

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

98-112

**OFFICE OF THE CITY MANAGER
DES MOINES, IOWA**

AGENDA:

APRIL 6, 1998

SYNOPSIS –

SUBJECT:

SUBORDINATION
OF CITY LOAN TO
NORWEST BANK
IOWA, N.A. ON
BEHALF OF
NATIONJOB, INC.

On the April 6, 1998, Council agenda is a resolution approving the subordination of the City's loan to NationJob, Inc. to a new loan to be made by Norwest Bank Iowa, N.A. in the amount of \$50,000. On September 22, 1997, by Roll Call No. 97-3254, the Council gave final approval to loan documents for a Des Moines Action Loan Fund Loan in the amount of \$45,000 to NationJob, Inc. 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. Terrance N. Vorbrich with the City's Office of Economic Development is the lead City contact.

TYPE:

**RESOLUTION
ORDINANCE
RECEIVE/FILE**

FISCAL IMPACT –

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

None. The City loan was funded out of the Des Moines Action Loan Fund.

RECOMMENDATION –

Approval of the roll call authorizing the execution of a subordination agreement by the City in favor of Norwest Bank Iowa, N.A.

BACKGROUND –

The City assisted NationJob, Inc. to relocate from the Golden Circle Business Center incubator located on the Des Moines Area Community College (DMACC) main campus to 601 SW Ninth Street where it now occupies 5,832 square feet of space. The relocation and renovation of its new space had total costs of \$239,000.

The project resulted in the location of 15 jobs with an annual payroll of about \$340,000 (average wage of \$11.36 per hour) to the Riverpoint location. Within the next two years the company is projected to create 27 new jobs with an annual payroll of \$598,000 (average wage of \$10.65 per hour). In addition, the company provides all full-time employees with either single or family health and life insurance coverage, of which the company pays 70 percent of the premium costs.

When the company moved to its Des Moines location, its bank of record declined to participate in the financing. Subsequent to the move, the company has been profitable and has repaid the \$150,000 bank loan in full. NationJob, Inc. now wishes to move its banking relationship to Norwest Bank Iowa, N.A. and has negotiated a line of credit in the amount of \$50,000, to support the company's working capital needs. Norwest's approval of the line of credit is subject to it obtaining a senior lien in business assets, which will require a subordination of the City's existing lien. The City's loan will continue to be secured by business assets with total values in excess of the combined Norwest and City loans, and the personal guarantees of the company's principals.

NationJob, Inc., provides products and services related to the advertisement of job openings for businesses. Its product consists 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. 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.