

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: May 9, 2011
	<p>Agenda Item No. 30</p> <p>Roll Call No. <u>11-796</u></p> <p>Communication No. <u>11-292</u></p> <p>Submitted by: Terrance N. Vorbrich Acting Economic Development Administrator</p>

AGENDA HEADING:

Resolution approving documents related to financial assistance from the Iowa Department of Economic Development (IDED) and the City of Des Moines to CFI Sales, Inc., dba CFI Tire Service and BBB Holdings, L.L.C., Tim Berardi, President, 2601 Dixon, Des Moines, Iowa 50316.

SYNOPSIS:

On December 7, 2009, by Roll Call No. 09-2195, City Council approved the submission of an application for financial assistance to IDED and provided preliminary approval of an Economic Development Forgivable Loan of \$5,000 to CFI Sales, Inc. IDED has proposed direct financial assistance through the Iowa Values Fund in the amount of \$25,000, and tax incentives totaling \$91,450 under the High Quality Jobs Program. The City's \$5,000 forgivable loan will serve as the 20% match for the direct IDED assistance, and will be forgiven with satisfactory completion of the project and creation of jobs. Documents are being presented for approval and execution to implement the State of Iowa and City of Des Moines assistance to CFI Sales, Inc. The financial assistance package will support the \$ 3.6 million project, relocating partial CFI Sales, Inc. operations to 1701 East Euclid, where a 230,000 square foot building will be converted for the expansion of their business operations, and also provide for improvements at their current 2401 Walnut Street site to enhance manufacturing operations.

CFI Sales, Inc. currently has 30 employees and plans to create an additional 10 positions by 2013. Annual sales for the company total \$16.8 million, and are projected to grow to \$28 million over the next three years.

FISCAL IMPACT:

Amount: \$5,000 forgivable loan as 20% match to direct IDED assistance of \$25,000.

Funding Source: Economic Development Enterprise Account.

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.

CFI Sales, Inc. purchased the former Action Warehouse at 1701 East Euclid after more than two years of actively seeking a new location to consolidate operations and expand their business. The company considered constructing a new building, which became financially infeasible due to the size of the facility. Other buildings were considered but did not meet the needs of the business. The 1701 Euclid site was determined to be the best fit for current activity and future growth, which also allows the adaptive re-use of a long vacant warehouse in the Des Moines market.

Due to significant costs to retrofit parts of the building to allow for manufacturing uses, the manufacturing components of the operation will remain at 2401 Walnut Street until the company is financially able to conduct the necessary upgrades.

PREVIOUS COUNCIL ACTION(S):

Date: December 7, 2009

Roll Call Number: 09-2196

Action: [Submission](#) of an application for financial assistance to the State of Iowa Department of Economic Development and approving preliminary terms of an economic development loan of \$5,000 to CFI Sales, Inc. **Moved by Vlassis to adopt. Motion Carried 7-0.**

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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