



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

98-235

SYNOPSIS –

AGENDA:

JUNE 1, 1998

SUBJECT:

APPROVAL OF CEBA
APPLICATION AND
CITY LOAN FOR DES
MOINES
PRODUCTION PLATING
CO., INC.

Michael Ryan, Office of Economic Development, has been working with the owners of Des Moines Production Plating Co., Inc., who are in negotiations to purchase the zinc plating business of D & J Plating, Inc., located in Ankeny. The new zinc plating business would be located at 2510 Bell Avenue, and Des Moines Production Plating Co., Inc. forecasts significant expansion of that business segment, as well as offering other plating products and services.

TYPE:

**RESOLUTION
ORDINANCE
RECEIVE/FILE**

It is the intention of the new owners to offer employment to any D & J employees that may lose their jobs due to the business purchase. D & J will likely stay in business, offering other types of plating products. The new Des Moines company will retain or create 27 jobs, with an average wage of \$10.50 per hour.

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

The owners will be John Crane and Robert Happel, each with 40 percent ownership, and Larry Feldhacker with 20 percent ownership. Messrs. Crane and Happel will be relocating to Des Moines to manage the business. Mr. Feldhacker lives in Omaha where he manages another business that will be a significant customer for Des Moines Production Plating products. All three owners will guarantee the City and State loans.

The prospective City and State loans will each be \$50,000, five-year repayment loans at 3 percent interest. The company will borrow \$590,000 from Community State Bank and provide \$195,000 in cash or equipment value. These funds will in turn be used as follows: \$585,000 for equipment and materials, \$200,000 for the purchase of D & J Plating's zinc plating business, and \$100,000 for working capital.

FISCAL IMPACT –

The City loan of \$50,000 will be funded from Community Development Block Grant (CDBG) Economic Development funds which are a component of the Economic Development Enterprise fund.

RECOMMENDATION –

Staff recommends approval of the roll call authorizing a Community Economic Betterment Account (CEBA) application in the amount of \$50,000 and a preliminary approval of a \$50,000 City loan.

BACKGROUND –

Industry Analysis

The plating market is growing at a rapid rate. The regional market for these products amounted to \$15,000,000 in 1996.

Our research indicates that the major trend is growth. The trend has been toward the development of more efficient plating operations and, hence, the latest development of distributed or shared resources.

The overall plating market for the metal finishing industry in our region is projected to be \$25,000,000 by the end of 2000. The overall regional market potential for industrial plating is estimated to be \$37,000,000 by 2010.

The area of greatest growth in the plating market is in the area of zinc plating.

Market Segment

Currently, the market is shared by D & J Plating, Barrett Plating, Albert Lea Plating, Sun-Wise, Prime Plating, and Lincoln Plating.

Users of industrial plating are looking for quality and productivity improvements. Developments in industrial plating have resulted in the need to expand current plating systems.

The stability of this market segment is excellent. This is based on the product category performance over the past two years.

As indicated above, D & J Plating is divesting its zinc operation. Barrett Plating in Des Moines and Sun-Wise Plating in Sac City are not technologically equipped to provide the higher volume production runs regional customers now send to the Minnesota and Nebraska companies. Des Moines Production Plating estimates that 60 percent - 80 percent of its sales could come from a combination of out-of-state customers and in-state customers who presently purchase plating from outside the state.

The owners have extensive background in sales or production in the metals industry including the Iowa market. The company will utilize the customer bases of D & J Plating and Mr. Feldhacker' s Company with the intention of growing the business to eventually serve some of Iowa' s largest manufacturers.