



Agenda Item:

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## **COUNCIL COMMUNICATION**

### **City Manager's Office**

#### **GENERAL INFORMATION**

Agenda Date: 02/06/06

Communication No.: 06-052

Agenda Item Type: Receive/File

Roll Call No.:

Submitted by: Richard Clark, Acting City Manager

#### **SUBJECT—**

Resolution approving a city economic development forgivable loan of up to \$60,000 to Two Rivers Marketing Resource Corporation (Tom Dunphy, President, 107 E. 5<sup>th</sup> Street, Des Moines, IA 50309)

#### **SYNOPSIS—**

Two Rivers Marketing Resource Corporation (Tom Dunphy, President, 107 E. 5<sup>th</sup>, Des Moines, IA 50309) has purchased and remodeled a building at 107 E. 5<sup>th</sup> Street. The acquisition, remodeling and furnishing of this building cost approximately \$2.9 million. This rapidly growing marketing firm was just days away from relocating their offices to 519 4<sup>th</sup> Street when the building was destroyed by fire in December 2004. The economic development loan is to assist with their anticipated employment expansion.

#### **FISCAL IMPACT—**

A forgivable loan of \$2,000 per new employee (up to a maximum of 30 new employees or \$60,000) is proposed to facilitate Two Rivers Marketing's expansion and relocation to their new location. The proposed grant will be advanced annually through 2011 based upon the firm's full time employee growth over their existing employment of 47 employees. For example: Should Two Rivers' employment reach 57 employees at the end of 2006, an installment of \$20,000 will be advanced to the company. No funds will be advanced if Two Rivers' year-end certifications show no job growth. The loan will be forgiven should Two River Marketing maintain its headquarters in the Metro Center Urban Renewal Area through 2011. A prorated portion of the loan must be repaid if Two Rivers' employment falls beneath a level for which a loan installment was granted. The funding source for the grant will be the Economic Development Enterprise Account (CMO980717). If available, this account may be repaid this amount through TIF funds.

This funding structure is beneficial to the City. Rather than advancing funds in a lump sum based on a promise to create jobs, funds are only advanced after the jobs have been created.

## **RECOMMENDATION—**

Approval

## **BACKGROUND—**

On March 28, 2005, by roll call no. 05-725, the City Council approved preliminary terms of a grant not to exceed \$60,000 to Two Rivers Marketing Resource Group. Two Rivers Marketing has carried through with their plan to purchase 107 E. 5<sup>th</sup> and has rehabilitated the building for use as their corporate headquarters. Two Rivers moved into the building last month.

At the time of the March 28, 2005 Council action, it was thought that 107 E. 5<sup>th</sup> Street was just outside the boundary that would allow the proposed improvements to qualify for tax abatement. The City Manager was directed to research and make a recommendation to the City Council regarding the extension of tax abatement to facilitate the Two Rivers project. It has since been determined that the property is inside the tax abatement boundary and Two Rivers has filed an abatement application with the City's Permit and Development Center.

In 1999, Tom Dunphy, senior vice president at Kragie/Newell (now The Integer Group), left to form a new agency. Twenty Kragie/Newell employees were invited to join him. In April 2000, Two Rivers Marketing opened in downtown Des Moines. Temporary offices were assembled in the Teachout building at E. 6th and Locust. Within a year they moved next door to the Hohberger building. In 2004, the owners purchased the Ramsey Pontiac building and began renovations. A December 2004 fire destroyed the building shortly before completion.

The agency specializes in business-to-business marketing for Iowa-based clients, and serves clients in the construction, agriculture, and financial industries. Clients include Vermeer Manufacturing Company, Iowa Mold Tooling, Co. (IMT), McCormick, Crop1 Insurance, John Deere Credit, and the Principal Financial Group. Two Rivers Marketing offers a full range of advertising and marketing services, including public relations, interactive, advertising and media placement, and online training education.

One of the agency's founding philosophies was to put employees first, and the agency's rapid growth affirms this. Since 1999 the agency has grown from 20 to 47 people, with an estimated 85 employees projected by 2011.