

**CITY COUNCIL COMMUNICATION 98-093
MARCH 16, 1998 AGENDA**

SUBJECT:

**RESOLUTION FOR PRELIMINARY APPROVAL
OF A CITY LOAN FROM THE DES MOINES ACTION
LOAN FUND TO ANNETT HOLDINGS, INC.
D/B/A TMC TRANSPORTATION**

SUBMITTED BY:

**RICHARD CLARK
DEPUTY CITY MANAGER**

SYNOPSIS —

Michael Ryan of the Office of Economic Development has been working with TMC Transportation in discussions of possible public participation in an expansion project. TMC Transportation is locally owned and headquartered at 6115 SW Leland. The company, owned by Harold W. Annett, is planning approximately \$6.2 million in additional or expanded facilities over the next three years. This expansion will be accompanied by employment growth of 75 new employees within a three-year period. This employment growth will be in such categories as fleet managers, mechanics and fleet operations, programming, payroll, billing, safety, and other administrative and support functions. Depending on the job category and the experience of the applicant, starting wages will average between \$21,000 and \$35,000 annually. In addition, the company provides benefits including health insurance and 401(k) plan. There will also be driving positions created.

Although the company wants this expansion to take place in Des Moines, it does have a facility in Indiana and is considering establishing a facility in the Southeastern United States, since it has a strong customer and revenue base in those areas. The City loan of \$150,000, and a similar loan amount of \$150,000 which the company is requesting from the County, will help ensure that this expansion takes place in Des Moines.

In addition to the direct loan assistance, the TMC project is also eligible for tax abatement of either three years or ten years. The company is also working with Enterprise Community staff to utilize the Enterprise Community Employment Consortium linking Enterprise Community residents with available job openings created by TMC. The Enterprise Community Employment Consortium (ECEC) was formed in response to the High Quality Jobs benchmark in the Enterprise Community (EC) Strategic Plan. Current partners in the Consortium include Des Moines Area Community College (DMACC), the Des Moines Chamber of Commerce, Iowa Comprehensive Human Services (ICHS), and the Next Step Self-Sufficiency Collaboration

(Mid-City Vision, Children and Families of Iowa, OSACS [One Self Actualizing Communication Skills], and Proteus). These partners will collaborate to administer outreach, intake and assessment, training, and employment programs.

FISCAL IMPACT —

The proposed \$150,000 loan will be funded from the Economic Development Enterprise Account. The loan would be at zero percent interest and repaid over a five-year term. This project is eligible for three-year or ten-year tax abatement.

RECOMMENDATION —

Staff recommends approval of the resolution for preliminary approval of the \$150,000 City loan.

BACKGROUND —

Annett Holdings, Inc. (d/b/a TMC Transportation) commenced operation in Des Moines, Iowa, in 1972. The sole shareholder of TMC is Harrold Annett. The company moved to its present location from downtown Des Moines in 1984. Two buildings totaling 32,000 square feet were constructed to house the growing flatbed operation. Presently, the Des Moines campus has 118,000 square feet of developed space on more than 50 acres. Surface parking has been completed on an additional ten acres.

The company operates 700 of its own tractors along with 125 owner operators for a total fleet size of 825 units making it the largest privately owned flatbed company in the United States. Current revenues place TMC in the top 100 carriers of more than 55,000 registered Interstate Commerce Commission (ICC) carriers.

A centralized office staff of 230 is based in Des Moines, and more than 100 drivers call Iowa home. All but nine non-driver employees live in the Golden Circle area. Average wage levels for the Des Moines area workforce exceeds \$25,000. The average driver wage exceeds \$30,000.

TMC' s customer base numbers 6,000, primarily in the Eastern two thirds of the country. Services are primarily rendered to companies outside the State of Iowa.

Plans call for doubling the company' s size in the next three years. Other locations are under consideration based on the company' s area of operation and the limited amount of outbound freight.

In addition to the direct loans from the City and the County, the company will be working with DMACC for training of new and existing employees.

The State Department of Economic Development has also suggested to TMC three state initiatives as potential assistance to the company, and the City and company have explored, and will continue to explore the following programs with the State:

1. Business Network Training Program - this would provide funds for at least five transportation companies (including TMC) and requires coordination with at least two area community colleges to address the common training needs of the involved companies. The State Trucking Association will play a lead role in coordinating this effort;
2. Physical Infrastructure Assistance Program - the company will work directly with the State to determine whether approximately \$200,000 of infrastructure expense identified by the company may be qualified for assistance under the program; and
3. State Enterprise Zone - although initially suggested by the State, more detailed research done by City Economic Development staff in consultation with State staff has led us to the preliminary conclusion that the TMC property and surrounding area within the City of Des Moines will not qualify as an eligible Enterprise Zone area.