



Council Communication

Office of the City Manager

Date

May 7, 2006

Agenda Item No. 44
Roll Call No. 07-
Communication No. 07-276
Submitted by: Matthew Anderson,
Economic Development Administrator

AGENDA HEADING:

Approving Resolution for Preliminary Approval of a City Loan in the amount of \$135,000 from the Des Moines Action Loan Fund to Zen Restaurants, LLC.

SYNOPSIS:

Recommend approval of resolution. ZEN Restaurants, LLC is owned and operated by Michael R. Hutchison (400 28th Street, Des Moines, IA 50312) and Jeremy A Morrow (4114 Lincoln Place Drive, Des Moines, IA 50312). The City loan is to assist in the purchase of furniture, fixtures, and professional fees for two new restaurants being developed in leased space in the Kirkwood Hotel. The City loan will be repaid at four percent interest over the term of the lease.

FISCAL IMPACT:

Amount: \$135,000

Funding Source: FY 2007-08 Recommended Operating Budget, SPO23, CMO980503, The Des Moines Action Loan Fund – CDBG Loan Repayments, pg. 85.

ADDITIONAL INFORMATION:

ZEN Restaurants, LLC is owned and operated by Michael R. Hutchison and Jeremy A Morrow. Mr. Hutchison and Mr. Morrow own and operate the Star Bar, located at 2811 Ingersoll Avenue, Des Moines. Previously, Mr. Morrow established and operated the Bistro Montage and Bistro 43, which he has since sold.

The City loan is to assist in the purchase of furniture, fixtures, and professional fees for two new restaurants and meeting/reception space being developed in leased space on the ground level of the Kirkwood Hotel. The company has leased a total of 10,000 square feet on the ground level of the Kirkwood Hotel. The lease is for a five-year term with options to extend to 20 years. AZALEA, a new steak and seafood restaurant, will occupy 5,000 s.f. and ZEN Sushi & Noodle Restaurant will occupy 2,500 s.f. Additionally, the company has renovated the former hotel ballroom (approx. 2,500 s.f.) into meeting and reception space. Also, the company is leasing 7,000 s.f. of basement space for storage and operations. The company projects that it will create 50 new full-time positions at an average wage of \$12 per hour.

ZEN Restaurants, LLC originally estimated total project costs of about \$500,000. Due to the extensive renovations encountered, however, actual project costs are now at approximately \$800,000. The company had arranged bank financing in the amount of \$250,000, based on the original cost estimates; estimates now are \$275,000. The Company's principals are requesting City assistance in the financing

of furniture, fixtures, and professional fees. The principals will fund the balance of renovations and working capital from personal and business resources.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Final approval of loan documents.