



Council Communication No. 97-318

SYNOPSIS –

On the June 16, 1997, Council agenda is a Roll Call for preliminary approval of a Des Moines Action Loan Fund Loan in the amount of \$200,000 to Mercury Plastic Engineering, Inc. Mercury Plastic Engineering, Inc. manufactures and distributes plastic products to retailers and other end users.

The company has steadily grown over the past five years and currently employs 72 full-time workers with an annual payroll of \$1,235,000. The company has entered into several new multi-year contracts, that if produced within the Des Moines facility will result in the creation of 22 new manufacturing jobs with a projected average wage of \$10 per hour. To produce this new work efficiently and effectively, however, the company must restructure its current product work flow by bringing all operations into one facility. The company is currently reviewing the costs of consolidating into one facility in the Des Moines area against the costs of shifting the new production contracts to other production facilities in the Kansas City area.

In the Des Moines area the company has identified two potential sites for this consolidation to occur, one located in rural Polk County, the other within the City of Des Moines. Both facilities provide adequate space for the company to consolidate its operations and provide future expansion; however, the facility located in rural Polk County is substantially less expensive to lease. The facility within the City of Des Moines is a multi-use building located at 2100 Delaware. The building has approximately 51,000 square feet available for lease with the option of expansion to 81,000 square feet as space becomes available over the next few years. To occupy this proposed facility, the company estimates it will require a total investment of approximately \$1,000,000. The space requires renovation to accommodate the company's production needs estimated at \$400,000. The company also estimates that it will purchase new production equipment totaling \$500,000, and will incur costs of relocating its existing facility exceeding \$100,000.

Economic Development Division staff have been working with company management in seeking a financial assistance package that will lower the company's overall costs at the Des Moines facility as compared to the Polk County facility. The following financial assistance package has been developed: a \$200,000 City loan at three percent interest, payable over the term of the lease (15 years); up to \$700,000 in bank financing from the company's bank, United Missouri Bank; and \$100,000 in company cash contributions related to the relocation expenses.

FISCAL IMPACT –

The City loan will be funded with CDBG funds from the Des Moines Action Loan Fund. No

General Funds will be used. No City funds will be disbursed before all other funding has been committed.

RECOMMENDATION –

Approval of the Roll Call giving preliminary approval to a City loan in the amount of \$200,000 at three percent interest, payable over 15 years, and funded with CDBG funds from the Des Moines Action Loan Fund.

BACKGROUND –

Mercury Plastic Engineering, Inc. manufactures and distributes plastic products to retailers and other end users. The company is an Iowa corporation that was formed in June, 1992 from the purchase of machinery and equipment from the plastic molding division of Sun Tool, Inc. The company currently operates out of five separate locations, with its main manufacturing and corporate offices located at 300 SE Allen Street. The company is owned and operated by Garrick Doebele and Robert and Pat Doebele of Clive. Garrick Doebele also owns interests in similar manufacturing companies in the St. Louis and Kansas City markets.