MINUTES OF THE COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN COMMITTEE

THURSDAY, JANUARY 30, 2020, 7:30 AM
CITY HALL, ROOM 604

A. ROLL CALL.

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

Present: Chad VanHandel, Matt Schueller, Brian Johnson, Excused: James Blumerich

B. APPROVAL OF THE AGENDA.

1. Approval of the agenda for the January 30, 2020, meeting of the Community Development Block Grant Revolving Loan Committee.

Moved by Ald. Brian Johnson, seconded by Chad VanHandel to approve the agenda. Motion carried.
Yes- Ald. Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

C. APPROVAL OF MINUTES.

1. Approval of the minutes from the December 6, 2019, meeting of the Community Development Block Grant Revolving Loan Committee.

Moved by Ald. Brian Johnson, seconded by Chad VanHandel to approve the minutes. Motion carried.
Yes- Ald. Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

D. REGULAR BUSINESS.

1. Consideration with possible action on the request from Voyageurs Sourdough, LLC, for an additional $10,000 in CD-RLF funds to be used toward equipment purchases for the 320 North Broadway, Suite 110 bake house project.

The Committee may convene in closed session pursuant to Sections 19.85(1)(e), Wis. Stats., for purposes of deliberating or negotiating the sale of public properties, investing of public funds or conducting other specified public business as necessary for competitive or bargaining reasons. 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 Chad VanHandel to open the floor for discussion. Motion carried.
Yes- Ald. Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

Moved by Ald. Brian Johnson, seconded by Chad VanHandel to close the floor for discussion. Motion carried.
Yes- Ald. Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

Moved by Chad VanHandel, seconded by Ald. Brian Johnson to approve the request for additional funds of $10,000 for Voyageurs Sourdough, LLC, by refinancing the entire loan for a total of $70,000 at four percent interest for 10 years secured, with a UCC filing and personal guarantee of the borrowers, with the first 12-months being payments of interest only. Motion carried.
Yes- Ald. Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

E. INFORMATIONAL.

1. Revolving Loan Fund Status Report

Stephanie Schmutzer presented the Revoling Loan Fund Status Report.

F. ADJOURNMENT.

Moved by Ald. Brian Johnson, seconded by Chad VanHandel to adjourn. Motion carried.
Yes- Ald.Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

VERBATIM MINUTES

- We're recording.

- Okay, little bit of roll here. Chad Van Handel?

- Here.

- Alderman Johnson?

- Here.

- James Blumreich is excused, and Matt Schueller is here. Let's move to approving the agenda for the meeting today of the Community Development Block Grant Revolving Loan Fund Committee.

- Motion to approve.

- Second.

- We have a motion and a second. All those in favor, say "Aye."

- Aye.

- Aye.

- Aye. Let's do the minutes from our last meeting in December.

- Motion to approve.

- Second.

- Motion and a second. All those in favor, say "Aye."

- Aye.

- Aye.

- All right, we'll move to our regular business. We've just got one item today, which is Voyageurs Sourdough. And Wendy, why don't you kick this off? 'cause I know we've already done some stuff with Voyageurs Sourdough, so there must be just a little bit of a change here to chat through.

- There is. So they are nearing the completion of their build-out over there, and are getting kind of close to opening in the next month or so. I think it's next month. Is that when you're opening?

- Grand opening to the public around tentatively March fifth.

- Okay So, a month out. They have incurred some additional expenses that make sense for them to make that investment now while the construction is happening. And so, they have a twenty thousand dollar shortfall. They have negotiated with their landlord to cover half of it and are asking the Revolving Loan Committee to cover the other half. So, um base company is covering, and you'll see the current big house, the new budget, so they're going to be getting a $10,000 line of credit from Base, and they're asking for 10,000 in additional funds. We would match our current funding, would be the request from the proprietors. In addition to the budget, there also is the equipment list, as what we would be taking as a security, and there is the equipments list is 90 plus thousand. There's room in there, we're at 60 thousand. And so there's still enough room to be able to secure that with that ask. So that's the request today.

- I would suggest we open up the floor. Just be able to ask you a couple questions and all that.

- Motion to open the floor for interested parties

- Second

- We have a motion and a second. All those in favor say aye.

