CITY COUNCIL COMMUNICATION:

02-117

AGENDA:

MARCH 4, 2002

SUBJECT:

COLOR CONVERTING INDUSTRIES AMENDMENT TO CITY AND CEBA DEVELOPMENT AGREEMENTS

TYPE:

<u>RESOLUTION</u>
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY MANAGER

ITEM _____

OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA

SYNOPSIS -

Approval of documents amending the City Development Agreement and the State of Iowa Community Economic Betterment Account (CEBA) Agreement with Color Converting Industries. The amendments provide for a two-year extension in time for the company to achieve its job attainment goals. On December 3, 2001, by Roll Call No. 01-3560, City Council preliminarily approved the amendment subject to the State of Iowa approval.

FISCAL IMPACT -

None.

RECOMMENDATION -

Approval.

BACKGROUND -

On April 6, 1998, by Roll Call No. 98-1048, City Council approved a City economic development forgivable loan for $348,533 and a $750,000 State of Iowa CEBA loan to Color Converting Industries, Inc. as assistance in the construction of a new corporate headquarter and manufacturing facility located at 3535 SW 56th Street, Des Moines.

The company pledged to retain its existing workforce of 118 at an average wage of $17.93 per hour plus benefits and create 97 new jobs at an average wage of $18.18 per hour plus benefits for a total of 215 jobs. For the CEBA loan, the new jobs were to be created within three years of the CEBA approval date (December 31, 2000), and for the City loan within three years of occupying their new facility (June 30, 2002).

	The company has experienced delays in reaching its anticipated production capacity and employment levels at the new facility. The company has met its job retention and average wage rate obligations and has created 14 new positions. Changes in the ink industry have increased focus on consolidation of manufacturers, improving productivity, and developing lower-cost manufacturing capacity, all of which have restricted the company's new job growth. Implementation of a new sales and service approach is resulting in huge sales increases, which is requiring increased levels of capital expenditures for additional production lines at the Des Moines facility and will act as a catalyst for further new job growth. The extension will allow the company time to further implement these positive changes and work toward meeting its job attainment obligations.