

**CITY COUNCIL
COMMUNICATION:**

REVISED

99-236

ITEM _____

**OFFICE OF THE CITY MANAGER
CITY OF DES MOINES, IOWA**

AGENDA:

MAY 24, 1999

SYNOPSIS -

SUBJECT:

CITY LOAN AND
LOAN DOCUMENTS
FOR LAFONDA, INC.

Gerardo Berber is the owner of LaFonda, Inc. He and his brother Jose Ramirez have purchased property at 111, 113, and 125 Army Post Road and plan to open a Mexican restaurant at 111 Army Post Road. They are in the process of remodeling the 2,400 square foot building and are requesting a City loan of \$25,000 to complete the project. The two brothers live at 696 - 63rd Street in Des Moines. Michael Ryan, Office of Economic Development staff member, is working with the company.

TYPE:

This business will require a liquor permit and that application will be reviewed by the City Council.

RESOLUTION
ORDINANCE
RECEIVE/FILE

FISCAL IMPACT -

SUBMITTED BY:

RICHARD A. CLARK
DEPUTY CITY
MANAGER

The \$25,000 loan will be funded from the Economic Development Enterprise account. It will be secured by a second mortgage on the property and by personal guaranties of each of the brothers. The loan will be for ten years at 3 percent interest.

RECOMMENDATION -

Approval of loan amount and loan documents.

BACKGROUND -

The brothers purchased these properties in August 1996, and July 1997, with the idea of converting 111 Army Post Road to a building suitable for a Mexican restaurant. They put a substantial amount of equity into initial clean up and initially

they tried to fund the renovation through personal funds.

They did seek bank financing in late 1997 and have a \$90,000 loan from Iowa State Bank and have put in an additional \$10,000 of their own funds to attempt to complete the project and open the restaurant. They have encountered unanticipated additional costs primarily due to roof replacement, reinforcement of kitchen flooring, and sewer expenses.

The company needs \$25,000 to complete the project and the bank is not able to lend more, and could not complete the renovation and open the restaurant in a timely fashion if they have to rely on their own funds. They do not have the cash equity at this time to complete the project.

The benefits to the City are increase in employment, conversion of an eyesore property to a tax paying venture, and encouragement of minority entrepreneurship. The brothers estimate that the restaurant will employ ten people with average hourly compensation (including tips) of approximately \$10 per hour.

Mr. Ramirez has over 20 years experience in the restaurant business and will be the lead chef and oversee day-to-day operations. Mr. Berber has been employed at Marsden Building Maintenance for over 20 years and has held several management positions. He will handle administrative duties. The restaurant will offer traditional Mexican cuisine as well as a fine dining menu. The adjoining properties/buildings will be used for inside storage or additional parking.