MINUTES OF THE COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN COMMITTEE

WEDNESDAY, NOVEMBER 7, 2018, 7:30 AM
CITY HALL, ROOM 207

A. ROLL CALL.

1. Members: Matt Schuller - Chair, Mike Borlee - Vice Chair, Ald. Brian Johnson, Chad Van Handel and James Blumreich

Members Present: Michael Borlee, Chad VanHandel, Brian Johnson, James Blumreich, Excused: Matt Schueller

B. APPROVAL OF THE AGENDA.

1. Approval of the agenda for the November 7, 2018, meeting of the Community Development Block Grant Revolving Loan Committee.

Moved by James Blumreich, seconded by Ald. Brian Johnson to approve the agenda. Motion carried. Yes- James Blumreich, Michael Borlee, Brian Johnson, Chad VanHandel, No- None, Abstain- None

C. APPROVAL OF MINUTES.

1. Approval of the Minutes from the August 29, 2018, meeting of the Development Block Grant Revolving Loan Committee.

Moved by Ald. Brian Johnson, seconded by James Blumreich to approve the minutes. Motion carried. Yes- James Blumreich, Michael Borlee, Brian Johnson, Chad VanHandel, No- None, Abstain- None

D. REGULAR BUSINESS.

1. Review the CD- RLF loan application for the Badger State Brewery.

The Committee may convene in closed session pursuant to Sections 19.85(1)(f), Wis. Stats., to consider financial, medical, social or personal histories of specific persons which if discussed in public could likely have a substantial adverse effect upon the reputation of the person referred to in such histories or data. The Committee may thereafter reconvene in open session pursuant to Section 19.85(2), Wis. Stats., to report the results of the closed session and consider the balance of the agenda.

Moved by Ald. Brian Johnson, seconded by James Blumreich to open the floor for discussion. Motion carried.
Yes- None, No- None, Abstain- None

Moved by Ald. Brian Johnson, seconded by James Blumreich to close the floor for discussion. Motion carried.
Yes- James Blumreich, Michael Borlee, Brian Johnson, Chad VanHandel, No- None, Abstain- None

Moved by Ald. Brian Johnson, seconded by James Blumreich to approve the loan with the terms of 20 years to match the SBA Guidelines at 4% with the first year being interest only. Motion carried.
Yes- James Blumreich, Michael Borlee, Brian Johnson, Chad VanHandel, No- None, Abstain- None

2. Review the ED-RLF loan application for the DS2 Hospitality & Management LLC.

The Committee may convene in closed session pursuant to Sections 19.85(1)(f), Wis. Stats., to consider financial, medical, social or personal histories of specific persons which if discussed in public could likely have a substantial adverse effect upon the reputation of the person referred to in such histories or data. The Committee may thereafter reconvene in open session pursuant to Section 19.85(2), Wis. Stats., to report the results of the closed session and consider the balance of the agenda.

Moved by James Blumreich, seconded by Ald. Brian Johnson to open the floor for discussion. Motion carried.
Yes- None, No- None, Abstain- None

Moved by James Blumreich, seconded by Chad VanHandel to close the floor for discussion. Motion carried.
Yes- James Blumreich, Michael Borlee, Brian Johnson, Chad VanHandel, No- None, Abstain- None

Moved by Chad VanHandel, seconded by James Blumreich to approve the loan with$60,000 coming from the Economic Development Grant and $40,000 coming from the Community Development Grant with a 15 year term at 4 percent. Motion carried.
Yes- James Blumreich, Michael Borlee, Brian Johnson, Chad VanHandel, No- None, Abstain- None

E. INFORMATIONAL.

1. Revolving Loan Status report.

Wendy Townsend presented the Revolving Loan Status report. No action needed.

F. ADJOURNMENT.

Moved by James Blumreich, seconded by Chad VanHandel to adjourn. Motion carried.
Yes- James Blumreich, Michael Borlee, Brian Johnson, Chad VanHandel, No- None, Abstain- None

VERBATIM MINUTES

- Okay, could I call into this first, our first agenda item person, get him on the phone, first?

- Oh, sure.

- Go ahead and get started and I'll get started.

- Well we can get started.

- Yup.

- So let's call the meeting of the Community and Economic Development Revolving Loan Fund Committee to order, first with roll call, Jim Blumreich?

- Here.

- Brian Johnson?

- Here.

- Matt Schuller? Chris Van Handel?

- Chad.

- Or Chad, Chris, sorry.

- Here, both of us.

- Both of us, both of you are here, that's good. Motion to approve minutes of 8-29-18 meeting?

- Do we have a first and a second?

- Do we have to approve the agenda first, I think.

- Yes

- Oh okay, well we can do that. I'm just following my notes, but that's alright. We can do that. Motion to approve the agenda, so move.

- Second.

- All those in favor signify by saying aye.

- [Group] aye.

- Oppose? Motion to approve the minutes of 8-29-18. First, second?

- First.

- Second.

- All those in favor signify by saying aye.

- [Group] Aye.

- Opposed? And Item number two, and Wendy you we're gonna try to.

- Ya trying to log in and I'm having a little trouble getting a hold of him. Garrett do you have the, is it a 543 number, 5320? That's the number he gave me yesterday.

- 217. 217-4960.

- Alright, why don't you. Do you wanna bring that number over for me?

- Yep.

- It's in the digital one.

- You wanna try and see if you can get a hold of him.

- Sure.

- So, trivial problem. Oh here we go. Good morning the city of Green Bay this is Wendy Townsend. Okay, good your timing is perfect. We are ready to take your agenda item and I'm gonna put you on speaker, okay? Alright can everyone, Andy were gonna just do a, Andrew were gonna do a voice check. Can you say hello?

- [Andrew] Sure. Hello everyone, good morning.

- So I have Mike Borlee, Jim Blumreich, Chad Van Handel and Brian Johnson are our loan committee that you're speaking with before this morning. And I'll get started real fast. Andrew Fabry is the owner of the Badger State Brewery. Badger State Brewery is requesting a loan in the amount of 250,000 dollars for a business expansion project at 990 Tony Canadeo Run in Green Bay, Wisconsin. Badger State Brewery plans to expand their operations from a 15 barrel facility to a, Andrew what is the correct number now?

- [Andrew] The total barrel capacity will be 52 and that's comprised of a new 30 barrel brewing system as well as seven barrel system that can be used for piloting hard mead batches to conduct recipe testing and things like that.

- Okay, so they've updated the number since our original application. So it's going to be from a 15 barrel facility to a 52 production facility to meet the growing demands and expand it to the Milwaukee and Madison markets. The total amount of the project is estimated at just under two million. They've got 1.975 and have been approved for an SBA 504 loan and are seeking funding for equipment, the expansion and working capital. Should we stop at that point, I know that we sent in the financial information along with the request. In their loan application, the original loan application that came in, the sources and uses, we have the equipment. So revised as of our November 2nd meeting, that equipment will be the expense of $140,000 so the breakout will be, and $35,000 for working capital and 75 in build out expenses for this particular project.

- [Andrew] Correct

- And, we also have Andrew on the phone and then we have Garrett from Bank of Luxemburg. This is Garrett Jesko. Did I say your name right?

