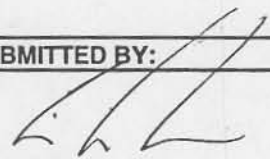


OFFICE OF THE CITY MANAGER
DES MOINES, IOWA

CITY COUNCIL COMMUNICATION 96-052
FEBRUARY 5, 1996 AGENDA

SUBJECT:	TYPE:	PREPARED BY:	SUBMITTED BY:
ACCENT-HOLDING COMPANY, L.C. (AT&L)	◆ RESOLUTION ORDINANCE RECEIVE/FILE	SCOTT STRICKER ECONOMIC DEVELOPMENT ADMINISTRATOR	 ERIC A. ANDERSON CITY MANAGER

SYNOPSIS —

On November 20, 1995, the City Council gave preliminary approval to a \$100,000 CDBG loan to Accent Holding Company, L.C. Loan documents and a First Source Agreement have been prepared for Council review and approval.

FISCAL IMPACT —

No general funds are requested. This request will be funded from CDBG Economic Development Financing Incentive Account Program income.

RECOMMENDATION —

Approval of the loan documents and First Source Agreement.

BACKGROUND —

Accent Tag & Label, Inc. (AT&L) was established in October 1987 and manufactures custom pressure-sensitive labels. Product labels, direct mail address labels, and price labels are typical products with the specifications provided by its customers.

Three years ago, AT&L moved to its present location at 338 SW 6th Street and has added presses and pre-press and plate-making equipment through an SBA 504 Loan, as well as other financing. Employment has grown to 38 people. During the last three years, the company has experienced annual average sales growth of approximately 30 percent. Accent Tag & Label, inc. is a profitable growing company, but needs cash flow to continue funding growth.

The company is proposing the purchase of 3.3 acres in the newly-developing Airport Commerce Park at 2201 Rittenhouse Street. A new 27,000-square-foot facility would be built at that location. The company owners will own the real estate and lease it to the company.

The City loan will be used as part of the typical borrower's equity contribution, thereby saving cash for the company which will be needed to fund ongoing capital growth needs. The requested loan will have a three percent interest rate with a 20-year term.

The project costs and sources of funds are summarized as follows:

<u>Sources</u>		<u>Uses</u>	
Bank	\$ 725,000	Land	\$ 200,000
SBA	580,000	Building Construction	1,125,000
City	100,000	Contingency, Fees & Interest	125,000
Borrower	<u>75,000</u>	Moving Expenses	<u>30,000</u>
	\$1,480,000		\$1,480,000

Norwest Bank and the SBA have approved loans for the project. The company will add 20 jobs within the next three years. Presently, non-management employees average \$9.11 in hourly base wage, plus \$1.34 in hourly benefits. The new employees are projected at wage and benefit rates totaling \$10.37 per hour.

When the City provides \$100,000 or more in direct loan financing, the borrower enters into a First Source Agreement with the City and the Workforce Development Center, Iowa Department of Employment Services. This agreement provides an opportunity for unemployed and underemployed residents to fill jobs created by the borrower. The borrower agrees to use the Center as a First Source of referral of job applicants for non-promotional, non-professional, entry-level job openings.