

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	October 24, 2011
	Agenda Item No.	35
	Roll Call No.	<u>11-1795</u>
	Communication No.	<u>11-667</u>
	Submitted by:	Terrance N. Vorbrich, Acting Economic Development Administrator

AGENDA HEADING:

Approval of Agreement for Economic Development Forgivable Loan to Life Care Services, LLC.

SYNOPSIS:

By Roll Call No. 11-1461, dated August 29, 2011, Council approved the preliminary terms of agreement for City assistance in the form of a forgivable loan of up to \$196,000 to assist in the consolidation and expansion of Life Care Services, LLC at 400 Locust, Suite 800, Des Moines. The final agreement between the City and Life Care Services, LLC is presented for approval.

FISCAL IMPACT:

Amount: \$196,000 maximum forgivable loan as follows: \$146,000 to be funded in five annual installments of \$29,200; up to \$50,000 based on number of new jobs created by March 2017.

Funding Source: FY2011-2012 Recommended Operating Budget, Economic Development Enterprise Fund, SP743, CMO0980717, Page56

ADDITIONAL INFORMATION:

Life Care Services LLC (LCS), founded in 1971, is the nation's leading developer and manager of senior living communities. Each LCS community provides a complete range of lifestyle choices, locally tailored, comprehensive programs and amenities that is decidedly unique as well as health and nursing options. LCS owns and operates communities in 28 states.

Since 2002, LCS corporate offices have been located in 55,500 square feet of the 8th and 7th floors of Capital Square. The City and Polk County assisted in relocation of LCS to Capital Square with a \$323,400 forgivable loan when the space the company occupied was purchased as part of the Iowa Events Center project. At that time the company committed to lease the Capital Square space through November 1, 2011 and maintain its employment base of 84 full-time employees. LCS is presently in compliance with its contractual obligations under the previous Development Agreement approved by Roll Call 02-358, dated February 4, 2002.

LCS has since grown to 146 employees at the Capital Square location. The company anticipates continued growth of up to 50 positions over the next five years. Presently, the company provides an average annual compensation of \$80,000 plus benefits. The Company provides employee parking in the City owned parking garages at an annual cost of approximately \$160,000 per year. Additionally, the

company brings into downtown Des Moines many out of state visitors for training and rents between 900 and 1,100 downtown hotel rooms per year.

Capital Square has presented a competitive lease rate proposal for a new five-year lease that will consolidate the company on the 8th floor into 56,650 square feet. Life Care Services proposes to make substantial tenant improvements to the space with the Landlord, Draper and Kramer of Iowa, Inc, providing a tenant improvement allowance of up to \$300,000 upon completion of the improvements. OED Staff has proposed a forgivable loan of up to \$146,000 to be funded in annual increments over the term of the proposed lease. To receive the annual installment of \$29,200, LCS shall certify annually that it has retained its existing 146 employee base with an average annual compensation package of \$80,000 per employee. Additionally, for every new job LCS creates at the Capital Square location and maintains through the term of the five year lease, the City will increase the forgivable loan by \$1,000 up to a maximum of \$50,000. The increase in the forgivable loan will be payable in March 2017 upon certification by LCS of the new jobs created and average wages criteria.

LCS will lease a minimum of 122 monthly parking spaces at market rate in the 4th and Grand parking garage. Additionally, the city will provide the company an additional 13 convenience passes to the 4th and Grand parking garage at no additional charge. The convenience cards are provided to LCS with the expectation that they will be used in lieu of transferring purchased passes between multiple users who do not use the parking garage on a regular basis. It is anticipated that the company will use only 122 parking passes on a regular, daily basis at the 4th and Grand parking garage. City staff in conjunction with AMPCO staff will monitor the company's usage at the garage and if it is found that the garage parking usage exceeds on a regular basis 122 passes, then the company will purchase the amount needed for its regular use.

LCS has indicated it will proceed with a new lease at Capital Square as proposed by Draper and Kramer of Iowa, Inc., upon approval of the loan agreement and the City assistance as proposed.

PREVIOUS COUNCIL ACTION(S):

Date: August 29, 2011

Roll Call Number: 11-1461

Action: **Preliminary** terms of agreement for Economic Development Forgivable Loan to Life Care Services, LLC. ([Council Communication No. 11-571](#)) **Moved by Hensley to adopt. Motion Carried 7-0.**

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: NONE

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