



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 01/23/06
Agenda Item Type: Resolution

Communication No.: 06-047
Roll Call No.:

Submitted by: Richard Clark, Acting City Manager

SUBJECT—

Resolution Approving Loan Documents for a City Economic Development Loan and Approving Loan Documents for a State of Iowa Community Economic Betterment Account (CEBA) Award to Hershey Systems, Inc.

SYNOPSIS—

This resolution approves loan documents related to a \$140,000 City Economic Development Loan and a \$400,000 State of Iowa Community Economic Betterment Account (CEBA) Award. On October 10, 2005, by Roll Call No. 05-2509, Council gave approval to submit a State of Iowa Community Economic Betterment Account (CEBA) application in the amount of \$400,000 and provide preliminary approval to a City economic development loan for \$140,000, and recommended an application for Enterprise Zone benefits for Hershey Systems, Inc. (Ron Christian, Vice President, Sales, 14111 Freeway Drive, Suite 100, Sante Fe Springs, CA 90670 and who resides at 2025 NW 149th Street, Clive, IA 50325).

Hershey Systems, Inc. is proposing a \$6.7 million project in downtown Des Moines in the Midland Building at 206 6th Avenue in the Des Moines Gateway Enterprise Zone that will create 70 new jobs over three years at an average wage of \$30.41/hour plus benefits.

FISCAL IMPACT—

The City's economic development loan is a \$140,000, ten year, zero interest rate loan that would be funded from the Economic Development Enterprise Account. Payments on the loan would be deferred for three years with the \$140,000 repaid in monthly installments over seven years. These are identical terms as the Polk County Economic Development Loan for \$140,000.

The majority of Enterprise Zone benefits are State of Iowa corporate income tax credits, rebate of sales tax on construction materials, and a research and development tax credit. It is anticipated that Hershey Systems will be eligible to receive up to \$50,000 in investment tax credits and \$5,000 in a sales tax refund from the State of Iowa Enterprise Zone Program (\$55,000 in total State enterprise zone benefits).

RECOMMENDATION—

Approval

BACKGROUND—

Hershey Systems, Inc., founded in 1966, is a manufacturer of scalable and extensible document and process management solutions. The company is a privately held corporation headquartered in Los Angeles, California with a branch office in Charlotte, North Carolina. It provides a comprehensive range of document management solutions designed to meet the needs of paper intensive organizations.

Hershey's products, Singularity and DocBox XE, offer totally integrated document management solutions to help customers transform the way they process, store, manage and access valuable information. DocBox XE is an "all-in-one" hardware (Internet appliance) device created to allow the secure disbursement of mission critical files and documents in a department or throughout an entire organization. The DocBox is distributed via the company's global partner ecosystem. Today, more than 25 channel partners market DocBox throughout North America. Singularity is an enterprise software solution that manages organizations' content and streamlines business processes. The primary vertical market for Singularity is higher education with more than 125 colleges and universities as clients today.

Community Economic Betterment Account (CEBA) Award

On October 20, 2005, the Iowa Economic Development Board approved a CEBA Award of \$400,000, half forgivable loan (\$200,000) and half repayment loan (\$200,000, zero interest, five-year term).

Enterprise Zone Application

The Downtown Neighborhood Association reviewed and recommended the project on October 5, 2005 and has provided a letter of support. The Enterprise Zone Commission approved the application on October 12, 2005 and the State of Iowa Economic Development Board approved the application on October 20, 2005.

Polk County Loan and City Loans

Polk County has approved a ten-year, \$140,000, zero interest rate loan to Hershey Systems. Loan payments would be deferred for three years and repaid over seven years.