

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

02-434

SYNOPSIS -

AGENDA:

AUGUST 19, 2002

On the August 19, 2002 City Council agenda is a resolution to approve an amendment to the loan agreement with the Principiant Hotel for the Raccoon River Brew Pub. The amendment recognizes the Principiant Hotel as the brew pub operator, defers loan payments for a period of two years, and extends the loan maturity date from May 2007 to May 2009.

SUBJECT:

AMENDMENT TO
LOAN AGREEMENT
WITH PRINCIPIANT
HOTEL FOR THE
RACCOON RIVER
BREW PUB

FISCAL IMPACT -

No new City funding is requested and the City's lien position in the brew pub business assets and guarantees will be maintained.

TYPE:

RESOLUTION
ORDINANCE
RECEIVE/FILE

RECOMMENDATION -

Approval.

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

BACKGROUND -

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 City loan was part of a \$1.1 million project. The City loan was funded from tax increment revenues and not by the City's General Fund.

The Raccoon River Brewing Company closed its operation in December 2000. On December 4, 2000, the City Council approved the assumption of the loan and related obligations by Principiant Hotel Company, L.C. who took possession of the brew pub. The original intent of the Principiant Hotel was to find a new, outside operator for the restaurant, which they were unable to do. Consequently, Principiant Hotel, L.C. has invested \$360,000 in improvements and new equipment, hired new management, and reopened the Raccoon River Brew Pub. Construction in the area, relocation of utilities in 10th

Street, and the loss of parking in the area is creating severe impacts on the business since it reopened. The requested forbearance will assist in the long-term prospects of the restaurant/brew pub as a viable entity and a destination downtown location.
