

OFFICE OF THE CITY MANAGER
DES MOINES, IOWA

CITY COUNCIL COMMUNICATION 96-379
SEPTEMBER 3, 1996 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
CITY LOAN TO RACCOON RIVER BREWING COMPANY	◆ RESOLUTION ORDINANCE RECEIVE/FILE	SCOTT STRICKER ECONOMIC DEVELOPMENT ADMINISTRATOR

SYNOPSIS —

On the Council's September 3, 1996, agenda is a roll call giving preliminary approval for a \$200,000 City loan to Raccoon River Brewing Company. Raccoon River Brewing Company is a proposed new restaurant to be located in the Clemens Building at 200 10th Street. The project is being developed by Mr. John Hickenlooper and Wynkoop Brewing Association, Inc., Denver, Colorado. The proposed project will *serve an international pub fare*, and will also provide a variety of hand-crafted beers and non-alcoholic beverages (root beer and ginger ale) brewed on the premises.

The project's proposed location in the Clemens Building has been vacant since 1979. The site was selected by the development group due to its historical significance and the increasing economic development on the near west side of the downtown business area. The developer indicates that the remodeling, new furnishings, and fixtures will reflect the historic nature of the building and of the neighborhood. The developer has hired a local architectural firm to do the project design and specifications and will hire local contractors to construct the project.

The project will create a total of 90 full-time employed (FTE) jobs with an annual payroll of \$809,000 excluding tips. Wage rates for the jobs to be created for all employees average \$9.48 per hour including tips and benefits. All full-time employees will also be given the opportunity to participate in a company-sponsored medical benefit plan.

The project cost is estimated at about \$1.1 million. The company has raised approximately \$300,000 in equity funds from local investors; Wynkoop Brewing Association, Inc. will invest at least \$200,000 in equity funds; the Hotel Fort Des Moines will invest \$100,000 in in-kind contributions associated with kitchen upgrades; and \$300,000 in equipment financing has been arranged. The company has requested City assistance in financing \$200,000 in building improvements.

FISCAL IMPACT —

A City contribution is recommended in the form of a \$200,000 loan with interest at a rate of three percent payable over ten years, to be funded from tax increment revenues generated by the Riverpoint/Capitol-Center Urban Renewal Area. No General Fund dollars will be used. In addition, no City loan funds will be disbursed until all other financing sources have committed to the project.

RECOMMENDATION —

Preliminary approval of a City loan to Raccoon River Brewing Company in the amount of \$200,000 with a three percent interest repayable over ten years funded from tax increment revenues generated by the Riverpoint/Capitol-Center Urban Renewal Area. The City loan will not be funded until all plans, permits, and funding commitments are approved and in place at which time the City Council will be asked for final approval of loan documents.

BACKGROUND —

Raccoon River Brewing Company is a new restaurant/microbrewery that is being proposed to occupy the first floor of the former Clemens Automobile Company Building located at the corner of 10th and Mulberry Streets. The proposed project will *serve an international pub fare* with a menu of burgers, bratwurst, sandwiches, soups, and salads, as well as house specials such as fish and chips, shepherd's pie, fondue, peel shrimp, steamed mussels, and green chile stew. Raccoon River Brewing Company will also provide a variety of hand-crafted beers and non-alcoholic beverages (root beer and ginger ale) brewed on the premises.

The project is being developed by Mr. John Hickenlooper and his Denver, Colorado-based Wynkoop Brewing Association, Inc. Mr. Hickenlooper and Wynkoop Brewing Association are co-developers and co-owners of seven successful restaurants/microbreweries located in Lincoln, Nebraska; Rapid City, South Dakota; Fort Collins, South Dakota; Rock Island, Illinois; Wichita, Kansas; Norman, Oklahoma; and Colorado Springs, Colorado. Raccoon River Brewing Company will be managed on a day-to-day basis by a local co-owner; Mr. Hickenlooper will provide oversight to the project's development and overall operations.

The Clemens Building site was selected by the development group due to its historical significance (the building is eligible to be placed on the National Register of Historic Places), high ceilings, abundant light through the large windows, and the increasing economic development on the near west side of the downtown business area. Additionally, the project is entering into an agreement with the Hotel Fort Des Moines to share kitchen facilities and manage the hotel's non-banquet food services and will have access to adjacent hotel parking. The developer indicates that the remodeling, new furnishings, and fixtures will reflect the historic nature of the building and of the neighborhood. The developer has hired the architectural firm of Herbert, Lewis, Kruse, Blunck to do the project design and specifications and will hire local contractors to construct the project. The project's proposed location in the Clemens Building has been vacant since 1979.

Urban Renewal Board Action

The Urban Renewal Board, at its August 23, 1996, meeting, voted (3-0) to recommend approval to the City Council of a proposed loan to Raccoon River Brewing Company of \$200,000 at a three percent interest rate with a ten-year repayment term using the Riverpoint/Capitol-Center Urban Renewal Area tax increment revenues as the funding source.