

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

02-377

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

AGENDA:

SYNOPSIS -

JULY 8, 2002

On the July 8, 2002 Council agenda is a roll call to accept and approve the preliminary terms of agreement with A Dong Restaurant (Thanh and Ailien Nguyen, 1905 Cottage Grove Avenue, Des Moines, Iowa). The City will provide a loan of up to \$112,000 to A Dong for remodeling expenses at their new location at 1511 High Street. The \$112,000 represents 50 percent of the projected remodeling costs, excluding equipment.

SUBJECT:

PRELIMINARY
TERMS OF
AGREEMENT FOR
A DONG
RESTAURANT

FISCAL IMPACT -

TYPE:

The source of funding for the \$112,000 loan is the Economic Development Enterprise Account.

RESOLUTION
ORDINANCE
RECEIVE/FILE

Repayment of the loan will be deferred for five years. The loan will be amortized over ten years at 2 percent interest with monthly installments beginning in year six.

SUBMITTED BY:

RECOMMENDATION -

RICHARD CLARK
DEPUTY CITY
MANAGER

Approve the preliminary terms of agreement between the City and A Dong Restaurant, and direct the City Manager to prepare a loan agreement with A Dong Restaurant on preliminary terms of agreement as set forth in this communication.

BACKGROUND -

A Dong Restaurant is being forced to relocate as part of the improvements to Interstate 235 (I-235). The City recently acquired the building on behalf of the Iowa Department of Transportation (IDOT) and it will be razed later this year. The restaurant will discontinue operations at their Cottage Grove location on September 1, 2002. They have a steadily increasing customer base at this location and desire to

remain nearby. They were originally planning to relocate to the Woodland Avenue Brickstones, which will be built directly south of Hoyt Sherman Auditorium. Delays in this project have forced A Dong to find another location in the neighborhood. The City has worked with the owners to identify numerous potential locations. The owners have determined that the building at 1511 High Street best fits the needs of their business.

A Dong would like to make a long-term commitment to the High Street location and will be purchasing this building. The building is currently used for office space and renovations will be necessary to convert the building to a restaurant. The cost of purchasing the building, remodeling the space, and purchasing new equipment has created a financial gap that necessitates the City's involvement. Remodeling expenses are estimated to be \$224,000. In addition to the City's loan, \$54,000 will come from IDOT relocation assistance and the owner will contribute \$58,000.

The new location will incur monthly operating expenses estimated at \$23,550. Recent operating results at the current location indicate monthly revenues of \$26,250 are achievable. The owners believe they will be able to maintain this revenue at the new location. Success of the project will require that they do so.

Additional steps to be taken prior to release of funds include the following:

1. The new location will need to be rezoned. Council approved this on June 17, 2002, subject to final passage of the rezoning ordinance.
2. Final costs will be identified and the construction contract will be reviewed and approved.
3. The real estate purchase contract will be reviewed and approved.
4. The building permit process will be substantially completed.

The above is intended as a preliminary agreement to be approved by the City Council and A Dong Restaurant. If agreeable to the parties, a formal contract will be prepared and presented for approval by the City Council.
