

OFFICE OF THE CITY MANAGER
DES MOINES, IOWA

CITY COUNCIL COMMUNICATION 96-412
SEPTEMBER 23, 1996 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
AMENDMENT TO CITY LOAN FOR THE COMPETITIVE EDGE, INC.	◆ RESOLUTION ORDINANCE RECEIVE/FILE	SCOTT STRICKER ECONOMIC DEVELOPMENT ADMINISTRATOR

SYNOPSIS —

On the September 23, 1996, Council agenda is a roll call to approve the amendment of terms in the Des Moines Action Loan Fund (DMALF) Loan Agreement and Promissory Note to The Competitive Edge, Inc. and Greenspon Property Management, Inc. The amendment increases the rate of interest from three percent to the prime rate (8-1/4 percent) and reduces the maturity date from May 2012 to December 31, 1996.

The Competitive Edge, Inc. and Greenspon Property Management, Inc. is owned by David M. Greenspon. The Competitive Edge, Inc., which was formerly located at 2711 Grand Avenue, has relocated its operation and all employees to 3500 109th Street, Urbandale. For over a year, the company was involved in negotiations to purchase the property adjacent to their Grand Avenue location in order to expand the existing building to facilitate their continued growth as well as the consolidation of its screen printing operation. The consolidation of the screen printing operation was necessitated by the company losing its leased manufacturing space as part of the Equitable Insurance Company project. City staff worked with company officials in their efforts to purchase the adjacent property and to overcome environmental concerns and related liability issues associated with the purchase; however, negotiations between the company and the land owners proved to be unsuccessful.

Subsequently, the company relocated and consolidated its operations at the Urbandale address. Their relocation constitutes a default under the City's DMALF Loan Agreement and Promissory Note. To resolve the default, the company has agreed to an increase in the rate of interest and to repay the loan in full from the sale of the facility or through other financing by December 31, 1996. City staff believe that the company has acted in good faith, but was unable to find a suitable facility within their decision-making time frame. The amendment allows adequate time to repay the City loan (outstanding balance of \$50,279.25) without causing undue financial hardship on the company.

FISCAL IMPACT —

None; the change in loan terms does not affect the General Fund.

RECOMMENDATION —

Approval of the amendment to the DMALF Loan Agreement and Promissory Note and to authorize and direct the Mayor, where appropriate, to execute said DMALF Loan Amendment and to authorize the City Clerk, where appropriate, to attest to the Mayor's signature and obtain property acknowledgments.

BACKGROUND —

By Roll Call No. 92-1229, dated April 6, 1992, and Roll Call No. 92-1646, dated May 4, 1992, the City Council approved a DMALF Loan in the amount of \$60,000 for The Competitive Edge, Inc. and Greenspon Property Management, Inc. Both companies are owned and operated by David M.

Greenspon. The loan was to assist the company in purchasing, renovating and relocating to the commercial building located at 2711 Grand Avenue. The total project costs on the original project amounted to \$340,000. The company was to expand employment by 12 full-time employees for a total employment of 24 jobs.

For over a year, the company was involved in negotiations to purchase property adjacent to 2711 Grand Avenue in order to expand the existing building to facilitate their continued growth as well as the consolidation of its screen printing operation. The consolidation of the screen printing became necessary due to the company losing its leased manufacturing space as part of the Equitable Insurance Company project. City staff worked with company officials to overcome environmental concerns and related liability issues associated with the property purchase as well as identify other possible sites for the company in Des Moines. However, negotiations between the company and the land owners, as well as the City's efforts to find alternative sites acceptable to the company, proved to be unsuccessful.

Subsequently, the company relocated and consolidated its operations to 3500 109th Street, Urbandale. Their relocation constitutes a default under the City's DMALF Loan Agreement and Promissory Note. To resolve the default, the company has agreed to amend the Loan Agreement and Promissory Note as follows:

1. The rate of interest will increase from three percent to the prime rate (8-1/4 percent) as published in the Wall Street Journal; and
2. The maturity date of the note will be changed to December 31, 1996, from its current date of May 2012.

The company will continue to make their regular monthly payment and repay the loan in full by the new amended maturity date. The company's intention is to repay the City's loan from the sale of the building located at 2711 Grand Avenue, or by refinancing the building's existing mortgages, if the facility is not sold by the new amended maturity date. City staff believe that the company acted in good faith in trying to expand at their Grand Avenue location, but was unable to. The DMALF Loan Agreement and Promissory Amendments bring the terms of the City loan to market conditions and allows the company adequate time to repay the City loan (outstanding balance of \$50,279.25) in full without creating undue financial hardship on the company.