


COUNCIL COMMUNICATION

	Number:	19-389	Meeting:	September 9, 2019
	Agenda Item:	[]	Roll Call:	[]
	Submitted by:	Erin Olson-Douglas, Economic Development Director		

AGENDA HEADING:

Approval of Forbearance Agreement between City of Des Moines and ZEN Restaurants, LLC.

SYNOPSIS:

Recommendation to approve a Forbearance Agreement with ZEN Restaurants, LLC (Michael R. Hutchison, 400 28th Street, Des Moines, IA 50312) related to the \$135,000 Des Moines Action Loan Fund (DMALF) Loan that assisted in the renovations for two (2) restaurants previously developed in leased space on the ground level of the Kirkwood building (400 Walnut Street).

FISCAL IMPACT:

Amount: City development loan for Zen Restaurants, LLC outstanding principal balance \$135,000.

Funding Source: The City development loan was funded by the DMALF with full repayment coming back to the City.

ADDITIONAL INFORMATION:

- On May 21, 2007, the City Council approved a \$135,000 DMALF Loan to Zen Restaurants, LLC, to assist with the purchase of furniture, fixtures and professional fees for two (2) new restaurants (AZALEA, a steak and seafood restaurant, and ZEN Sushi & Noodle Restaurant) at the Kirkwood Building.
- To secure the Zen Note, the City previously entered into a Security Agreement and executed a Personal Guaranty with Michael R. Hutchinson for full repayment.
- To date, Zen Restaurants, LLC has paid the City a total of \$33,422.47 that has been applied to accrued interest on the Zen Note. The balance owed to the City on the Zen Note as of June 30, 2019 is \$135,000 in principal plus \$29,558.27 in accrued interest.
- The proposed forbearance period would commence immediately and terminate on November 30, 2023. During the forbearance period, the City will reduce the interest rate beginning July 1, 2019 on the outstanding balance due on the Credit Documents to 0% per year. The City will conditionally credit the \$33,422.47 in interest paid on the Zen Note to the outstanding principal on the Zen Note, thereby reducing the outstanding principal balance to \$101,577.53.

- Zen Restaurants, LLC will make monthly payments to the City in the amount of \$2,000. These payments will become due the 15th of each month without notice from the City beginning September 15, 2019. Payments will be applied to the conditional outstanding principal balance due under the Zen Note.
- Upon total payment by Zen Restaurants, LLC, or Michael R. Hutchinson, of the conditional outstanding principal balance of the Zen Note, the City will forgive the \$29,558.27 in accrued interest through June 30, 2019.

PREVIOUS COUNCIL ACTION(S):

Date: May 21, 2007

Roll Call Number: 07-981

Action: Des Moines Action Loan Fund Loan to ZEN Restaurants, LLC, 400 Walnut Street, Suite 101, \$135,000. (Council Communication No. 294) Moved by Vlassis to approve. Motion Carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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