- Yep, correct.

- One of the special requests for this particular project is so you know the breakout of where the funding would go to and how the uses would be used. The one things that's a little different than our templated loan portfolio is that they have asked us to match the terms of the SBA, so that our loans are the same. And this is a requirement of the SBA, so they are going out on a 20 year term and they are wondering if the loan committee would consider, that in order for their SBA financing, and Garrett can speak to the request for that. So it's a little bit different term than we've typically had for some of the other pieces but it has to be equivalent. The two funding pieces have to be the same cause if one ends before the other, we're not inter-tangled or interrelated. So, if would have a three year turn on something versus having the 20 both loans would be equivalent and backed by each other. Alright, so should we, if you want to proceed.

- At this time, we should probably open the floor for comment. If anyone has questions for Andy, as well as for Garrett. So they have to entertain a motion to suspend the rules.

- Second.

- All those in favor, signify by saying aye.

-Aye.

- Maybe we'll start with you Garrett, just kind of explain the scope of the project.

- Do you want to step up to the podium and that way Andy can hear as well.

- Yep

- Andrew, I'm sorry.

- The scope of the project, is again, it's really just the next expansion of their brewery. Most of the funds are being used for equipment. Being the tanks and all the brewing equipment that goes along with that and that's where we have the SBA 504 loan attached to it. The equipment itself does, the manufacturers told us, it has 20 plus years use for life as long as it's maintained so that's the reason to ask on the 20 years. SBA was okay with that and then from the request here is any funds using that as additional collateral. I'm just required to match that term or amortization anyway. As far as the project goes, like I said, the equipment was big and this will be the next step. It will allow, and Andrew can talk maybe a little more to it later, it will allow them to expand his market to basically have all of Wisconsin. They've been doing really well to get market share everywhere they've gone so far and it's been a nice growing business. So it's a matter of equipment will be one thing, then there's going to be some rapid growth pretty quickly so that's where we have the working capital requirements and we've provided a $225,000 working capital line for that growth as it comes through as it continues to grow in the next few years and then the last piece would be the build out in the space there. Obviously, we're here because they are going to be adding some employees, so with that, they need some additional office space to built out in their current space. It shouldn't really expand the footprint of the building too much, it's just inside, just to give offices for that staff as they bring them on for this expansion.

- Inside and up.

- It'd be inside and up, yep.

- It's the expansion.

- Andrew, Mike Borlee here, with that are you going to take away some of your rental space as far as parties or gatherings or is that going to stay the same? Or is some of your expansion going into your party space, if you will.

- Andrew, is the expansion going to be limiting any of your other entertainment spaces?

- [Andrew] Will the expansion limit or eliminate any of the other spaces? No. It will occur in different space and the build out that's referred to is specifically for office space, which is already within the existing building. It's an unused room right now that we have available to us that will allow us to help employees get a normal working environment for that type of administrative and front office work that are in existence right in the out will be eliminated.

- Any questions? Jim?

- I'm a beer fan. What's the market look like in Milwaukee and Madison?

- Jim is a beer fan. What's the market look like in Milwaukee and Madison?

- [Andrew] Well, those are obviously the two biggest metro markets in the entire state so the market and the population is obviously greater than what we currently have access to in Green Bay and in the Fox Valley. Quite frankly, if you open up a tap room and brewing facility in one of those areas, yeah you'll end up paying more in rent than some other stuff but you have the opportunity to make your money back a lot faster as well as get your brand exposed, you know, to a lot more people in a much shorter amount of time. Particularly in the Milwaukee market, that's the one we're focused on first. There's a tremendous amount of cross traffic, a view of the I-43 corridor, which not only crosses through Green Bay but then also makes its way into Door County eventually. We do a lot of seasonal business up there actually, so we believe that by expanding into these markets, even in a limited setting to start, will drive that exposure out and continue to grow our brand overall. So we're excited about the opportunity. We know the population for beer drinkers specifically looking for the types of products that we're producing is there.

- To that note Andy, Mike Borlee here again, have you partnered with any other distributors or do you have that in the pipeline as far as how you're going to deliver that product to those markets?

- [Andrew] I think I caught a bit of that. Wendy, could you just repeat it to make sure?

- Mike is wondering if you are partnering with any other distributing organizations with your expansion?

- [Andrew] At this time, we have two different distributors that basically have expressed interest in getting us on board tomorrow in both markets. We continue to have conversations with them every so often to keep them in the loop on our expansion plans and growth. Our hometown distributor, Kay Distributing, is part of a beverage distribution network with other distributors in the state that sell and distribute similar products and local beer is one of the top trending and still growing categories within the beer segment. So yes, we do have people that we've spoken to, basically loaded in the hopper, we're just waiting to pull the trigger. We did a little bit of, kind of, kicking the tires, and doing some testing with draft only products but the goal was to not send product until we knew we could sustain the pipeline and that includes both on and off premise. So both in bars and, you know, in grocery stores, liquor stores, et cetera.

- Okay, that sounds...

- From our, we have the ability to go 20 years, is that within our authority?

- That is the question,

- Yeah, those guidelines were established by the loan committee. That is not a hard guideline as far as the terms. As far as the interest rate we charge, is set up by the loan committee. The duration of the loan and those are all loan committee judgements that you can... That is not a HUD guideline. HUD gives us the money and has guidelines that it has to be tied to job creation or business creation or expansion, but those are internal decisions that we make. So the loan committee has the authority to do.

- And Garrett that was a requirement on that particular application, SBA package, that they want that amortization to match.

- To Match. Now, and I guess I don't know, it's really in part to the 140 piece, what's going for the equipment cause that's the SBA 504. The remaining stuff can be on its normal term if we're, depends how this slices and dices up, but it's the 140 that's tied to the equipment directly is really the key thing that has to be at 20.

- Cause the SBA is really their lending for equipment.

- Correct, correct. That's what's up and we essentially have three different loans that does three different purposes for this project.

- Okay.

- Just maybe a follow up questions for Andrew on that. I mean, if we do split that up where we do the 140 on a 20 year term and do the balance on another term that's more accustom to what this committee does, is that going to impact their cash flow?

- So, Andrew, the question from Brian Johnson is if the loan committee, I don't know if you heard it, if the loan committee does do the construction loan at one term, the equipment at another term. So the equipment at 20 years, right now our working capital loans are at a 5% interest rate for a three year term and construction loans can be at another whatever is determined by the committee. And construction, often because we know it's tied to the real estate would probably even be out and we just tied those funds to the real estate investment depending, so that's pretty well secured. Is that going to, right now, I would imagine with this large expansion that cash flow is important to you and Brian is worried about us affecting your cash flow balance with that. How does that affect you?

- [Andrew] You know, at this point, we are essentially looking to round up and finish up the project in its entirety. We're not looking for the bulk of funds from the city or from the county so in regards to cash flow, whatever's been affected has already been affected through the SBA loan that we've established with the Bank of Luxemburg. Now that being said, we do have, you know, interest only terms set up with the bank to get us through to the next year. We anticipate that all this equipment will be up and running by January or February of 2019, which then allows us kind of a nice cushion of a couple months to get that equipment running soundly with no issue prior to the summer selling season, which is our busiest time of year and that would also coincide with a launch and introduction into these new markets. We are hoping to invest in people, that's another big part of this project is the job, full-time employees that we're looking to bring on and create so the reality is that cash flow is going to be tight either way. Whether this goes through or not, cash flow is extremely important and it's extremely tight for any growing business. I talk to a lot of other business owners who are going through the same stuff and the bottom line is that every little bit helps so this is really, again, kind of a rounding out of the total project and really isn't going to hurt us more than it's going to help us, is what I'm saying.

- Does that answer your question Councilman Johnson?

- We're not being asked to do interest only to start at all or?

- I was just going to suggest that. I mean, we could, I'm comfortable obviously leading the 140 requirement from SBA but then take the other 110 and do a six month interest only, our standard lending package.

- Those are all things that can be set up by the committee. So those are all individual based decisions on the committee

- What about the term loan? Interest only for the first six months you said?

- Well, if we--

- What was our terms again, Wendy? Equipment was seven year amortization, was it?

- Equipment is typically on a 10 year amortization, depends on the equipment. Now, brewing equipment, we are finding out is holding its shelf life better. A lot of times the equipment, typically, we've put a 10 year cause a lot of times paper making equipment or fork lift equipment, things like that have had a 10 year amortization.

- And our working capital is fine?

- Our working capital is a three year.

- Three year?

- Can I just make a recommendation maybe, before we start debating the terms of the loan, finish up with questions and close the floor?

- Okay, yeah, that's fine. Does anyone have any more questions for Andrew?

- Garrett or Andrew?

- Hearing none, no question across the floor looks like. All those in favor signify by saying aye.

- [All] Aye.

- Andrew the floor is closed, just you'll be in listening now, okay?

- [Andrew] Okay, thank you.

- Alderman Johnson is your request to protocol session?

- No.

- No, okay.

- Well it's just, I know my own protocol it's fine. So the question I do have for you though Wendy is, if you could maybe just do a high level overview for me and maybe others that maybe aren't as familiar, I don't know if you guys how familiar you are with it too, but how does this impact our ability, if we do a 20 year term on this, particularly the portion that doesn't necessarily have to be 20 years, how does that impact our ability to make future loans to other applicants that might come forward.

- That is a consideration because as we know cash flow, just like in a business, just like a loan portfolio, the more funds that we have in... I'm just going to mute it down a little bit. The more revenue that we receive the more loans that we're able to grant. So right now, we get in about $20,000 per month. So it's 17 plus.

- 256. 17,256.

- So $17,000 and some change come in every month on the intake of our loans that are out there. So in two or three months that will have enough for another loan or so and so we can build that until I can ask for additional funds. So it does affect our loan granting ability.

- Do you anticipate, I guess another surge of investment from the federal government? Is this funded predominantly through Block Grant?

- Through Block Grant funds, so it's our community development block grant fund. We just received another $100,000 in those funds this month, or within the last few months.

- The last budget year.

- Yeah, the last budget year. That's what's happening right now.

- Is that intended to take us through all of next year?

- All the way up through next year.

- So we're basically, potentially with these two loan applications this year, we're draining out all of next years funding?

- Yep.

- Okay.

- This is getting all of our funds out in circulation.

- What for the monthly increment that comes in?

- Except for the monthly increment that comes in.

- Right

- Right, and I'm fine with that, but I'm also in favor of recirculation to make sure that we have funding that can continue to support additional applications.

- I think that's a good sensitivity as well, yes.

- Cause you're plagued by, you know, I'm looking at available funds as of September 30th and well one, we have no funds. Not enough to grant these loans as a whole.

- Actually, there's some funds. There's money that came in from, $100,000 that came in this fall. It's not in here. It's in HUD funds but it's not into our account because I have to have the approval before I can request those funds to be put into our account.

- So it's 289?

- So it's allocated, but it's not into the bank account yet. Is that the best way to say it?

- Yes.

- I have Stephanie Schmutzer here, our senior accountant, who helps me with these funds and keeping them all in order.

- Okay, thank you.

- I mean, I just think based on the dialogue, I think I'd be more included to say let's do the 140 on the 20 year term to meet that SBA guideline because that's pretty critical. And then I just as soon rather see the balance on the term that's appropriate per our standard guidelines to meet the balance but maybe even do interest only as a year to kind of just extend an olive branch to say--

- Well because the want is basically working capital on the build out, so it's really not. The 140 is going to be tied, that asset is equipment. We're going to take the second one back and then we'll take a second obviously. I mean the exposure is what it is, but would you go, if we're doing the working capital of three years versus an equipment or a building of 10, do you just put that all at 10 then? Or are we going to do a five year and interest only? You know, how do you split that up based on, not that it's... I guess looking at setting precedence as what we've done in the past verses working capital and then how do we apply that to this loan?

- I mean, to me, it sounds like it wouldn't necessarily impact us from a cash flow perspective. We're talking about a 2 million dollar project. I mean, this piece is $100,000. You know, and it's the difference of a 20 year versus a 10 or five, whatever we may choose to do, but. So I can see where the cash flow on that wouldn't necessarily impact them dramatically, but I ask the reverse question of how does it impact the fund and our ability to loan to new applicants? I have no problems with the risk side of this. These guys are great operators. I mean, they know what they're doing. So that piece doesn't concern me and so I guess that's why I turn my attention to our ability to continue to make new loans.

- Chad?

- Yeah, I agree with Brian. I think on the risk side, I mean it's seems like a logical next step for it. I'm open to, you know, whatever makes sense on, again comply with the SBA on the equipment piece and then whatever we think is appropriate on the other piece. I don't know, I think the interest only is good, I don't know that we need to go outside of that in terms of the other piece that we're providing.

- Alright.

- I kind of like the suggestion of five years on the working capital piece. Interest only is fine with me, 6 months, a year. Gets them over the hump a little bit of a startup. I think sticking with a 20 years on the SBA loan portion makes sense as well. Sounds like we're in agreement, it's just the term for the working capital piece.

- Well, I would entertain a motion.

- So I'm going to try to piece this together. I would move that we approve this loan with the $140,000 at 20 years. What's the rate on that, 20 years?

- 4%

- at 4%. And $110,000, on five years?

- Five years, yes.

- One year interest free.

- And that would be at 5%.

- Do you want to put the construction out five years as well?

- Yeah.

- I think that's what we talked about, right?

- About the build out and the working capital under the one 110, yep.

- And I think that giving the interest free option for a year, to me kind of helps...

- Interest only or interest free?

- I'm sorry, interest only, yeah. Sorry Thank you for that catch.

- Good to have the accountant in the room.

- What's the standard rate on that?

- That is, on a construction loan, it's 4%. And then on the working capital it had been previously organized by the loan committee to have it at 5%.

- I would propose 4%.

- Okay, so four all the way through.

- For the 110.

- Just because we are condensing the repayment period.

- So, it's 4% all the way through.

- I would second that motion.

- Okay so we have a motion and a second. And the motion reads that we would approve the loan and the terms would be the $140,000 for equipment at a 20 year amortization at 4% to match the SBA requirement the remaining $110,000 at a five year amortization at 4% with the first year, interest only payment. Any further discussion? All those in favor of the motion signify by saying aye.

- [All] Aye.

- Oppose? Hearing none, motion approved.

- Alright Andrew, we'll follow up with all this information a little later but your request has been approved and I need to move on to the second item on their agenda then, alright? Thank you.

- [Andrew] Okay, thank you so much.

- No samples?

- Alright, item number three. Review of loan application for the DS2 Hospital and Management, LLC.

- Hospitality, I think they might have had a typo.

- Typo.

- That might have been--

- It's hospitality, just a typo.

- Jim, if you ask for samples on this item, I'm gonna question ya.

- Good point!

- Alright Wendy.

- Let me give you a little background. DS2 Hospitality Management, LLC is requesting a loan in the amount of $100,000 for property and business acquisition of the Motel 6 located at 1614 Shawano Avenue, Green Bay Wisconsin. The request is for, it will be made up of $60,000 coming from our EDRLF, so our Economic Development Revolving Loan Fund, which is minority owned program. And $40,000 from the community development revolving loan fund program. So those are two pieces, so Sonali and Deepak, I'm going to get your last name wrong but, Agarwal? Is this right?

- [Sonali] Yes

- Are both business professionals in the banking and finance industries and they've decided to become entrepreneurs and purchase their own business. DS2 Hospitality and Management, LLC will be their managing entity and then they plan to purchase and operate the Motel 6 located at 1614 Shawano Avenue. We've been through their questions, their financials are included here along with their business plan and all of the other documents required by the loan committee. So if you would look at their request for $100,000 for our two different loans, we would like to hear what the committee has to say.

- Motion to suspend or oath, we hear motion, we'll hear from the party.

- Second

- All those in favor signify by saying aye.

- [All] Aye.

- Welcome.

- [Deepak] Thank you.

- If you'd like to come up and tell us a little bit about yourselves.

- Sure. First of all, thank you for entertaining our loan application. Just to give you a background, I am in the finance industry. Not the industry, I'm in the airline industry, but working as a financial professional for the last 20 years. Aviation industry, which is the airline side. I work for Air Wisconsin Airlines, headquartered in Appleton, Wisconsin at the airport and we are partnered with United Airlines so my function over there is looking at the maintenance department from a finance side. So I overlook the entire maintenance division of the company. We've been in the hotel industry, hospitality industry directly from my wife's side. Maybe she can talk more for that.

- Excuse me for my bad throat, first of all. And this set up is a little intimidating for me, I just wanted to say--

- You're fine, it's just us.

- Alright, thank you so much for taking the time and listening to our application and the request. I have the customer service background for the last, maybe 20 years and when I moved here in 2011 to join my husband, the American dream was for me to start my own business, so I was working with UW Oshkosh for a few years but always having this in the back of my mind, one day I want to have my own business and hospitality was my, you know, the focus. So I was working with my friends, who own a lot of hotels in the cities: Appleton, Neenah and the Green Bay, so I was actually going and helping them out. Getting the evenings or the weekends, just to get the gist of the business. How it works here and I was also working with Chase, which I resigned last month because now we are in the finalization of the buying this property in Green Bay. We met Wendy last month, was it last month? We actually was not looking for a loan when we met her, we were trying to get in touch with the city and the officials just to know and build up a good rapport and just to know how we can help the city and how we can join hands with the city and work together. But then things unfolded in a way that now we are in line with the city to help us bailout, kind of, with this request of the loan as well.

- Initial investment amount was two million dollars. That still stands, and while we negotiated the terms and the purchase amount. We actually negotiated further down, it was around 2.5 million dollars, so we negotiated to 2 million dollars. That helped for the investment. Secondly, a couple of the investments, our equity, that we are putting in. We are putting in 20% equity in the project, which is $400,000. Secondly, we had applied for a loan that was based on a couple contingencies. The loan was approved by Covantage Credit Union for Antigo. 1.6 million dollars was approved by them initially, however, when a couple of the appraisals came up, the property appraisal, we were thinking the appraisal was going to be way over two million dollars, close to the vicinity of 2.5, 2.7 million dollars. That came up a little bit short. It came up to be close to 2.1 million dollars, so the gap between 2.6, for example versus 2.1, that reduced the collateral percentage from Covantages perspective. So, that led to the reduction in their loan amount from 1.6 million dollars to 1.5ish. So that's where, we though of requesting the city. Initially, we were thinking of using the funds toward the capital investment and towards the working capital, but you know, we pooled all our stocks together and we're talking that maybe we can pull some funds from some other locations too. So we got, also, help from Community First Credit Union. We are pulling, what do you call this, the loan on our property?

- Like a home equity loan?

- Right, right. On our property. So it's a home equity loan that was also funded so that kind of gave a little cushion to us on the working capital side. But we are still kind of short of $150,000 to $200,000. We tried to reduce that as much as possible but here, if the city grants us $100,000 that's going to really help us close the gap.

- I'm just going to clarify that the original ask was for 250, but we didn't have the funds for that. So it's not that it wasn't valid, we just didn't have those funds available and there are $60,000 remaining in the minority economic development, minority owned business and development loan portfolio and there will be 60 remaining, roughly, in our community development Black Grant fund. So that's why these are two different loans. We were just trying to figure out what was the best configuration for them of what we had to offer.

- So is the minority balance not in the 189?

- No it is not. That's a completely separate loan.

- Oh, okay.

- And we had just, I never thought about putting a package together for that, we just granted that one this last month so we haven't had a history to track or any information because it was Dairy Queen was the other, was the Tastee Treats, I'm sorry not Dairy Queen, was the other minority when we just granted that last month. So that loan is just starting to get its' history going, but we'll have a committee report next time.

- So, there's $60,000 available in the minority fund.

- That's right.

- And sufficient funds, $40,000, to make the additional come up to $100,000. Okay?

- Yep. It will make pretty well, it will get most of our funds out in circulation. I know Stephanie wants to speak to that.

- Yeah, that will pretty much diminish everything that we have at this point and then it will just be, once we get repays enough to establish another loan.

- So that keeps all of our funds in circulation.

- Well let's, Brian has a question.

- Yes, so, first off, I'm thrilled to see you guys taking an interest in this property. I think this property's due for some new ownership and I'm going to address the elephant in the room, which is been, and I'm very grateful that you've conducted the outreach to various seated officials, you know, to kind of build that good rapport because as you may already know, this property has been troublesome with police calls and other things. Could you just maybe speak to what you might do differently to help to reduce the number of police calls that we currently receive on that property.

- Yeah. First of all, I think that's the reason why corporate is trying to get rid of all of those properties that are troublesome.

- Does corporate own it right now?

- Yes, these six out of Carrollton, Texas, I believe who owns the property.

- So, being on our own and that's the reason why I resigned my Chase job so that I can be focused on this. So every day, single days, 365, we are planning to be on the property. And on the weekends we are even planning to stay on the property so that we can watch and closely look at everything. And we are planning to install security cameras. There are no security cameras right now in the property. So, we already have the course and we are on top of everything for that as well. And for now, we are thinking security cameras is the first thing, within the first month that we're planning to install. If that doesn't happen then the backup plan was to hire somebody who will be watching the property at night and we also have a maintenance guy who stays on the property. We are planning to have him stay on the property during the night, so that he can keep a watch outside as well.

- The other vital factor could be is to improve the lights at the property. Quite a few areas are, kind of, blind spots which are not well lit. And also just improving the quality of the light system, it's just going to make the property a little bit more, maybe make it reduced from a security perspective. No more things that can be done in the dark that could be taken care of. Definitely, security cameras are going to help us a lot and coordinating with the police department, how we can reduce any kind of criminal activities over there.

- Also, we are not planning to have long term people staying there. They sometimes create some problems, like you know, people who are living there as a home home. And we also want to not give the property to anybody who walks in. We want to have a decent clientele.

- Okay. So the onsite management to me, that you immediately came out with, was the one thing that I wanted to here, so thank you. I didn't realize they didn't have camera's either and so I would definitely work with the police department, you know, in selecting a system that they know will work well. I have worked with them on issues like that and they've just given excellent advice in picking a system so I would definitely rely on their expertise as well and building a relationship with the community police officers in that area too, I think would be a great benefit for you.

- Yeah we have already reached out to the city police department and we are trying to engage with the city on a daily basis. Not probably a daily basis, but initially maybe on a daily basis and slowly, gradually it's going to reduce. And we wanted to be introduced because we don't want to be talking to the police department on a daily basis right now. So certainly, on site management is the most important thing that we aim to have.

- One of the things I wanted to add to it is that they're reconfiguring where the registration is, so that there's a better visibility. Where there's glass and we've talked about facade related changes to that greeting area where there's a person in there. People can see from the street that there's a person there. I think that will make a big difference, just even knowing that the visibility that is activated. And just it's different when you drive by and you see glass windows with someone standing inside.

- Well and I didn't realize that this property was corporate owned so, I tell you, it's been a problem property, but it doesn't have to be.

- Exactly.

- You know, and I think having you guys present and I think that will just make a world of difference, so.

- Right now the facade is not welcoming so in the very near future we are planning to change that also a little bit. Depending on, you know, how much revenue we are able to generate. You know, during the snow season, if there is a Packer's game and the families come to check in, there is a line, you know a long line queue and they don't have a place to sit. So we want to make it more welcoming when they come so that they can come inside, but there is no sitting arrangement on the reception area, so we are planning to move a couple walls and have that more welcoming, more lit up sitting area as well for that.

- Great.

- So question for ya. I had read through the financials earlier and occupancy is what it's about in the hotel industry, I think and you show and escalating occupancy. Albeit not a huge increase, but speak to that if you will where you get that sense.

- Number one, being a corporate owned property, a lot of things are not viewed as an owner would view it. They do not love emphasis on customer service, they do not love emphasis on long-term or maybe renewable key business. So currently the percentage of occupancy is roughly around 53% to 54% and we are trying to, based on the customer service, based on the advertisements, based on all the other factors that are involved as a family owned business now, what we have forecasted is only a mere 3% increase on an annual basis. So that is not a huge, that's maybe a room to two rooms on an annual basis that we are increasing so that's a very conservative number so that's going to go up to 55%, 57% in the next few years overall when you look at it. But that's a very conservative number. So from a revenue perspective, it's going to be maybe, we are hoping that it's going to be double than 3% that we have forecasted.

- Yeah, because we went to the property as a customers a few times and the response was very laid back, nobody every returned our calls. But if I'm going to be there on the property, so be able to work, it's going to be our baby. So that's how we are going to take care of the property so I think a lot of things are going to change.

- And do you still pay a franchise fee to them?

- Yes.

- How much is that?

- So initially, you know, first of all there is an initial cost to own a franchise. That's $25,000 and then there's an ongoing percentage, there's no fixed amount but it's a percentage based on the total revenues.

- Which is about 5%.

- I mean, there's so many factors, there's so many different ways of--

- IT is this much, this much, so they don't have a fixed cost that we are paying to them. The IT gets this much and this support gets this much, so.

- Overall, when you look at it, it does go up to, you know, 11-12% depending on how you manage the property.

- So they enter you into a long term agreement on that?

- Yes, it's a, in fact that was one of the negotiating points that we entertained with them. Usually it's a 20 year fixed, no cancellation policy. You can cancel and pay a fine for whatever amount it is, but we have come up with two options. One is that first five years that we can have an option to cancel with a certain amount fee. But after 10 years, we can cancel and without a fee and we can even extend the term after that and keep it under 20 years. So if we have a favorable return, its not bad.

- First off, again, congratulations, this is the American Dream is to be able to do what you are trying to do. But I also share alderman Johnsons concerns in my personal checking on the relationship that that property has had with the police department. The issue though, besides that, is on the reference side. Because at the end of the day, you need to generate enough money to pay for your expenses and it sounds like your really digging deep to try to finance the initial purchase of this property at two million dollars. Where's the working capital coming from as well as the improvements that have to occur to this property? And when I toured the property yesterday, the city has condemned part of that property.

- Right.

- So, I have a real tough time seeing how this is all going to work cause looking at it from an outside standpoint, I mean we're looking at a minimum half a million dollars worth of improvements that are going to be needed to that piece of property.

- That's actually a good point because this happened recently, so we were actually overseas when we found out about that too. So, they're going to take care of it and hand over the property.

- I'll take it point by point. Number one, revenue. You pointed out how that everything's going to take into effect. Like we projected 3% occupancy increase year over year, we are, at this point forecasting only 1% year over year, which is very very low. Even with 1% year over year increase, we are coming out way ahead on what the total expenses are at this point. Secondly, controlling expenses. That's a number one factor too.

Being a corporate property, a lot of expenses are overseen, they're overlooked, you don't have really control over how you manage the inventory of the property. The manager can order whatever they feel like, whenever they feel like and gets approved by corporate. So there's no really defined that says you can order only 20 sheets in a month or you can order 100 sheets in a month. There's no control over that. So that's going to be one control that we are going to have and reduce the expenses from that side.

- Also, we'd like to see that anytime we walk into any room randomly, the A/C is on like 55 degrees, nobody really cares to really turn the A/C off or the heat off because it belongs to nobody. It belongs to the corporate. So all these rooms are always either too cold or too hot, so we are going to manage and maintain all of that stuff as well and it's going to reduce the cost.

- So the operating expenses certainly are going to go down. The other point you pointed out is about the condemned property. At this point, that happened probably two weeks ago. What had happened was there was a sewer backup in one room, which was in the middle of that building. So there are four structures. In one of the structures, one building, in the middle of the building, one room had a sewer backup. So because of that sewer backup, they had to get rid of or stop the entire section, not the upper level just the ground level, they had to stop functioning on that. So no rooms were allowed to be rented out. City came over and looked at the property. They inspected it and they said unless a permit is drawn, no work can be done. At that time, the local management, or the existing management of the property. Not the corporate, but just the management over here, they allowed their maintenance people to rip up the flooring and start to work but there was no permit. So the city came over and looked at that and said, hey you did not pull the permit out. So that's why the city said, okay, it's condemned. You can not use the property. Only 13 rooms, the 13 rooms in that area those were stopped to be used until further action was taken. So the corporate has taken that into their consideration. They have already applied for the permits. I'm not sure if the permits have already been drawn, but the delay on the repair has been just because there is a custom pipe that needs to be installed. That was on order. So that's all going on. I'm getting, almost twice a week reports. A report is due today, so I can not give you what the work has been done up until yesterday. But the work is supposed to be finished by mid this month or towards the end of this month. The reason I say that is because we were supposed to close on the property on November 27th, just because our delay on the work, it has been pushed to the first week of December or potentially the second week of December. Until that work is going to be finished, we are not going to possess the property. It's not going to be under our hands and all the expenses being incurred would be under them, under current ownership. So from that perspective, the expenses and the revenues, we will be well covered for what's happening right now.

- So to that point, when there's a change of ownership, what does the state require in upgrades to that facility? I.e, do they come in and say, you need to install sprinklers or you need to do this or to do that and all of a sudden you take ownership of this property and now your accruing additional expenses and you're already cash strapped as it is.

- Sure, we did look into that as this property lies in a district where is not 100% business district, they call it. I'm forgetting what the term is, but it's grandfathered in. So first of all, you pointing out the sprinkler system, it's not mandatory to have a sprinkler system in every room because it's an outdoor corridor property, so you do not need to have a sprinkler system. There's no other upgrade that needs to be done from a state perspective, even from a corporate perspective there's nothing to be done because three to four years ago, they had a 2.5 million dollar investment in the property. And how they're selling it for 2 million, I don't know?

- G6 just bought this 2 and a half years ago?

- Well G6 had it, it was a corporate owned property for the last 35 years, however, the land was on lease so what G6 did was they took over the land also, on the land lease. So they bought the whole property, the property along with the land is owned by G6 at this point. And apart from the purchase cost of the land, they also invested a million and a half into the property in 2015 and 2016 in upgrading the entire property.

- So they have upgraded all the rooms. I don't know if you had an option--

- I didn't go inside. Exterior wise it looks like nothings been done in a long time.

- Right, exterior wise, except for the paint and a few parking lot areas nothing major was done. Few things are remaining, like for example all the railings all around. Those are a little rusty and they could use a little bit of TLC, paint and things like that. A little bit of our cash is going to be used, which is going to come from our savings and also from the revenues on the parking lot. That's going to be the major expense in 2019. Second major expense is going to be the security system and also the lighting, but probably we might come back to the city for the facade improvement. But, yeah...

- The concern is is that, you know, one, you want to be successful and two, we have to be vigilant on tax payer dollars and at the end of the day everybody wants to get paid and you want to make money and be a successful business person, so to that point, one of the suggestions if I may, or bring up conversation is to attempt to deal with the clientele, if you will, that you currently have is your rates are too low.

- Right.

- mm hmm. I think the hotel--

- Exactly, you want a 1% growth, just get that room rental rate up to a percentage where your not opening the market to that troublesome tenant.

- Yeah, because currently, the Motel 6, this one particular property has the lowest rates in the entire city, so yeah, because corporate doesn't know how the market is. They control everything from their end. Nothing has been done here, so they don't even have the control of changing the prices and rates or anything. So we are definitely going to increase the rates. So 1% is very very conservative figure that we attempted.

- You could raise your rate 5% and not be a problem. 10%...

- So, corporate doesn't dictate the price of--

- No.

- Right now they are dictating, but once we own it, they don't.

- Okay.

- So even as a franchisee of Motel 6, you have the ability to set your room rate.

- Yes. Yes.

- Exactly.

- So on Packer weekends, you can require multi-night stays at 500 bucks a night.

- Exactly!

- Alright

- That's factored in.

- Is it a pretty seasonal, have you seen a month to month?

- Yes, we've seen the last seven years, every month. So December, January, February are going to be very slow months but after that it starts to pick up and it's going to be a good property for us, I think.

- Think if they were to get a little bit of the Packer's season in there first year.

- Forget about that, forget about that!

- Who helped you with the projections and how did you, was that you guys working through them or did you have assistance with those?

- Well, being in finance the last 20 years, so I have a very good hold on how to forecast. That's my day to day workings, right? Secondly, I got the historicals from the corporate, so all of the historicals that I have are from 2015 or 2014 also. I have partial 2014. 15, 16, 17 and 18. 18 through October, I have all the financials. Occupancy rates, what they have been or what the percentage occupancy and the room rate that they have been charging. Obviously there's huge potential in increasing the room rate and the revenues are just going to shoot up. But the other piece is how do you control your expenses? I think that's the biggest piece, which we have control of, right? Occupancy could be not in our control, room rates could be in our control but that's a market driven project. But expenses are in our control, which were under corporate control from Texas, which was not great control. So certainly all the numbers were driven by myself, the forecast. But all the historicals are from the corporate.

- I think that creating the lighting is important so you can leave the lights on for us.

- Exactly

- He's just been waiting for that.

- Right.

- Wendy and Alderman Johnson, is that in the TIF?

- It's just outside of the TIF, so the subway is included in the TIF and Sonali and Deepak and myself have talked about that. They very much would like to participate in that if there is an opportunity to expand the TIF. When the TIF was put in place, they worked with the businesses that were there. It was hard to get participation, obviously, from a corporate owned business and that is difficult with that whole military avenue corridor, there's lots of corporate owned businesses within that district. But as businesses turn over to owner occupied and things like that, there may be an opportunity to either re-look at the boundaries for that. Also, they want to be supportive of the Military Avenue Business Association and are working with Leah and would like to do more interaction with it. So I think anytime you can turn a business over from a corporate entity to a sole proprietorship, it just adds to that. They are just outside the boundary.

- You can modify those boundaries.

- Yeah, they can like two or three times.

- The zones can be changed four times.

- Four times?

- Four times, is it?

- Four times.

- Anyways, there is great opportunity and this is the perfect example of one that would be the time to review that. Just now that it's not a corporate entity. It's somebody that's in the area and would like to participate in that.

- Are both of you going to retain your current jobs?

- I resigned already a month an a half ago. He's going to--

- I'm going to retain my job.

- You're going to retain your job.

- He's going to be very nosy. I know he's going to be.

- So you'll personally then, I mean your still living in Menasha, but you will be on site.

- Yes, I will be coming every day.

- You'll get to know 41 a lot though.

- Yes

- What's the relationship with the Ashwaubenon? Is there an Ashwaubenon Motel 6? Is that correct?

- Um, no. Oh, Ashwaubenon, there's another one.

- On 41.

- Yeah.

- Is that one, do you know if that one's a corporate owned? Or is there a way to share?

- No that's not a corporate owned, it's a franchise.

- Okay

- Right. So you wouldn't be dealing, once assuming this purchase goes through, Carrollton, Texas is out of the picture. You just deal with Motel 6 corporation directly. Cause their a Franchisee, if I remember right, that's like 1,400 plus units.

- Right, so there are two parts of it, right? One of which is that a corporation owns the entire property and runs it. Running portion goes under G6 Hospitality, which is also part of Motel 6 umbrella. Motel 6 as a corporate, is owned by Blackstone, which recently invested into Motel 6 probably five to six years ago. Could be five years, around 2015 mark. And that's when the whole philosophy started to change for Motel 6, they wanted to disinvest from all corporate owned properties because the main revenue stream for them is running the property and not owning the property. So the phenomenon, what Blackstone does is, they invest into these properties or these corporations, work on them and try to sell it again into the fair market. So that's what they are trying to do. They own Hilton brand, they own Marriott brand, they own La Quinta brand. All these are Blackstone owned, and now Accor. Accor was the parent company of Motel 6 up until 2015. AccorHotels out of Europe. But the sold the Motel 6 branch to Blackstone. So that's what Blackstone is trying to do.

- Do you see it going to be challenging to hire people for the motel? Have they had challenges in the past or have they been able to keep fully staffed?

- Well, so far what I've learned from the staffing is that challenges are always there. And especially, the last couple of years, the economy is doing so well the hourly rate people are getting a lot better opportunities at a lot of different places, you know. So the trend has been to retain the people by keeping the market rates. So whether it's Wal Mart, Target, if they're approaching $11 or $12 an hour, we have to match that rate too. So certainly, the number one goal is to retain all the people at this point and we do not want to lose anybody, that's going to affect our operation directly. And, although the employees do not know of the sale at this point, they'll get to know about it by end of November. November 22nd is the date that they've been given from corporate to the general manager at this point. So regular staff doesn't know that there's something going on. Well do they know? Officially--

- Officially, they don't.

- So, off the subject again. Back to the repairs. Who determines whether that repair was acceptable? I mean they're going to have to meet all the zone building and inspection requirements. But, I mean ultimately, it's going to be your say that okay, this is okay and we'll move forward with it?

- Right, yes. Ultimately it's going to be our say, all that we have to present to the franchiser, saying hey, you know we are getting this done. Usually there is nothing major. Until there is some major upgrade to the property, only then you need to have a yes or no from the franchiser. Otherwise, if you're doing the pavement, the parking lot, the lights, security, you don't have to have any say from the franchiser.

- Any further discussion? Move to return to regular order.

- Second

- We have a second? Remove the motion. All those in favor signify by saying aye.

- [All] Aye

- What's the pleasure of the committee?

- If you'd like to have a seat, so they can finish their process.

- We'd like to close, we're going to close session. Do we find a need for that?

- Okay

- Okay

- Okay

- What's the requested term on this one, Wendy?

- This one's muddled.

- So, we haven't really set up term deadlines for the EDRLF and then I was just making them similar, if anything else, just for continuity for the committee and myself so that it was easy to have very similar. So if we want to work with them at 4% range on either one of them. It's going to be tied to the property, so we can go out as long as 15 years, I think, is what we've typically done on a mortgage related piece within our EDRLF or I mean our CDRLF, so the Community Development Block Grant funds, we've typically done 4% for 15 years has been what we've done most of the time and then they had to create one job for every $35,000 that we lend.

- Has the committee had a chance to look at Covantages conditions of approvals? If so, would that be a consideration as a part of this loan?

- Want me to grab that real quick, or do you have it?

- I have just copies, but

- Sure.

- So that's a 10 year, adjustable rate. Five and a quarter for 10 years.

- Well it's actually gonna change now because they had 1.6, it will be about 1.45, is that correct?

- Yes, it all depends on what the city approves.

- But as far as the lending institutions portion, based on the appraisal, it was 1.6 but now it's down to 1.5?

- Right exactly.

- Based on the current appraisal that was done.

- Yes.

- I just want to share with the loan committee, we had originally worked with a $60,000 for the minority revolving loan funds, EDRLF. After reviewing where everything was in the approval from Badger State and everything else, we decided that there was funds in that other CDRLF to take a look at with this particular piece that also gives them the opportunity to either adjust. If the loan committee approves that portion of the ask as well, that does help them with potentially either pulling some funds out for working capital or adjusting their lending with Covantage, but it gives them a little more flexibility in their loan ask so that we were able to find that 40 through our CDLRF, does that make sense?

- Could you run through that, if we start at $250,000 request, how is that broken apart?

- I had it on their application.

- I'm sorry, I didn't see it and I'm trying to find it.

- Yep that's not problem, let me bring that up, I know on their application I have that.

- Because we're talking what sounds like about three funds.

- I'm just going to bring this up like this. Maybe I can make a copy for everybody but I'll just go through this. Here's the 200 or two million and then their additional expenses to make it 2.15. And then, this 250 is moved down to 100 and then this is up'd. So that's how those are changed.

- So their not requesting 250, they're requesting $100,000.

- Because that's what we have available.

- Right, so the request is $100,000.

- So, I explain how this sources and uses has been updated and this was sent in the packet, but it may not have been as clear as what you understand now because of the dialogue that has happened in the meeting is how this was the asking price, these are their franchise fees and additional amounts. This is what they originally had asked, but we didn't have those funds in our accounts and so between their lending agency and their $400,000 personal commitment, the circumstances have changed. This was revised the second of November, so I just want to make sure that everyone was up to the latest information.

- Going back to Brian's comment then about the term, I don't know that we want to go beyond the 10 years that Covantage is lending, does that make sense Jim?

- Yes. Mm hmm.

- Your going to stick with the same terms? Is that some of the question or?

- Alright, so 60 is from the minority owned and $40,000 from the funds.

- Alright.

- We're taking them from two funds.

- Just one thing, I heard that the term from Covantage is 10 years. 10 years is not the amortization, it's just on the loan.

- There's 20 years.

- Amortization is 20 years.

- 20 year amortization.

- Beacuase that's on the property, it's like a lot of people's, 20 years. But it's likely for the 10.

- The loan type is a 10 year at five and a quarter fixed for 10 years.

- Right, and there's one for the next 10.

- Yep, annually after the next 10 years after.

- Well I mean our terms going to have to be fully-- I mean our term and amortization is going to have to match up so, I mean obviously there's potential that it balloons, but we're going to need to have a long amortization, I think, to make the cash flow work and it is quasi real estate related, right? Second, third whatever, mortgage on the property so I'm okay with 15 year.

- He also has a duplex in the area if we wanted to even tie to another property, then that was listed in the assets.

- Well, and I think that was part of the Covantages conditions of approval, so.

- I mean, and the fact that their bringing in a substantial equity position on this too, I feel like it makes our position that much more secure.

- I don't see anything on the conditions of approval that we would be concerned about. They're very standard.

- Well, are we in a position to entertain a motion?

- Let me package that up Chad.

- So I will...So we're at $100,000, do I have to call it a different, so this is a EDRLF fund, okay? So, I would make a motion to approve $100,000 from the EDRLF funds--

- It's $60,000 from ED and 40 from CD, sorry about that, that's a little confusing. But you can just say from the both funds altogether, if you prefer.

- Okay, $100,000 from the RLF fund, 15 year term and amortization and a 4% interest rate.

- I'll second that.

- So we have a motion and a second to approve the request for $100,000. $60,000 is coming from the EDRLF program and $40,000 from the CDRLF and the terms are amortized over a 15 year period at 4% and we have a second. Any further discussion? All those in favor signify by saying motion...aye.

- [All] Aye

- Opposed?

- Good luck

- Good luck.

- Raise those rates. You have lots of room to grow with that. You do that, your police department will be happy.

- Who will ask me why I'm dressed like this?

- I thought someone would pay attention, at least you Wendy.

- I would say you look beautiful today. She looks like a princess.

- Today is our Diwali, the festival of lights, it's almost like Christmas for us. Thank you for making it brighter for us.

- You know what, that showed up on my phone and I had no idea what it was.

- Is it wrong conduct business on a holiday?

- Actually it's all about money for this festival too,

- how appropriate.

- Well, good luck. You know, it's the American dream.

- Thank you.

- You guys, if I could make one more piece of advice for you have you reached out to the convention visitors bureau?

- We haven't yet.

- Okay, I would encourage you to do that because they really help maintain room inventories for special events, so.

- Perfect, that'd be great.

- Yeah, we'll help you with that connection.

- She's very resourceful. She's been helpful with pointers.

- And LED lighting, go to LED.

- Oh yeah, I'm not even thinking about anything else. We already gotten quotes on those, so hopefully soon. As soon as we start to generate some revenue.

- But if some staff needs a career change, that's alright.

- That's right.

- Well, it's a pleasure. Have a wonderful day. Enjoy the rest of your day, thanks again.

- Alright, item number four.

- Alright we have a report for you on the last page. This is showing as of November 1st, could be November already, no I'm just teasing. November 1st, that we have roughly 18 loans out in the community and one is in bankruptcy and is in our legal department right now. We'll be working through the pieces with that but obviously that does not a real good outcome. I'm sure there was some jobs and some other things that were created out of that opportunity. The rest are doing pretty well. We've been in contact with Gather to make sure that they have all of their pieces. I have spoke with the owner and so has Stephanie and so I think that we will get that all straightened out within the next day or two for sure before the end of the month to get them all back on track. But everybody else seems to be tracking either current there's a couple that are paid off. Ruth's on 9th refinanced and is on their way to bigger and better things. When the snow storm happened, they had some storm damage with Evelyn. Unfortunately, glass and snow and the greenhouse, sometimes there's some compromised pieces that happen. There was part of the greenhouse that was going to be redone anyways and they just didn't know quite this soon that they ended up restructuring everything. This business is in good standing and they ended up being able to lend it entirely through their lender. So they paid us off and now we have those funds available for yet another loan, so.

- She worked at that facility.

- Jamey?

- That's a great success story.

- Yeah, great success story but they paid us off. They're redoing IR I think it's even done already, but they've worked on getting, they're expanding and upgrading everything and on their way, so that's exactly what it is. So they paid it off so it made it available for the next opportunity here.

- So that is in the 189?

- That actually is all calculated into the numbers at the bottom. Loan number nine has been paid off. Has been satisfied. Which made a little extra funding for us to try to get out into circulation. But yep, we'll continue to push the programs. It's been--

- So question on 10 11, gathering on the driveway, that your note is partial payment made. Is that a portion of what was required?

- So what they did was, this is the month where they switch over to the full payment. It's not interest only and because we had it automatically drafted, they have to make up that difference and I'll get everything reorganized so that the draft is to the new amount going forward.

- But it's according to the plan?

- It is.

- I drove by there on Saturday night. It was hopping!

- Yeah, they've been doing a lot of activity over there.

- The chef, is that the chef that was on the Today show last week?

- So she got a call when they were in Italy, doing some training and some things and traveling and, yep, they were asked to do the chef showdown. So that's pretty exciting.

- That was pretty cool she did a good job on camera.

- She was just delighted that that happened, but yep our businesses continue to report they are tracking well and this next tenant is moving along as well, so hopefully they'll be a opening soon. Historic West, I meet with them tomorrow morning and they are tracking to open on the 26th of November.

- Wendy, looking at more details on here. With them closing their storefront, is there any issues that have arisen with repayment on that one?

- Yeah, we typically withdraw the loan on something like that. He's offered to continue to make his payments and, I guess that's something that we should address with the loan committee. So Monkey Tails has closed their storefront. We have a tie to the equipment loan. He has his equipment for sale and if any proceeds for the sale of it would go to paying of the loan but I have reached out to legal to find out what actions we should take on that. That is something that I should bring to the loan committee as well, so thank you for pointing that out to me.

- I mean especially if they're selling their equipment and that's where our claim is.

- That's where our claim is. He can't sell any of it without checking with us first.

- Okay.

- But right now it's housed in a warehouse and--

- And he's aware of that?

- We really should put that out on an agenda item for discussion?

- Well is that something that staff can just follow up on?

- Yeah, I'm comfortable with that. I just want to make sure. I was just curious because--

- His business is still ongoing, if I'm correct.

- It is. He's in a food truck. Yeah, but we're tied to equipment and some of that stuff was in his location. I missed bringing that opportunity to the loan committee for discussion. Brian, would you like to take that up as a discussion point or what should we do with that?

- I motion to direct staff to follow up.

- We're in dialogue with him and he's making monthly payments. If he does sell anything, he'll be going directly to loan proceeds and he has agreed to pay the amount of the loan so he's current on that. He's doing his food truck business right now. So his business is in existence, it's not in that same location. Again, it's tied to the equipment because it was a lease piece but we should probably restructure it. Maybe we structure it so it's tied to the food truck or something or whatever assets.

- Well if he sells the equipment, then we receive the funds for the equipment to pay down debt.

- I would just maybe ask you to bring that back to the next committee.

- Yep and we'll have him in here as well. I overlooked that and I thank you for pointing that out to me, but we'll have him present here to explain what's happening right now and how he plans to take care of it.

- And I think checking monthly to look in, just to make sure that there's not a fire sale on the equipment where we have the claim and if we need to adjust our claim on that. I think that's a discussion we may need to have.

- We put a UCC filing on it. But unless the person that purchases it goes and does a UCC check then they have no idea. They just purchase it and then after it's gone, I guess we could try to get it back but it gets to be a very laborious procedure for us as a staff. And so let's get him in here and have him explain what's going on with his business. I'll put him on the agenda for next time.

- When is next time?

- I don't know, we are out of funds for the now. Would you like me to just schedule a meeting to have him come in and talk to the committee?

- I mean, I would think a follow up from staff to the committee by either email of what you've found out, again to alderman Johnson's point is, you know, follow up with legal, follow up with him and just see where we're at.

- Yeah, I'm not necessarily stern as hell to take action because to that point, he is current. It's just making sure that our interest is secured. And that equipment isn't being sold off and again if we do need to take a position on the truck if that's necessary, then we can have a meeting. But unless you deem that necessary, I don't...

- Alright, I will follow up with the report to the full committee.

- Cool

- Any further questions? Discussion? Move to adjourn?

- Second

- All in favor signify by saying aye.

- [All] Aye.

- Thank you, it's been a really industrious year.