

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	April 21, 2014
	Agenda Item No.	32
	Roll Call No.	<u>14-0622</u>
	Communication No.	<u>14-185</u>
	Submitted by:	Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution to receive and file proposed preliminary terms for economic development financial assistance for LightEdge Solutions, Inc. and authorize the City Manager to negotiate a development agreement.

SYNOPSIS:

Recommend approval of preliminary terms of agreement for financial assistance for LightEdge Solutions, Inc. (Jim Masterson, CEO, 215 10th Street, Suite 1200, Des Moines, IA) and authorize the City Manager to negotiate a final development agreement, under the terms outlined below, providing up to a total of \$132,000 in economic development grants and forgivable loan to LightEdge Solutions to retain its Regional Corporate Headquarters and staff at 215 10th Street in the Davis Brown Tower.

FISCAL IMPACT:

Amount: Up to \$132,000 in grants and forgivable loan, as follows: \$30,000 job retention grant payable in three (3) years; up to \$48,000 new job creation grant based on the creation of up to 40 new jobs in three (3) years; and a \$54,000 loan funded in three (3) years and forgiven for the continued retention of its Regional Corporate Headquarters and then existing staff in downtown Des Moines for an additional five (5) years.

Funding Source: Economic Development Financial Assistance Account

ADDITIONAL INFORMATION:

LightEdge Solutions, Inc. (Jim Masterson, CEO) maintains its Regional Corporate Headquarters at 215 10th Street, Suite 1220, in the Davis Brown Tower. The Company provides sophisticated data communications and network management services including Data Centers, Disaster Recovery Solutions, and Enterprise Cloud Solutions for businesses in Midwest markets including Des Moines, Moline, Omaha, Kansas City, Minneapolis, and Cedar Rapids. Additionally, the Company provides network development services to larger businesses requiring private network connectivity to their customers and other constituents. LightEdge Solutions owns and operates data network centers in Altoona, Kansas City, and Minneapolis.

LightEdge Solutions is outgrowing the 21,000-square-foot of leased space that presently houses its Regional Corporate Offices. To facilitate its future growth plans, the Company is evaluating the costs of leasing additional space in the Davis Brown Tower versus leasing available facilities in the western suburbs. An option the Company is looking at is the potential sublease of up to 33,000-square-foot of

the 10th floor of the Davis Brown Tower and the possibilities of a phased move of its Regional Corporate Headquarters to this space. This option, if cost comparable to other lease options, will facilitate continued growth of the company's Regional Corporate Headquarters downtown; retain its existing corporate staff of 50 full-time employees with an average annual compensation of \$80,000 per year at the Davis Brown Tower location; enable the Company to consolidate from other owned and leased facilities up to 34 full-time employees with an average annual compensation of \$53,000 per year to the Regional Corporate Office; and create up to 40 new positions at annual compensations ranging from \$60,000 to \$120,000 over the next three (3) years.

The Office of Economic Development has proposed the following economic development financial assistance to foster LightEdge Solution's continued expansion and growth in the downtown, as follows:

Job Retention Incentive: A \$30,000 economic development retention grant is proposed. The Job Retention Grant will be advanced in one (1) installment at the end of the three (3) year sublease based on LightEdge Solutions retention of its Regional Corporate Headquarters and staff of at least 84 full-time employees with an average annual compensation of \$70,000 at the Davis Brown Tower.

New Job Growth Incentive: Up to a \$48,000 economic development new jobs grant, calculated at the rate of \$1,200 per new job created with an annual wage in excess of \$60,000 per year and employed full-time at the LightEdge Solutions Regional Corporate Headquarters in Davis Brown Tower, is proposed. The New Job Grant will be advanced in one (1) installment at the end of the three (3) year sublease based on the number of actual new jobs created and employed at the subleased space at the Davis Brown Tower.

Supplemental Retention Incentive: A \$54,000 supplemental retention incentive in the form of a forgivable loan is proposed and would be available to LightEdge Solutions at the end of the three (3) year sublease, if it maintains its Regional Corporate Office and then-existing corporate staff for a period of at least five (5) additional years in downtown Des Moines.

LightEdge Solutions, Inc. has indicated a willingness to pursue the option to sublease the 10th floor of the Davis Brown Tower and maintain its Regional Corporate Headquarters, staff and additional job growth in downtown Des Moines with the City assistance as outlined above.

PREVIOUS COUNCIL ACTION(S):

Date: September 27, 2004

Roll Call Number: 04-2048

Action: City economic development loan in the amount of \$100,000 to LightEdge Solutions, Inc. (formerly known as Lighthouse Communications, Inc.) to assist with expansion of corporate office and workforce. ([Council Communication No. 04-482](#)) Moved Hensley to approve. Motion Carried 7-0.

Date: May 17, 2004

Roll Call Number: 04-1027 and 04-1028

Action: The following items regarding Lighthouse Communications, Inc. (Jim Masterson, CEO, DSM):

(A) Communication from City Manager regarding proposed economic development loan. ([Council Communication No. 04-242](#)) Moved by Brooks to approve the preliminary loan terms and to authorize the City Manager to negotiate the final terms of agreement with Lighthouse Communications, Inc. Motion Carried 7-0.

(B) Execution of necessary documents for enterprise zone benefits. Moved by Brooks to approve. Motion Carried 7-0.

Date: April 5, 2004

Roll Call Number: 04-715

Action: Regarding proposed economic development loan to Lighthouse Communications, Inc. (Jim Masterson, CEO, 666 Walnut, Suite 1900, DSM). ([Council Communication No. 04-159](#)) Moved by Mahaffey to discuss this item at the April 13 Council Workshop. City Manager to report on performance of previous forgivable loans. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Approval of final negotiated development agreement.

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