- Aye

- Alright. Floor is open.

- We'd just love to hear from you.

- Well one, hey, last time we got together, I think there's been a change in the ownership structure of the business.

- Yes?

- Yes

- So I'd love to hear about that, and then just talk, walk us a little bit through. Hey what's happened, the surprises or what's new equipment in a way. But we'd just love to get an update on what's happened in the construction process and towards opening here.

- So last time we were here, we had changed the ownership, the partnership, when the 60 thousand was approved from the city. So that process took place in August, and it was a difference of the direction and vision of the company between the two owners, Ben Cadman and Kevin McGillivray at the time, and Ben and I had a vision to really take this to a much larger scale than the hobby side business that Kevin really had intended. And there were some other things that had come up from a financial background point of view that then put it in a situation for us to buy our program out. So we did that at the end of August of 2019, and since then I've really stepped in more and more fully; I had always taken a quite large part in the business, and this gave also an opportunity for Ben and I to really, together, take this to the next level. So that was what happened with the partnership, and since then we have just continued to grow the business, grow from a wholesale account perspective, grow from a customer- home orders and same with our retail app stores, again still at current capacity, and finding ways to bake in longer hours, earlier mornings, etc. So the build-out started at the very beginning of December, and this is Ben and I's first time doing something like this, so we did our absolute best on the budgeting side, and then as the build-out progressed, there were various things that came up that we were looking at. Two main aspects, How can we plan for growth, and asking the contractors If we do this now, what does that look like? And if we do this in one year, what does that look like? And all the response, consistently was "Do it now." And so one of the things that we planned for is an additional mixer. That requires additional electrical side of things, and then we also planned for some additional plumbing in different places, and those things were much more expensive than we understood. And then another addition that really was significant to our budget, is somewhat extending our service area. And the reason for that decision was that really, we know our product. We really know that once someone sees the product there's this real visual aspect that this self before you, you knew that the aroma of the bribe, and then you visually see those two things, and we knew it would be shortcoming to our space if we didn't have extended countertops, beautiful pastry case, and just a service flow that mains "That's for a customer." And so those were very customer focused decisions to help the business really leverage out product. So that extension of our countertop also a total of $18,800 addition in total, and so what we plan to do is just reallocate the funds that we have. So in terms of how we had planned to use the funds, so we can just reallocate funding from other parties into the build-out side then these funds over into equipment. So that's where we're at. Currently it's all painted, cabinet streaks start today, and it's really the most exciting thing we've ever done, to be honest It's an amazing process seeing something that is in my mind's eye in a vision and how it's coming to life. So we have to pinch ourselves at times. We're very excited and feel very confident about our forecast for this year and the team that we have starting to line up just naturally and very organically. People are coming to us and the right people are and we haven't put a post out for hiring yet so, yeah, we're feeling really good.

- Exciting. And so the first loan has already started, we're under way with that, and it's interest only. And I think we were 6 months, interest only. How did we arrive at 6 months? Because honestly what I'm think is should we be doing twelve? Given that they're starting up.

- I think that was the ask of the fighters, at the time, but I don't think there was much discussion about that, it was just your advice. Because they knew that they some time to build and to move over and to get everything kind of situated. And so we were also wanting to see them successful on that. And they 1) have everything start just because we knew that there was build-out time and transition.

- Let's start it on-

- Third.

- Oh, sorry.

- Okay.

- I think they're right on track with the build-out and things that we had initially thought was mid to late February which is right where we were at.

- Just forecasting.

- Yep.

- I mean, if you're looking at 6 months, so let's say that expires in March, and I'm presuming the market season is your busy season. So the market season hasn't even hit yet. So as of Matt's point, it might be nice to have a little more cushion.

- It would be.

- Do you want us to consider that?

- That would be amazing.

- Okay.

- Yes, please.

- Because you can only ask to revise the loan 3 times?

- I think that's what I heard.

- Actually, what I would suggest is refinancing the first loan, and adding funds for the second loan. That way you have one payment, one term, one everything.

- Could be one new refinanced loan and you could set 6 months, or whatever you wanted to do at that point. That way my suggestion, just to make it easier on accounting side, and for them, for payment.

