



Council
Communication
Office of the City Manager

Date	January 8, 2007
Agenda Item No.	33
Roll Call No.	<u>07-</u>
Communication No.	<u>07-005</u>
Submitted by:	Richard A. Clark, City Manager

AGENDA HEADING:

Resolution approving a City of Des Moines Economic Development Loan Agreement of \$50,000 and a State of Iowa Community Economic Betterment Account (CEBA) Loan of \$125,000 with Alliance Technologies, Inc. and authorizing execution of all related documents and performance of all City obligations under the loan agreements, including the requisition of funds from the State and City and the disbursement of funds to the company.

SYNOPSIS:

On September 11, 2006, by Roll Call No. 06-1780, the City Council approved preliminary terms of a \$50,000 economic development loan with Alliance Technologies, Inc. (James Brandl, CEO/Mike Lang, President, 400 Locust Street Suite 840, Des Moines, Iowa) and authorized the City Manager to negotiate final terms of the agreement. The action also included the submission of an application to the Iowa Department of Economic Development in support of the company's application for a \$125,000 CEBA loan. Both the City loan agreement and CEBA contract are attached hereto for approval and execution by the City.

The company has moved forward with its \$2.6 million business expansion project that will create 25 new, high-paying jobs in downtown Des Moines by September 30, 2009.

FISCAL IMPACT:

Amount: \$50,000

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

The City's economic development loan is structured as a \$50,000 0% 10-year loan with no repayments for the first 3 years, with Polk County providing the same form and amount of assistance. This City and County participation matches the Iowa Department of Economic Development's \$125,000 half forgivable/half 0% interest CEBA loan. Security for the City loan is a blanket UCC-1 filing and personal guarantees.

ADDITIONAL INFORMATION:

The City of Des Moines, Polk County and the Greater Des Moines Partnership staff have worked with Alliance Technologies, Inc. to expand operations at their 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 acquired an existing Urbandale business named Computility that, as part of another unrelated corporate merger, would otherwise have been 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. Thereafter, the company is required to maintain at least 75 jobs in Des Moines until September 30, 2011. The City's loan agreement requires maintenance of the jobs during the full 10-year term of the loan. 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.

Without public financial participation, the decision to purchase the local company and fold it into Alliance Technologies, Inc. would not have been pursued. The company's rate of return on the expansion project did 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 approved the company's Application for Financial Assistance for the CEBA loan at its September 21, 2006 meeting and authorized \$125,000 half forgivable/half 0% interest loans. The CEBA Funding Agreement is by and among the City, the Iowa Department of Economic Development and the company. The City must sign promissory notes related to the CEBA loans; however, the City's liability is limited to those amounts it recovers from the company through good faith efforts to enforce the company's security documents.

PREVIOUS COUNCIL ACTION(S):

Date: September 11, 2006

Roll Call Number: 06-1780

Action: Application for financial assistance to the State of Iowa Department of Economic Development and approving preliminary terms of an economic development loan to Alliance Technologies, Inc., \$50,000. (Council Communication No. 06-558) Moved by Vlassis to adopt. Motion Carried 6-0.

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

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Disbursement of loan funds and monitoring of job creation/retention requirements.