



**Council Communication No. 97-361**

**SYNOPSIS —**

The Des Moines Action Loan Fund (DMALF) is to assist in the construction of a new 8,750-square-foot commercial building to be located at 500 East Scott. The proposed new facility will be leased to DHL Worldwide Express, a delivery service, which will allow them to double the size of their current operations within the City of Des Moines. DHL anticipates doubling 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. Roll Call No. 97-1665, dated May 5, 1997, approved the 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. Roll Call No. 97-1929, dated June 2, 1997, gave preliminary approval to the loan request in the amount of \$102,000, subject to the company obtaining all financing commitments and environmental review.

**FISCAL IMPACT —**

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

**RECOMMENDATION —**

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

**BACKGROUND —**

Scott Street Enterprises is a partnership consisting of Don Davis of 2414 SE Thornton, Des Moines, and Mark Bockenstedt of 7375 NW 107th, Grimes. 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 East 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 East Scott Street.

The 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 cleanup 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 financing package is as follows: Norwest Bank \$313,600, 20-year loan; Scott Street Enterprises injection of \$94,740; and City loan of \$102,000 with three percent interest repaid over 20 years.

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