- First is creating a second level-

- Create one level-

- Got it, got it.

- So we totally avoid the one strike, if you will, in terms of the modification.

- Because we would be refinancing.

- Okay. Got it.

- Strike is a negative, whatever though?

- Hard to come across that.

- It would eliminate one of the opportunities for future-

- Right, right.

- Okay.

- Do you have any questions now?

- No- I guess maybe- so base companies is, are they adding to their line of credit or?

- They're adding to their loan amounts, yeah.

- Is there a landlord at all now?

- This is line of credit 10, I don't know if that's still in there but the landlord loan has been increased by 10.

- Okay.

- So, just out of curiosity, the interest rate that you're going to pay on that?

- I think it's 4.5, if you could send that over-

- In ours it's 4.

- In the end of December it was $322,148.76.

- Approximately.

- From a staff perspective, is there any reason why we wouldn't consider? The 20 thousand?

- I want you to go over this 20 thousand because it's 35 thousand per employee, they would have to have another employee.

- Understood, okay.

- So there's a second employee involved, which would probably make it due.

- But the other threshold is- we could certainly look at that, but also, we can't be more than 50% of the project in, and I don't think we are.

- Got it.

- When I figure out, being verses at 29, bases at 19. The lease hold is 36, so we could technically own a whole twentieth,

- Most up for that requirement.

- Unless you wanted to have 2 and a half employees required then...

- And if you don't do a half-

- But it's two for somebody.

- But if we go for an extra 10,000-

- We'd have to hire 3 full time employees.

- And then, what time period is that?

- 18 months.

- Within the start of the loan term.

- Actually, we've decided that it's by occupancy.

- That's a Krista question.

- Okay. I think they're willing to do by occupancy because they know that you're probably not going to have employees until you've opened your doors. And so occupancy is issued she said you'd have 18 months to kick in at that point. So a year and a half to hire.

- Is that within your business plan?

- Yes, definitely.

- What happens if they don't meet that requirement?

- We work very hard to make sure they meet that requirement, very hard. I would potentially make them pay that money back.

- There's a percentage point that goes with it.

- So how confident are you that you would have 3 employees?

- To be honest, I would like to have been clued in on that. I do feel that is in line with our forecast and business plan, because 2 full time is in the plan by June. So that 3rd, within an additional, if it is from occupancy, then that would be within a 12 month period, that seems like, absolutely, but I would want Ben too.

- Sometimes there's a balance of how expensive an employee is versus how much money you're having, so sometimes by $10,000, that employee is going to cost you more than $10,000 so you have to minus that. And to answer your question-

- Agree to the interest rate for loan funds, this agreement shall increase by a quarter percent.

- But then we have to find out house we don't do the most.

- Oh, okay. As you said, seems like a pretty low penalty-

- It's a low penalty but then, Head'll step in and most likely there'll be a market agreement.

- Yeah, sure. Okay.

- So, it's better if we...

- Yeah it sounds like it's best to not do that today.

- Especially if you have been- yeah.

- Okay, I'm good on the questions, thank you.

- And I am as well, now we'll go back to regular business.

- Motion to close the floor?

- Second.

- All those in favor say aye?

- Aye

- Aye

- Go back to regular order of business.

- Do we have a motion?

- I will make a motion to do a refinance to 70,000, with a 12 month interest only period. And, what was first the term?

- Four percent.

- At 4%, with a total term of-

- So it'll be 10 years.

- It's 10 years.

- Ten years only.

- So 12 months interest only and then 9 years of payments, or 12 months and 10 years of payments?

- Just say 10 month term.

- With 10 year term?

- Yeah.

- At four percent?

- And the UCC Filing, personal guarantee you are the borrowers?

- Secured by UCC Filing, personal guarantee the borrowers.

- I will second that, Chad.

- Yeah I don't know.

- We have a motion and a second, all those in favor say aye.

- Aye

- Aye

- Alright. It is passed. You have a- oh, no! I forget about what product!

- Now we're electronically making it official.

- Unanimously approved!

- Alright, perfect, congratulations!

- Thank you.

- Congratulations, we're all excited, to see, to taste, to smell. To drink the coffee. I'd love one of those espresso machines but then I see they cost 5 grand!

