

OFFICE OF THE CITY MANAGER
DES MOINES, IOWA

CITY COUNCIL COMMUNICATION 97-154
MARCH 24, 1997 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
APPROVAL OF \$20,000 ECONOMIC DEVELOPMENT LOAN	◆ RESOLUTION ORDINANCE RECEIVE/FILE	JAMES GRANT COMMUNITY DEVELOPMENT DIRECTOR

SYNOPSIS —

Elegant Ltd. d/b/a Elegant Touch Cleaners has been located at 15th and Grand. Due to the Meredith project, the company will relocate to 1220 High Street. Council is being asked to consider a \$20,000 loan to assist this relocation. Action was deferred at the meeting of March 17, 1997, to gain further information on the status of the proposed Ingersoll Avenue realignment and its impact on 1220 High Street.

FISCAL IMPACT —

The loan will be funded from FY1998-99 cash flow from the Capitol-Center/Riverpoint TIF District. UDAG repayments will be the interim source of funding. The loan will be at six percent interest with a five year repayment term.

RECOMMENDATION —

Approval of roll call authorizing \$20,000 loan from TIF.

BACKGROUND —

Elegant Touch Cleaners is a dry cleaning business and is owned and operated by Michael and Susan Garner. The business has been at its downtown location since 1990. The owners want to stay downtown, and after a lengthy site search, decided 1220 High Street best met their needs. It will take \$60,000 to remodel this building with \$40,000 provided by Brenton Bank. The \$20,000 City loan is necessary to preserve the business funds for working capital. On February 18, 1997, The Corporation for Economic Development in Des Moines reviewed the loan and recommends it both from the standpoint of need and Company ability to repay. The Urban Renewal Board also reviewed the loan request at its March 4, 1997, meeting, and recommends the loan, as well.

The Company must be out of their existing building by March 31, 1997, and is very anxious to complete its financing arrangements so that it may move to the 1220 High Street building.

The City Traffic Engineer has indicated that if the Ingersoll Avenue realignment takes place the 1220 High Street building would likely be acquired. However, he also indicated that the proposed Ingersoll realignment project will be driven primarily by the development needs of Methodist Hospital rather than by traffic needs. There is no active City plan, budget, or schedule for the acquisition of Ingersoll Avenue right of way. The Recommended 1997-98/2002-03 Capital Improvement Program does not include funding for this project.

A spokesperson for Methodist Hospital has informed City staff that development of a "south campus" project is unlikely in the next 24-36 months. Predicting beyond that is difficult at this time. The business is aware that the 1220 High Street building may be acquired within their initial five-year lease term. However, the company does not have other options due to the scheduled relocation from their present site, and due to the level of investment they have already made at the High Street location.

If the building is purchased during the five-year loan term, the business may have to vacate the premises. If the building remains in Des Moines, loan payments would continue at that new Des Moines location. If the business leaves Des Moines, the outstanding loan balance would be immediately due and payable. This business tenancy at 1220 High Street will also ensure the property does not become a blighting-influence and will provide a sound affordable structure so that an important service business can remain in our downtown.