

Meeting Agendas/Info

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

01-233

SYNOPSIS -

AGENDA:

MAY 7, 2001

SUBJECT:

CITY LOAN AND
COLLATERAL
DOCUMENTS-
PAPER SYSTEMS,
INC.

On February 26, 2001, City Council approved a \$45,000 Community Economic Betterment Account (CEBA) application for Paper Systems, Inc. and also gave preliminary approval to a \$45,000 City loan to the company. Paper Systems leases space at 321 S.W. 4th Street. The company has been in business since 1986, and the majority owners, Larry and Rosemary Chase, reside at 3716 S.W. 28th Place in Des Moines. The state approved the CEBA loan, and City loan documents have been prepared for Council review and approval.

Total project cost is \$276,000 to fund new equipment and working capital. In addition to the public loans, the majority shareholders will provide \$186,000 of new subordinated debt to finance project costs.

TYPE:

**RESOLUTION
ORDINANCE
RECEIVE/FILE**

The company pledges to add 16 new jobs averaging \$11.62 within three years. Three jobs averaging \$10.25 will be retained. The company also provides benefits. Michael Ryan is the Office of Economic Development contact for this project.

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

Economic Development staff has consulted with Community Development staff regarding long-term planning for the South of Court area, including the company's present location. The company has been informed that a Housing Master Plan has been approved for that area, and that the Master Plan necessitates future re-zoning. This re-zoning from C-3A to C-3R would make this type of business a legal non-conforming use at that time.

Since this project does not include any building expansion, improvement, or fixturing, and since housing development impacting this particular location may be several years away, staff continues to recommend approval. City funds will be used for equipment purchase. The City loan agreement contains language to the effect that if the City decides to purchase this property, the City will have no relocation obligation for the equipment purchased as part of this project.

FISCAL IMPACT -

The City loan will be funded from Community Development Block Grant (CDBG) funds and will be repaid in seven years and carry an interest rate of 4 percent. The terms of the state loan are similar. During this seven-year period, the shareholders will receive interest only on their loan to the company. The shareholder loan is subordinate to the City and state loans.

The City loan will be secured by a lien on business assets and by the personal guaranties of Larry and Rosemary Chase.

RECOMMENDATION -

Approval.

BACKGROUND -

The company is an assembler and wholesale distributor of a variety of bulk container products. City and state funding will help the company bring a new container product to market. This product has several favorable shipping and storage features for the marketplace since it is reusable, collapsible, waterproof, and stackable.

The company was founded in 1986 by Larry Chase. Its primary business has been the assembly of proprietary corrugated bulk containers used by commercial customers for shipping both bulk liquid and dry commodities. It has achieved a stable but static market share where it competes with much larger out-of-state companies. The proposed new product is viewed by the company as a viable alternative to woodbin box containers and bulk bags, which are commonly used in packaging of food grade products. The company believes it will have pricing advantages while offering customers a more durable and sanitary container, as well as a container product that is more flexible for shipping and storage.
