



Agenda Item:

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COUNCIL COMMUNICATION City Manager's Office

GENERAL INFORMATION

Agenda Date: 2/23/04

Communication

No.:04-096

Agenda Item Type: Resolution, Ordinance, or Receive/File

Roll Call

No.:

Submitted by: Richard Clark, Deputy City Manager

SUBJECT—

Resolution Approving Documents related to a Neighborhood Commercial Revitalization Program Loan in the amount of \$50,000 to assist in renovations to 414 East Sixth Street, Des Moines.

SYNOPSIS—

On the February 23, 2004, Council Agenda is a roll call approving a Neighborhood Commercial Revitalization (NCR) loan and documents in the amount of \$50,000 to Russell Bishop and Michael T Feller to assist in improvements to the property located at 414 Sixth Street, Des Moines. The commercial building located at 414 Sixth Street is the site of Antlers Bar. The building built in 1884 has four major sections, the bar (street level, south ½), the dining room (street level, north ½), the loft apartments (above the north ½) and the basement. Plans are to remodel the dining room for use as a new teahouse to be called Kung Fu Tea. The new owners will use the loft apartment for office and storage and are looking for an appropriate use and operator to renovate and lease the south ½ of the building (formerly Antlers).

FISCAL IMPACT—

The NCR loan will be funded from the CDBG Economic Development Financial Assistance Program. The loan will be repaid at three percent interest, with a 20-year amortization and a five-year balloon, which coincides with the term of the first mortgage financing. It is anticipated

that if the loan payments are made in accordance with the City Loan Agreement that the NCR loan will be extended for consecutive 5 year terms until fully repaid.

RECOMMENDATION—

Approval

BACKGROUND—

Mr. Russell Bishop and Michael Feller recently purchased the commercial building at 414 East Sixth Street. They propose to renovate the vacant portion of the building for a new teahouse, Kung Fu Tea, which they will own and operate. Kung Fu Tea will specialize in over 100 high quality loose-leaf teas for drink-in or take-out use. They will sell bulk loose leaf teas, complimentary food items (Chai, Bubble Tea, Fruit Smoothies, Pastries, salads, pre-made sandwiches, and the alternative drink coffee), tea preparation accoutrements, gift baskets, and pursue some corporate and wholesale sales. The teas will be imported from China, India, Japan, Sri Lanka, Argentina and South Africa. Teahouses are burgeoning on the US East and West Coasts and slowly making in-roads to the Midwest.

The owners believe the tea market is similar to the coffee house market 10 years ago and set for growth. Tea is the second most popular drink in the world behind water, but ranks sixth in the US. It will be part of the marketing plan to educate consumers on the superior taste of tea and its health benefits.

Iowa State Bank has approved financing for the building purchase. The owners have solicited contractor estimates for upgrading mechanical, electrical, plumbing, build out and façade improvements totaling \$100,000. The Developers will invest an additional \$25,000 in business assets related to the teahouse. The NCR Loan is to assist in financing the purchase of materials associated with the renovations. The NCR loan will participate for up to 50 percent of the internal and external improvements not to exceed \$50,000. The NCR loan will be secured by a second mortgage on the real estate amortized over 20 years at 3 percent interest rate with a five-year maturity.

Russell Bishop resides at 8010 Warren Drive, Des Moines. He was formerly employed with AmerUs in the Bank Distribution Division, before AmerUs sold this division in October 2003. Mr. Bishop has a BS degree in finance from ISU and received his MBA from Drake. Michael Feller is currently a procurement manager for Pike Lumber Company, Carbon, IN. Mr. Feller has resigned from this position and is moving his family to Des Moines. Mr. Feller has a BS degree in Forest Management from ISU and a MBA from Indiana Wesleyan University.