

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

**CITY COUNCIL COMMUNICATION 97-175
APRIL 7, 1997 AGENDA**

SUBJECT:	TYPE:	SUBMITTED BY:
TURSI/LATIN KING RESTAURANT EXPANSION	◆ RESOLUTION ORDINANCE RECEIVE/FILE	JAMES GRANT COMMUNITY DEVELOPMENT DIRECTOR

SYNOPSIS —

On the April 7, 1997, Council agenda is a roll call approving the release of two existing mortgages and approving as to form for filing a new real estate mortgage to be held by the City of Des Moines as collateral for a \$105,000 Des Moines Action Loan Fund (DMALF) loan and a \$15,265 City loan (from the vacation and conveyance of public right-of-way in the vicinity of E. 22nd Street north of University Avenue to Robert J. and Amy L. Tursi and Five T, Inc., d.b.a. Latin King Restaurant. The two City loans, approved by Roll Call No. 5-1913, dated May 15, 1995, and by Roll Call No. 95-1914, dated May 15, 1995, are part of the financing package arranged to facilitate the expansion of the Latin King Restaurant located at 2200 Hubbell Avenue.

The release of the two existing mortgages and subsequent filing of a new mortgage is being recommended to Council as a means to accommodate two separate changes in the project. First, subsequent to our initial mortgage there have been changes to the legal description of the project property. Additional real estate has been added to the project site; a new mortgage will allow the City to update the legal description. Second, the final amount of private lender financing has increased by approximately \$100,000. The new mortgage will allow for this increase, while the City's financial participation remains the same as originally approved. The City's collateral priority on the real estate, which was subordinated to the private financing, will remain the same as approved by Roll Call Nos. 95-1913 and 95-1914.

FISCAL IMPACT —

No General Funds were used. The sale of the vacated E. 22nd Street excess right-of-way in the amount of \$15,265 is being paid to the City over a period of five years at an interest rate of seven percent. The \$105,000 DMALF was funded from Community Development Block Grant (CDBG) funds and is being repaid over a 20-year term at an interest rate of three percent.

RECOMMENDATION —

Authorize the Mayor Pro Tem to execute the release of two real estate mortgages in favor of the City of Des Moines from Robert J. and Amy L. Tursi and approve as to form the new real estate mortgages for filing.

BACKGROUND —

The Latin King Restaurant has operated at 2200 Hubbell Avenue for almost 40 years. It has an established and loyal customer base that has helped the restaurant become a mainstay in the Accent Neighborhood business area. Robert J. Tursi has owned and operated the restaurant since 1983.

The Latin King Restaurant expansion project has more than doubled the current restaurant size from its original 4,500 square feet to 9,500 square feet and provided for additional parking by purchasing adjacent undeveloped parcels from neighboring landowners and by purchasing from the City excess right-of-way on East 22nd Street.

Since the original approval of the City's participation, the scope of the project was substantially expanded. The enhanced project placed additional emphasis on the older portion of the building and included substantial remodeling to create continuity between the old and new construction. The resulting extensive remodeling of the existing building, which had not originally been planned, increased the project costs by approximately \$576,000 to \$1.460 million. To finance the enhanced expansion project, the Tursis have injected an additional \$300,000 in equity capital (raised from the sale of personal assets and the refinancing of equity in their personal residence), and the participating private lenders agreed to increase their loan participation by \$276,000. Subsequently, the Tursis have been able to apply an additional \$100,000 to the project's construction loan from increased restaurant revenues, which reduces the private lenders participation to a total of \$896,600. This level of bank debt is approximately \$100,000 higher than was originally anticipated and approved in Roll Call Nos. 95-1913 and 95-1914. The filing of a new mortgage will acknowledge this higher debt level and allow the permanent real-estate financing to be put in place. The level of the City's financial participation remains the same as originally approved. The City's collateral priority on the real estate will remain subordinate to the private lenders as approved by Roll Call Nos. 95-1913 and 95-1914.

Since the project began, the restaurant has increased its employment by 19 new full-time equivalent (FTE) jobs, bringing its total employment to 47 FTE employees. The company provides medical insurance and a 401K retirement plan for all full-time employees.