

**OFFICE OF THE CITY MANAGER  
DES MOINES, IOWA**

**CITY COUNCIL COMMUNICATION 96-483  
NOVEMBER 18, 1996 AGENDA**

SUBJECT:	TYPE:	SUBMITTED BY:
ANDERSON ERICKSON DAIRY COMPANY	◆ RESOLUTION ORDINANCE RECEIVE/FILE	SCOTT STRICKER ECONOMIC DEVELOPMENT ADMINISTRATOR

**SYNOPSIS —**

On the November 18, 1996, Council agenda is a roll call to approve the City Loan Agreement and Forgivable Promissory Note in the amount of \$72,500 for Anderson Erickson Dairy Company. By Roll Call Number 96-3236, dated September 16, 1996, City Council gave final approval to the City's local participation in conjunction with the State of Iowa CEBA Float Loan in the amount of \$3 million.

**FISCAL IMPACT —**

The City's forgivable loan, in the amount of \$72,500, will be initially funded from the UDAG Repayments Account and subsequently reimbursed from the ACCENT Neighborhood Urban Renewal Area tax increment financing district revenues as they become available. The Company has also entered into a \$1.5 million minimum assessment agreement for the value added to the facility (located at 2201 Hubbell Avenue) resulting from the project's new construction and remodeling. This will result in the property's assessed value increasing to \$3,956,000, upon project completion. The project will generate approximately \$485,000 in cumulative net new property taxes after 10 years (estimated normal allocations to other taxing bodies—Polk County, \$102,400; Des Moines Independent Schools, \$183,700; and City, \$186,300) and \$1.5 million in cumulative new net property taxes after 20 years (estimated normal allocations to other taxing bodies—Polk County, \$316,800; Des Moines Independent Schools, \$568,200; and City, \$576,150) taking into account the 10-year declining tax abatement schedule and the City forgivable loan. The project will be eligible for tax abatement under either the City's three-year 100 percent or 10-year declining schedules at the discretion of the Company. Under the 10-year declining schedule the estimated benefit to the Company is \$283,000.

**RECOMMENDATION —**

**Approve the City's Loan Agreement and Forgivable Promissory Note in the amount of \$72,500 for Anderson Erickson Dairy Company.**

**BACKGROUND —**

Anderson Erickson Dairy Company has agreed to expand their existing production facility located at 2201 Hubbell Avenue in Des Moines. Due to limitations in the current plant facilities and operations, the Des Moines facility is producing near capacity and cannot meet growing sales demands for the Company's products.

The project involves new construction consisting of a 3,000 sq. ft. addition to their cooler, an 11,300 sq. ft. receiving addition, and the remodeling of their current production facility to better facilitate production flows thereby increasing production. The total project cost is \$4.5 million (new construction costs are approximately \$3 million and new equipment costs are approximately \$1.5 million). The proposed project will retain 50 production jobs and create 25 new full-time jobs over a period of two years after the completion of the expansion project. It is estimated that the retained and created jobs will average \$12.73 per hour and result in an annual

local payroll of \$2,223,800. The Company also provides medical and dental insurance and pension and profit-sharing plans.

The following five-year loan package has been approved to assist in this economic development project: a \$500,000 interim loan from Norwest Bank Iowa, N.A. with a term not to exceed 12 months; a \$3.0 million State of Iowa CEBA Float Loan at a zero interest rate repaid over a term of 30 months. The CEBA Float loan will be repaid from a \$1 million payment made by Anderson Erickson Dairy Company and a \$2.0 million loan from Polk County. The Polk County loan will be repaid by Anderson Erickson Dairy Company at zero interest over a term of 30 months. The CEBA Float Loan is required to be secured by an Irrevocable Letter of Credit. The City of Des Moines' participation will be in the form of a forgivable loan totaling \$72,500 to cover Company costs associated with the issuance of the State required letter of credit and interest costs incurred on the conventional interim loan.