



**Council Communication No. 97-308**

**SYNOPSIS –**

On the June 2, 1997, Council agenda is a roll call requesting preliminary approval of a Des Moines Action Loan Fund (DMALF) loan in the amount of \$102,000 to Scott Street Enterprises, an Iowa partnership. The proposed DMALF loan is to assist in the construction of a new 8,750-square-foot commercial building to be located at 500 E. Scott. By Roll Call No. 97-1665, dated May 5, 1997, the City Council approved vacation and sale of excess right-of-way along Allen Street and SE 5th Street and the alley between Allen and Scott Street to Scott Street Enterprises as part of the proposed project.

Scott Street Enterprises is a partnership consisting of Don Davis of 2414 SE Thornton, Des Moines, and Mark Bockenstedt, 7375 NW 107th, Grimes. The proposed new facility will be leased to DHL Worldwide Express, which will allow them to double the size of their current operations within the City of Des Moines. DHL projects to double its employment to 16 full-time equivalent employees at this location. The average wages paid will meet or exceed the adopted Council goal of \$9 per hour including benefits. Scott Street Enterprises has developed two commercial buildings in the same vicinity as the proposed project. The first, built in 1993 at a total cost of \$310,000, is located at 501 - 507 E. Scott, and is a 10,000-square-foot multi-use building. This facility is currently occupied by four companies that employ a total of 19 employees. The second, built in 1996 at a total cost of \$350,000, is leased to Brinks Armored Car Service which employs 18 people. Mr. Davis and Mr. Bockenstedt are also the principals of Bright Electric, which they founded in the City of Des Moines in 1981. Bright Electric currently employs 12 electricians and operates out of 501 E. Scott Street.

The estimated construction costs for the project total \$510,000. These construction costs are higher than normal for a commercial building of this size due to costs incurred for site clean-up and needed infrastructure improvements. The company has secured conventional bank financing from Norwest Bank in an amount not to exceed 70 percent of the building's appraised value. Due to the location of the facility and the higher-than-normal construction costs, the fair market value appraisal is significantly less than actual construction costs. This results in a gap that will prevent the project from moving forward without City assistance. The proposed financing package is as follows: Norwest Bank \$313,600, 20-year loan; Scott Street Enterprises injection of \$94,740; and the City loan of \$102,000 with three percent interest repaid over 20 years.

**FISCAL IMPACT –**

The City loan in the amount of \$102,000 will be funded with Community Development Block Grant (CBDG) funds from the Economic Development Financial Incentive Program DMALF. No General Funds will be used.

## RECOMMENDATION –

**Approve the roll call giving preliminary approval to the DMALF loan in the amount of \$102,000 at three percent interest repaid over a term of 20 years to Scott Street Enterprises.**

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