



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

02-276

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

AGENDA:

JUNE 3, 2002

SYNOPSIS -

SUBJECT:

EMCO
ENTERPRISES, INC.
LOAN SECURITY

On the June 3, 2002 Council agenda is a resolution to approve an amendment to the City's loan agreement with EMCO Enterprises, Inc. related to loan security. Council is requested to increase the company's maximum economic development grant from \$33,750 to \$49,130 to cover Irrevocable Letter of Credit costs not only for the \$1.75 million State Community Economic Betterment Account (CEBA) float loan, but also the City \$450,000, zero percent interest rate, 30-month term loan.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

EMCO is proposing to expand at its existing building leased at 2121 East Walnut Street. The company plans to invest approximately \$7 million in aluminum fabricating, assembly and packaging equipment, install new technology in the office and the production facility, expand distribution, and create at least three professional and 20 customer service jobs that would pay annual salaries of \$45,000 and \$24,000 respectively. EMCO manufactures the FOREVER brand of storm and screen doors. J. Glasnapp is the President and Chief Operating Officer of EMCO, headquartered at 2121 East Walnut Street. In 2001, EMCO became a wholly-owned subsidiary of Andersen Windows, the world's largest window manufacturer, headquartered in Bayport, Minnesota.

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

Ellen Walkowiak and Terrance Vorbrich with the City's Office of Economic Development are coordinating the City activities relative to this project.

FISCAL IMPACT -

The \$49,130 maximum economic development grant will be funded from the City's Economic Development Enterprise Fund Account. Funds will be used to cover Irrevocable Letter of Credit costs for the State and City loans.

RECOMMENDATION -

Approval.

BACKGROUND -

On December 17, 2001, by Roll Call No. 01-3691, Council provided preliminary approval of a \$450,000 City loan and a \$33,750 economic grant to cover Letter of Credit costs associated with a CEBA loan. It also approved submission of a CEBA application to the State of Iowa for a \$1.75 million loan on behalf of EMCO. The State of Iowa has approved the CEBA loan.

On May 20, 2002, by Roll Call No. 02-1328, Council approved the above-referenced City loan and grant and requested additional security. The expanded Letter of Credit will provide excellent security for repayment of the City and the State loans.

Although Council approved financing for EMCO without a signed Good Neighbor Agreement, it is addressing the Good Neighbor Task Force's concerns in a different manner. It has directed City staff to work with the company on discontinuing painting at its 2121 East Walnut Street location and provide periodic updates to the Council regarding progress made. Staff will follow-up with the company once every two months and provide a report to Council on its findings. It will also send a copy of each report to the Good Neighbor Task Force.

The City will assist the company with its current and future development. This project will help the City to retain and expand its manufacturing base and enable new business opportunities.
