



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 11/22/04
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Communication No.:

Agenda Item Type: Resolution
No.:

Roll Call

Submitted by: Richard A. Clark, Deputy City Manager

SUBJECT—

Resolution approving a City economic development loan with Protocol Driven Healthcare, Inc. (PDHI).

SYNOPSIS—

This action approves the final terms of an economic development loan with Protocol Driven Healthcare, Inc. (Jennifer Jolley, President, 75 Claremont Road, Bernardsville, NJ 07924) and to authorize the execution of all related documents.

On March 8, 2004, by Roll Call No. 04-500, Council approved preliminary terms of a \$102,000 economic development loan and authorized the City Manager to negotiate final terms of the agreement.

PDHI is proceeding with a plan to relocate a substantial portion of its operations from New Jersey to Des Moines at 216 6th Street (Fleming Building).

FISCAL IMPACT—

The economic development package consists of a \$102,000 repayable loan to PDHI. The City will be repaid \$102,000 upon the earliest to occur of (a) October 1, 2009, (b) the closing of a firmly underwritten initial public offering, or (c) a sale of all or substantially all of PDHI's business or business assets. The preliminary terms approved by Council on March 8, 2004,

anticipated a forgivable loan, however, we were able to negotiate more favorable terms for the City.

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 been awarded a \$320,000 loan from the Iowa Department of Economic Development.

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 with growth 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 No. 03-2491, Council approved an 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. The City's economic development assistance will not be payable until PDHI has executed a lease for its office space. This is expected to occur in the first 3 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 funds without the City's economic development assistance.

