

OFFICE OF THE CITY MANAGER
DES MOINES, IOWA

ITEM 89

CITY COUNCIL COMMUNICATION 97-424
AUGUST 18, 1997 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
ECONOMIC DEVELOPMENT ASSISTANCE TO NATIONJOB, INC.	◆ RESOLUTION ORDINANCE RECEIVE/FILE	JAMES GRANT COMMUNITY DEVELOPMENT DIRECTOR

SYNOPSIS —

On the August 18, 1997 Council agenda is a resolution approving the submission of a Community Economic Betterment Account (CEBA) application in the amount of \$35,000, and preliminary approval of a \$45,000 Des Moines Action Loan Fund (DMALF) loan to NationJob, Inc.

FISCAL IMPACT —

The proposed loan is to be funded out of the Des Moines Action Loan Fund. The loan in the amount of \$45,000 is to be repaid over a term of five years at zero percent interest. No City funds will be advanced until all other public and private funds are committed to the project.

RECOMMENDATION —

Preliminary approval of a Des Moines Action Loan Fund loan to NationJob, Inc., in the amount of \$45,000 at zero interest to be repaid over a term of five years, and approval of a Community Economic Betterment Account (CEBA) application in the amount of \$35,000 to the State of Iowa.

BACKGROUND —

NationJob, Inc., provides products and services related to the advertisement of job openings for businesses. Its products consist of a new medium, on-line access service through the Internet. The company markets this product directly to businesses in need of filling job openings and other publications, including the Des Moines Register and the Cedar Rapids Gazette. In 1996, NationJob introduced its Personal Job Scout (P.J. Scout) service, that currently delivers job openings directly to over 160,000 subscribing job seekers.

NationJob is operated by majority owners, Ralph Hejlik, President, 4012 Maple Street, West Des Moines; and Robert Levinstein, Vice President, 673 - 61st Street, Des Moines. The company is presently located in the Golden Circle Business Center incubator located on the DMACC main campus, which is scheduled to close this fall. Chris Greenfield with the Downtown Partnership became aware of NationJob and began working with them on relocating to the City of Des Moines. The Company's search for a suitable facility has resulted in the selection of 5,832 square feet of office space located at 601 SW Ninth Street, Des Moines (Riverpoint Business Park). The project will relocate 15 existing jobs with an annual payroll of about \$340,000 (average wage of \$11.36 per hour) and expects to create 27 new jobs within the next two years with an annual payroll of \$598,000 (average wage of \$10.65 per hour).

Total project costs are estimated at \$239,000 as follows: \$50,000 for tenant improvements to be financed by the landlord over the term of the lease; \$139,000 in new equipment, furniture and fixture purchases

to be financed with a combination of commercial leases, the proposed CEBA Loan and the proposed City DMALF loan; and \$50,000 in working capital contributed by the company to cover expenses such as training of new employees, new printed materials and moving expenses. The proposed City DMALF loan in the amount of \$45,000, is structured to be repaid at zero percent interest over a five-year term. The proposed CEBA loan in the amount of \$35,000, is structured with one-half repaid over five years at zero percent interest and one-half forgivable over five years.

The total capital requirements of the project exceed the level of funding the company can raise through conventional financing markets. The company is profitable and has produced positive cash flows sufficient to build reserves and service its existing bank debt. Due to operational losses sustained in prior years; however, its bank of record is unwilling to assist in the proposed company expansion. This proposed project cannot move forward at this time without public assistance from the State and City.