**

AGENDA HEADING:

Resolution authorizing submittal of an Application for Financial Assistance to the State of Iowa Department of Economic Development for a Community Economic Betterment Account (CEBA) loan on behalf of Alliance Technologies, Inc. and giving preliminary approval for a City economic development loan of \$50,000 to the company as required match.

SYNOPSIS:

The City Council is requested to approve the submission of an Application for Financial Assistance for a CEBA loan in the amount of \$125,000 and provide preliminary approval of a City economic development loan of \$50,000 to Alliance Technologies, Inc. (James Brandl, CEO, 400 Locust Street, Suite 840, Des Moines, Iowa). The State requires local financial participation in economic development projects seeking financial assistance, and both the City and County have been asked to support the \$2.63 million business expansion project that will create 25 new, high-paying jobs in downtown Des Moines.

FISCAL IMPACT:

Amount: \$50,000 (\$2,000/job created)

Funding Source: Economic Development Enterprise Account [CMO980717 SP743 in FY07 Operating Budget page 310 (carryover from FY06)]

The City's financial participation is proposed to be a \$50,000, 0%, 10-year loan with no repayments for the first 3 years, with the County providing the same form and amount of assistance. This will match the company's request of the State for a \$125,000 half forgivable-half 0% interest CEBA loan.

ADDITIONAL INFORMATION:

City, County, and Greater Des Moines Partnership staff members have been working with Alliance Technologies, Inc. to expand operations at its current location in Capital Square. The company is a full service information technology (IT) firm with 50 employees at its downtown location and another 15 working at remote client locations. The business has three main solutions divisions – software, staffing, and technology solutions. They provide custom software development, resell and support large software applications, develop web applications, provide experienced IT staff to large corporations on short-term basis, and provide data center and networking services to small and medium-sized businesses.

The company has an opportunity to acquire an existing Urbandale business named Computility that, as part of another unrelated corporate merger, would otherwise be dissolved or sold to an out-of-state firm. In addition to retaining the 15 Computility jobs and relocating them to downtown Des Moines, Alliance

Technologies will add an additional 10 jobs over the next 3 years as part of the business purchase and expansion project. The average wage for the 25 jobs is \$25.66/hour or \$53,377/year. The jobs are primarily software development and software sales jobs requiring a college degree and several years of experience. The City of Urbandale has been notified of this proposed business acquisition relative to the Fair Play Agreement.

Without public financial participation, the decision to purchase the local company and fold it into Alliance Technologies, Inc. would not be pursued. The company's rate of return on the expansion project does not make economic sense for the organization without financial assistance in the form of forgivable, zero interest and deferred payment loans.

The Iowa Economic Development Board will take action on the Application for Financial Assistance for the CEBA loan at its September 21, 2006 meeting.

PREVIOUS COUNCIL ACTION(S):

Date: February 4, 2002

Roll Call Number: 02-358

Action: Economic Development Forgivable Loan and Agreements with Polk County for Life Care Services, L.L.C., Alliance Technologies L.L.C. and LCS Real Estate, Inc. the real estate management company for Life Care Services, L.L.C. (Council Communication No. 02-065). Moved by Brooks to adopt. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

Date:

Roll Call Number:

Action:

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

The City Council will be asked to approve CEBA contract documents and final loan documents associated with this agenda item at an upcoming meeting.