

**CITY COUNCIL
COMMUNICATION:**

03-384

AGENDA:

AUGUST 11, 2003

SUBJECT:

PRELIMINARY
APPROVAL OF
CEBA
APPLICATION AND
DES MOINES
ACTION LOAN
FUND LOAN TO
TRANS-LUX
MIDWEST
CORPORATION

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

ITEM _____

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

SYNOPSIS —

On the August 11, 2003, City Council agenda is a roll call approving submission of a Community Economic Betterment Account (CEBA) application for \$75,000 to the State of Iowa and preliminary approval to a City of Des Moines Action Loan Fund (DMALF) loan for \$75,000 to Trans-Lux Midwest Corporation.

The proposed CEBA and DMALF loans are to support a proposed expansion in Des Moines through the consolidation of the company's non-sport electronic message centers and marquees commercial products line currently being manufactured in Utah. In March 2003, a portion of a sister company (Trans-Lux West Corporation) was sold to an unaffiliated company. Trans-Lux Corporation (Parent Holding Company) is in the process of determining where to permanently locate the commercial products portion of the operations that was not sold. The company is evaluating the costs of doing this consolidation in Des Moines compared to their facility in Norwalk, Connecticut. With the proposed state and city assistance, the company has stated it will move forward with the \$920,000 consolidation project in Des Moines.

If the project goes forward in Des Moines, it will result in the creation of 25 new positions with an average compensation of about \$32,000 per year plus benefits, and further solidifies the company's commitment to the existing Des Moines operations and current employment base of 88 workers with an annual payroll of \$2.8 million.

Terry Vorbrich, with the City's Office of Economic Development, is the contact working with the company.

FISCAL IMPACT —

The new City loan will be funded with Community Development Block Grant (CDBG) funds from the DMALF. The City loan will be at zero percent interest for a term of seven years with no payments required during years one and two with the full principal balance repaid in years three through seven. No general funds will be used.

RECOMMENDATION —

Approval.

BACKGROUND —

Trans-Lux Midwest Corporation is a wholly owned subsidiary of Trans-Lux Corporation based in Norwalk, Connecticut. It was formed in 1997 to acquire the assets of Fairtron Corporation, which was struggling financially at that time. The company operates plant facilities at 1700 Delaware and 2245 Dean Avenue. The Des Moines plants are primarily involved in the manufacture of scoreboards and related electronic display products marketed under the trade name Fair-Play.

By Roll Call No. 97-3941, dated December 8, 1997, City Council approved a \$100,000 forgivable loan and a \$100,000 repayment loan (with an outstanding balance of \$44,047) to Trans-Lux Midwest Corporation as part of a \$3,650,000 expansion project. The company pledged to retain its existing workforce of 67 and create 65 new jobs for a total of 132 jobs by December 31, 2000. By Roll Call No. 01-728, dated March 12, 2001, and by Roll Call No. 02-581, dated March 4, 2002, City Council approved extensions of the job attainment date to December 31, 2002. The company has met its job retention obligation and has created 21 new positions for a total of 88 jobs in Des Moines. Under the existing City loan agreement approved in 1997, the company would be required to repay the City approximately \$41,000 of the forgivable loan due to the shortfall in its new job creation obligation.

Staff is recommending that even though the company has not met its original growth expectations due to changing national and international market conditions, that the City participate in the proposed consolidation thereby strengthening Trans-Lux's presence and commitment to the Des Moines operations. The company has manufacturing operations in Norwalk, Connecticut, that can accommodate the proposed consolidation. Since many of the products and the technology are the same as those used by Trans-Lux Midwest in its existing operations in Des Moines, a consolidation in Norwalk could lead to the possible relocation and loss of a part of the existing Des Moines operations and employment as well.

If the new proposed project is approved and goes forward in Des Moines, staff propose that the existing loan agreement be amended to incorporate the proposed new project and the new City repayment loan of \$75,000, and require the company to maintain its existing 88 jobs plus create the additional 25 jobs for a total employment base of 113, which must be held in the City of Des Moines for a period of seven years. If these new requirements are met, then the current job shortfall payment of \$41,000 would be forgiven.

