



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 3/8/04
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Communication No.: 04-

Agenda Item Type: Resolution
No.:

Roll Call

Submitted by: Richard A. Clark, Deputy City Manager

SUBJECT—

Approval of preliminary economic development loan terms with Protocol Driven Healthcare, Inc. and authorization to negotiate final loan terms.

SYNOPSIS—

On the March 8, 2004, City Council agenda is a roll call to approve the preliminary terms of an economic development loan with Protocol Driven Healthcare, Inc. (PDHI) (Jennifer Jolley, President, 75 Claremont Road, Bernardsville, NJ 07924) and to authorize the City Manager to negotiate the final terms of the Loan Agreement. The loan terms will outline the parameters of the forgivable economic development loan.

PDHI is proceeding with a plan to relocate a substantial portion of its operations from New Jersey to Des Moines.

FISCAL IMPACT—

The City will propose a \$102,000 forgivable loan to PDHI. The loan will only be forgiven provided certain job creation goals are reached. The Loan Agreement will contain the parameters of the City's financial participation in the PDHI relocation project.

The funding source for the loan will be the Economic Development Enterprise Account. If possible, this account may be repaid this amount through TIF funds.

PDHI has also submitted an Application for Financial Assistance to the Iowa Department of Economic Development. The City's participation is contingent upon participation from the State of Iowa.

RECOMMENDATION—

Approval

BACKGROUND—

Protocol Driven Healthcare, Inc. is proceeding with a plan to relocate a substantial portion of its operations from New Jersey to Des Moines. PDHI has been in operation for 6 years and is seeking a lower cost and higher quality of life location for its rapidly growing business. PDHI's employment in Des Moines is projected at 5 employees in Year 1 and growing to over 51 employees after 4 years. The average annual wage is estimated to exceed \$60,000.

Protocol Driven Healthcare, Inc. develops and sells web-based software applications to pharmaceutical manufacturers and health benefit providers that enable cost-effective medical management solutions. PDHI's solutions are used to deliver patient registries, consumer directed health and disease management programs, and treatment compliance initiatives.

PDHI serves two large, distinct market sectors:

- Pharmaceutical manufacturers, biotechnology companies, and medical device organizations.
- Health benefit providers, including third party administrators, managed care organizations, disease management vendors, and hospital groups.

PDHI's clients include Humana, Wausau Benefits, BioMarin Pharmaceutical, and Sovay Pharmaceutical.

On November 3, 2003, by Roll Call 03-2491, Council approved a similar economic development forgivable loan to GCommerce, Inc. GCommerce and PDHI are "cousin" companies. Both companies share a common venture capital investor, Acuity Ventures, LLC. After seeing the positive impact moving from New York to Des Moines will have on GCommerce's business plan, Acuity Ventures recommended to PDHI that they also pursue the opportunities available in Des Moines. It is anticipated that PDHI will transition into the Des Moines market by subleasing office space from GCommerce at 601 E. Locust in Des Moines' East Village. The City's economic development assistance will not be payable until PDHI has executed a separate lease for its exclusive office space. This is expected to occur in the first 6 months of 2005. The City's funds will then be available to assist with the often costly process of readying office space and paying for tenant improvements. PDHI is a young, growing company and would have difficulty funding these costs without the City's economic development assistance.