



Council Communication

Office of the City Manager

Date

January 7, 2008

Agenda Item No. 34
Roll Call No. 08-
Communication No. 08-009
Submitted by: Matthew Anderson
Economic Development Administrator

AGENDA HEADING:

Resolution approving Agreements related to a City Economic Development Forgivable Loan for \$125,000 and an Economic Development Grant of up to \$80,000 and a State of Iowa Community Economic Betterment Account (CEBA) loan of \$150,000 and a CEBA Forgivable Loan of \$150,000 to American Healthways Services, Inc.

SYNOPSIS:

By Roll Call 07-1527 dated August 6, 2007, the City Council approved the submission of an application to the Iowa Department of Economic Development for financial assistance under the CEBA program in the amount of \$300,000 and provided preliminary approval of a City economic development forgivable loan for \$120,000 and an economic development grant of up to \$80,000 to American Healthways Services, Inc. (Dennis Jackson, VP of Procurement/Facilities, 3841 Green Hills Village Drive, Nashville, TN 37215). This action approves agreements and related documents for the Iowa Department of Economic Development CEBA funding and the City economic development forgivable loan and grant.

American Healthways Services, Inc, has proposed a \$4.2 million expansion project that will occupy 16,000 square feet at Capitol Square, 400 Locust, and create an minimum of 60 new jobs with the possibility of 100 new jobs over 2 years with an average starting wage of \$26.20 per hour plus benefits.

FISCAL IMPACT:

Amount: \$120,000 economic development forgivable loan for the first 60 jobs created; an additional \$80,000 economic development grant available for creation of up to 40 additional jobs.

Funding Source: Economic Incentive Loan Repayment Account [CMO980716 SP746 in FY08 Operating Budget page 87.

The City's financial participation is a \$120,000, zero percent (0%), 5-year balloon loan which will be forgivable under certain conditions: 1) 60 jobs are created by the end of year 2 of the project and retained through the end of year 5; and 2) the lease for downtown office space is extended for an additional 5-year period. If either of these terms are not met, the loan will become due and payable at the end of the initial lease period.

As an additional incentive to create jobs and remain in downtown Des Moines, the City will provide an economic development grant equal to \$2,000/job created over the original 60 jobs, up to 40 additional jobs or a maximum grant of \$80,000. Additionally the terms of the forgivable loan must be met.

ADDITIONAL INFORMATION:

City and Greater Des Moines Partnership staffs have been working with American Healthways Services, Inc. to open its first Iowa office in downtown Des Moines. The company is a leading provider of specialized, comprehensive health care solutions to help people manage and improve their health and, as a result, reduce overall healthcare costs. The company is entering into a service contract with Wellmark to provide disease management services. Des Moines is one of several locations under consideration where the company could locate offices from which to deliver their services.

The company plans to create 45 RN and 15 support/management positions within the first 2 years and an additional 30 RN and 10 support/management positions in year 3 for a total of 100 new employees. The starting wage for the 75 RN positions is \$26.44/hour or \$55,000/year. The starting wage for 25 support/management positions is \$38.46/hour or \$80,000/year. The company provides a full range of benefits to employees.

Public financial participation in the project is needed as an incentive to choose downtown Des Moines over other locations. The City's participation will help with leasehold improvements and equipment purchases for 16,000 square feet of office space in an existing downtown building. The company's three year growth projections anticipates the need for an additional 10,000 square feet.

PREVIOUS COUNCIL ACTION(S):

Date: August 6, 2007

Roll Call Number: 07-1527

Action: Approval of Submission application to state of Iowa CEBA funding and preliminary approval of a City economic development forgivable loan for \$120,000 and a City economic development grant for \$80,000.

BOARD/COMMISSION ACTION(S): NONE**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS**