

**CITY COUNCIL
COMMUNICATION:**

02-651

AGENDA:

DECEMBER 16, 2002

SUBJECT:

PRELIMINARY
TERMS OF
AGREEMENT FOR
AMERICAN TIRE
DISTRIBUTORS
PROJECT

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

ITEM 47

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

SYNOPSIS —

On the December 16, 2002, Council agenda are two roll calls regarding the American Tire Distributors project. The first is a roll call to accept and approve the preliminary terms of agreement with American Tire Distributors (J. Michael Gaither, Executive Vice President, Huntersville, NC) for the creation of a distribution center in the City of Des Moines. Also on the agenda is a roll call to approve a Community Economic Betterment Account (CEBA) application by the City of Des Moines on behalf of American Tire Distributors for this project. This project will result in the creation of 30 new jobs in the City of Des Moines.

The process of choosing a potential location for a new facility has been very competitive. The City of Des Moines, along with the State of Iowa, has formulated a package of financial incentives to facilitate the location of the American Tire Distributors facility in Des Moines.

The City of Des Moines will provide a \$100,000 1% interest loan. The loan will have a seven-year term. The funds would be dependent upon the creation of 30 jobs.

FISCAL IMPACT —

The proposed \$100,000 in economic development assistance will be funded from the City's Economic Development Enterprise Fund Account.

RECOMMENDATION —

Approve the preliminary terms of agreement between the City and American Tire Distributors, approve the CEBA application by the City of Des Moines on behalf of American Tire Distributors, and direct the City Manager to:

- 1. Prepare a development agreement with American Tire Distributors based on preliminary terms of agreement as set forth in this communication.**
- 2. Refer this matter to the Urban Renewal Board and any other City Boards and Commissions as necessary for their review and comment at appropriate times.**

**CITY COUNCIL
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DECEMBER 16, 2002
PAGE TWO

BACKGROUND —

Based on discussions with American Tire Distributors, preliminary terms of agreement have been reached. The following general points comprise the key features that will be defined in detail as part of a formal development agreement between the City and American Tire Distributors.

1. American Tire Distributors will add 30 employees to their payroll in the City of Des Moines and Polk County by December 2005 with an associated payroll of more than \$600,000.
2. American Tire Distributors will make a \$372,300 capital investment (mainly furniture, fixtures, and equipment) in its new facility at 3915 Delaware. The corporation will also invest \$1 million in working capital.
3. American Tire Distributors agrees to make an application for benefits under the CEBA program.
4. American Tire Distributors and the City agree that the State of Iowa approval of the CEBA application is a condition of the final development agreement.
5. The City will provide an economic development loan of \$100,000 to be repaid over seven years at 1% interest.
6. The 30 new positions must be maintained for a minimum of seven years.
7. The City will require collateral on the loan. Terms will be contained in the final contract.
8. Other terms and conditions of the development loan will be negotiated with American Tire Distributors and presented for Council approval.

