



**Council Communication No. 97-276**

**SYNOPSIS –**

Approve loan documents for a \$200,000 City Loan to Raccoon River Brewing Company.

**FISCAL IMPACT –**

A Des Moines Action Loan in the amount of \$200,000, with interest at a rate of three percent payable over ten years, is to be funded from tax increment revenues generated by the Riverpoint-Capitol Center Urban Renewal Area and repaid to the City’ s Economic Development Financial Incentive Program. No General Fund dollars will be used.

**RECOMMENDATION –**

**Approve the loan documents for a City loan to Raccoon River Brewing Company in the amount of \$200,000 with three percent interest, payable over ten years funded from tax increment revenues generated by the Riverpoint-Capitol Center Urban Renewal Area and payable to the City’ s Economic Development Financial Incentive Program. All project site plans, permits and funding commitments have been approved and put in place.**

**BACKGROUND –**

By Roll Call No. 96-3107, dated September 3, 1996, City Council gave preliminary approval to the City loan in the amount of \$200,000, subject to the company obtaining all financing commitments and required permits, for a new restaurant/microbrewery pub that is being constructed to occupy the first floor of the former Clemens Automobile Company Building located at the corner of 10th and Mulberry Streets. The 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 also provides 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, NE; Rapid City, SD; Fort Collins, CO; Rock Island, IL; Wichita, KS; Norman, OK; and Colorado Springs, CO. The Raccoon River Brewing Company will be managed on a day-to-day basis by a local co-owner; E. Jeffrey Hunter; Mr. Hickenlooper will provide oversight to the

project' s development and overall operations.

The project will create a total of 90 full-time, equivalent (FTE) jobs with an annual payroll of \$809,000 excluding tips. Wage rates for the jobs to be created average for all employees \$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 was developed at a cost of \$1.42 million. The company raised \$350,000 in equity funds from local investors; Wynkoop Brewing Association, Inc. invested \$385,000; the Hotel Fort Des Moines invested approximately \$100,000 of in-kind contributions associated with kitchen upgrades; and \$385,000 in equipment financing has been arranged with Lyon Credit Corporation. The City loan of \$200,000 will be used to pay for building improvements.

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 has entered into an agreement with the Hotel Ft. 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 renovation, new furnishings and fixtures reflect the historic nature of the building and of the neighborhood. The developer has hired the architectural firm of Herbert Lewis Kruse Blunk to do the project design and specifications, and hired local contractors to construct the project. Prior to the project, this location in the Clemens building was 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 the City loan to Raccoon River Brewing Company of \$200,000 at 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.