



Council Communication

Office of the City Manager

Date

December 7, 2009

Agenda Item No. 33

Roll Call No. ~~09-~~

Communication No. ~~09-866~~

Submitted by: Matthew A. Anderson, Economic
Development Administrator

AGENDA HEADING

Resolution authorizing submittal of an application for Financial Assistance to the State of Iowa Department of Economic Development on behalf of CFI Sales, Inc., preliminary approval for industrial tax exemption under Chapter 427 B of the Iowa Code, setting a public hearing for December 21, 2009 on the finding of economic obsolescence for 1701 East Euclid, and preliminary approval for a City Economic Development Loan of \$5,000 to CFI Sales, Inc.

SYNOPSIS:

The City Council is requested to approve the submittal of an Application for Financial Assistance to the Iowa Department of Economic Development and provide preliminary approval for industrial tax exemption under Chapter 427 B of the Iowa Code, which will include a finding of economic obsolescence for 1701 East Euclid by the Iowa Department of Economic Development. CFI Sales, Inc (dba CFI Tire Service, Tim Berardi, President, 2601 Dixon, Des Moines, Iowa 50316) plans to submit the application to assist with renovation of 1701 East Euclid. The project will allow for the consolidation and expansion of CFI Sales, Inc, retaining 30 jobs and creating 16 new positions over three years. The Iowa Department of Economic Development requires local participation in projects seeking State financial assistance, which will be met with the provision of the industrial tax exemption and a \$5,000 forgivable loan.

FISCAL IMPACT:

Amount: \$5,000 forgivable loan as 20% match to direct IDED assistance of \$25,000; industrial tax exemption on new value added to 1701 East Euclid. State of Iowa Investment Tax Credit of \$89,000 and State of Iowa Sales Tax Refund of \$75,000 are requested, which do not impact the City of Des Moines general fund.

Funding Sources: Economic Development Enterprise Account; Iowa Code 427 B industrial tax exemption.

ADDITIONAL INFORMATION:

CFI Sales, Inc. was originally part of Holt Tire Service, Inc., an East Des Moines business that began in 1927. CFI Sales, Inc was incorporated in 1995 to serve the commercial, agricultural and industrial segments of the retail tire market. The business has evolved into serving the wholesale side of these markets, and is expanding their out of state sales for agricultural tires, wheel lines and rubber tracks. Retreading and repairing rubber tracks, as well as wheel remanufacturing, are components of the operation that anticipate strong growth. Annual sales for the company total \$16.8M, and are projected to

grow to \$28 M over the next three years. The company currently has 30 employees and plans to create an additional 16 positions by 2012. The ability to renovate the office/warehouse building at 1701 East Euclid will allow CFI Sales, Inc. to consolidate their operations, which are currently housed in three separate locations, and also provide room for future growth.

The facility at 1701 East Euclid was constructed in 1948 as a manufacturing plant. It is a 230,000 square foot facility that has been used for cold storage in the past decade, but is currently vacant. Extensive rehabilitation and retrofitting of systems will be required for CFI to consolidate their operations in the building. The anticipated cost of the project to purchase and renovate the building is \$4 M.

The Office of Economic Development has worked with CFI Sales, Inc. since January 2009 to assist with their efforts to find a facility that will meet their current and future operational needs. CFI Sales, Inc. was originally part of Cold Stream, LLC, an entity working to develop approximately 37 acres of land as an industrial business park on NE Hubbell Avenue. The Cold Stream Business Park project is anticipated to move forward in 2010. CFI Tire was to be the first tenant in the business park, with a plan to construct a 210,000 square foot building for their operations. Estimated costs of \$10M made this project unworkable for CFI Sales, Inc.. The 1701 East Euclid site has emerged as a more cost effective alternative for the company, and will provide reuse of an existing building.

PREVIOUS COUNCIL ACTION (S):

Date: June 22, 2009

Roll Call Number: 09-1140

Action: Approving Preliminary terms of agreement with Cold Stream, LLC for development of 50-acre light industrial business park at NE 46th Street and Hubbell Avenue. (Council Communication No. 09-426)

) Moved by Mahaffey to receive, file and approve preliminary terms of agreement set forth in the accompanying Council Communication and to direct the City Manager to proceed with negotiations of formal agreements with Cold Stream, LLC consistent with the terms set forth in the Council Communication. Motion Carried 7-0.

Date: May 18, 2009

Roll Call Number: 09-861

Action: Approving Preliminary terms of understanding with Cold Stream, LLC for development of a 50-acre parcel at NE 46th Street and Hubbell Avenue as a light industrial business park. (Council Communication No. 09-326)

Moved by Kiernan to receive, file and approve preliminary terms of understanding set forth in the accompanying Council Communication and to direct the City Manager to proceed with actions consistent with the terms set forth in the accompanying Council Communication. Motion Carried 6-1. Absent: Cownie.

BOARD/COMMISSION ACTION (S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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