



**CITY COUNCIL
COMMUNICATION:**

ITEM _____

02-402

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

AGENDA:

JULY 22, 2002

SYNOPSIS -

SUBJECT:

LOAN DOCUMENTS
FOR CITY LOAN TO
A-DONG
RESTAURANT

On the July 22, 2002 Council agenda is a roll call to approve the Loan Agreement and related documents for a City Economic Development Loan to A-Dong Restaurant (Thanh Le and Ailien Nguyen, 1905 Cottage Grove Avenue, Des Moines, Iowa). On Wednesday, July 17, 2002, the US Small Business Administration approved the contract purchase of the building located at 1511 High Street, which allowed the City loan documents to be executed the following day by the Company. Time is of the essence, as the restaurant must move out of their existing location by September 1, 2002. On July 8, 2002, by Roll Call No. 02-1771, City Council gave preliminary approval to the City Economic Development Loan.

TYPE:

FISCAL IMPACT -

RESOLUTION
ORDINANCE
RECEIVE/FILE

The source of funding for the \$112,000 loan is the Economic Development Enterprise Account. Repayment of the loan will begin when the restaurant meets minimum levels of profitability or five years from loan disbursement, whichever occurs first. Annual interest payment will be made while the loan payments are deferred. Once loan payments begin, the loan will be amortized in monthly installments over ten years at 2 percent interest.

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

RECOMMENDATION -

Approve the Loan Agreement and other related documents.

BACKGROUND -

A Dong Restaurant is being forced to relocate as part of the improvements to Interstate 235 (I-235). The City recently acquired the building on behalf of the Iowa Department of Transportation (IDOT) and it will be razed later this year. The restaurant will discontinue operations at their Cottage Grove location on September 1, 2002.

Thanh Le and Ailien Nguyen have entered a purchase contract for the vacant building located at 1511 High Street for \$450,000.

Improvements to the building to convert it from a former pre-press printing facility to a commercial restaurant and retail space are under contract for \$224,000. New equipment will cost \$45,000. Total investment in the project is estimated at \$734,000.

Thanh Le and Ailien Nguyen will invest funds received from the purchase of 1905 Cottage Grove into the project. In addition, it is estimated they will receive an additional \$54,000 in relocation funds from IDOT. The City loan will finance up to 50 percent of the building improvements.

The City loan will be secured by an assignment of the buyer's interest in the purchase contract, a security agreement on all business assets of A-Dong Restaurant, and a second real estate mortgage on the personal residence of Thanh Le and Ailien Nguyen.
