

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

00-565

SYNOPSIS -

AGENDA:

DECEMBER 4, 2000

On May 19, 1997, the City Council approved a \$200,000 loan for Raccoon River Brewing Company, L.L.C. for equipping a new restaurant and brew pub at 200 Tenth Street. The brew pub recently closed its operation. The City loan has a remaining term through May, 2007; however, it has been paid as agreed to date and is current with an outstanding balance of \$141,318.

SUBJECT:

SUBORDINATION
AGREEMENT
BETWEEN JEFF
HUNTER AND THE
CITY OF DES
MOINES

Jeff Hunter, the building owner and one of the guarantors of the loan, is requesting that the City allow him to assume this loan and related loan obligations. He has a tentative agreement with the brew pub owners to take possession of the equipment, and he intends to find a new operator. He has assured that City loan payments will remain current, and he will also continue as guarantor. He also requests that the City release the other two original guarantors, John Hickenlooper and Raccoon River Brewing Company, L.L.C. An Assumption Agreement has been prepared for City Council review. This agreement specifies a six-month time period for Mr. Hunter to find a new operator.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

FISCAL IMPACT -

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

No new City funding is requested. Our second lien collateral position in business assets will be maintained.

RECOMMENDATION -

Approval of the Subordination Agreement.

BACKGROUND -

The brew pub began operations in 1997. The City loan was part of \$1.1 million project which included \$500,000 of equity and \$100,000 of in-kind contributions from the adjoining Hotel Fort Des Moines.

The City loan was funded from tax increment revenues and not by the City General Fund. The site was initially selected by the development group both because of the building's historical significance and resurgent economic activity on the near west side of Des Moines. That economic activity has increased dramatically and is a positive sign for any prospective operator.

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