- Makes me really want appreciate theirs.

- Yeah, that's exactly right.

- Okay.

- Yes, thank you very much, I appreciate the support, it means a lot to us, and we're excited to do this for the second term.

- I think it's a great addition. I think you're in a great place, I think it fits really well with what's being built in that area as well, in that wonderful district of our city, so I think we're all excited.

- It's going to be really dangerous for Brian right across the hall.

- I saw the green olive loaf you guys came out with, had missed the order deadline, I think you might want to bring that back!

- I'm sure it'll make a comeback. Just gotta keep people on their toes.

- Okay, should we go into the revolving loan funds status report?

- Alright.

- So those reports were sent out to you, just an update on where we were at as of end of December, I'll be making my yearly updates to everybody in the system, and I sent out letters for tax purposes, so that's all done, so things are kinda just moving along. We're doing pretty good, we have a couple that we're working with.

- The loan with Chef Champion has occurred, and they are acquiring a property or no?

- We are closing tomorrow morning at 8 o'clock.

- Okay. I just haven't seen anything really going on, and so I just didn't know

- You go see the city council meeting. That's where the action's been going on.

- Has it?

- For this project.

- So there was- it's a live/work unit, and so there's some special allowances being made for it. Visits are being made to the local neighborhood, we could get some addition to the neighborhood, we'd really like that, there has to be a way in from the neighborhood or some things like that. You're going to spend a little extra process with that?

- Like public hearing?

- That's right.

- But it looks like everybody has gotten their eyes on and we'll be closing at 8 o' clock tomorrow morning.

- Did you hear anything from the neighborhood?

- No, they're all happy to have anything.

- I think the neighborhood believes it's a couple people.

- There are more people that came to the council meeting now that testified in favor of it. He went door to door.

- Okay.

- I also wanted to mention that I did talk to Tarl and to Mark last night. They have worked with we're still working through some of the details, but they have worked with their lender to creatively figure out some things. So instead of paying the taxes all in the middle of the year, they've been able to split it between January and July time, and have freed up some funds so these become current with this other lender, and the way things are coming together, February should be when we get caught up. So they're working to get, so we're working with the lender and buyers to get everything back online.

- Okay.

- So there's a plan that's slowly evolving.

- And then I can lend them, say if there's one of yours now official-

- If there was, at the end of the year, obviously, a big push to get some funds out the door, how successful were you with that?

- I didn't have any other, but now I have some more applications solved, we could be working towards that again.

- So translate, for me if you could, what does that mean in terms of impact om the program? Because wasn't there like, an advantage if you got it out the door in terms of new funding coming in or how does that work?

- Right, right, so we didn't get that funding out, so we probably won't get, might ask for it over the weekend, with asking for additional funds while we still have them. So we'll focus on our funds that we have.

- So you're in the process of making the ask though for next year? Or later this year, doesn't it come in like, October?

- Yeah, we probably will delegate that to other programs that need assistance, 'cause ours has money in that. So we get a certain amount of money out, here into the city, and we try to figure out how to carefully disperse that between all of our programs-

- So our program has funding, so that probably won't be allocated into other programs.

- And it makes sense-

- Say maybe Facade Grant is empty, it needs funding, or whatever, so while we don't have the need right now, that will go into other programs that have less.

- So do we internally make the decision of how the Block Grant funding gets dispersed?

- We do.

- I should not have put that bread in my mouth before I-

- It's a yes.

- Yeah because there's a sub-committee of RDA right? That works with city staff on that.

- And the funding too.

- Sometime in the spring? Is that usually late spring?

- Yeah

- Yep They're starting it now. We did the survey to find out what the community is looking at and then there'll be a talk with Dimir to find out what it is,

- And then it will go to that committee for review and then we have to wait for HUG to actually tell us what we're getting, because up until that point it's all just what we think we're going to get but what we got.

- It's all wishes at that point.

- So yes. And HUG's timeline is HUG's timeline, you never know what it is, and last week if it would go to RDA for approval-

- Don't know if it's in just a report, I don't know that part, I do know that's something with the council.

- Some things that RDA does goes to councils, some things don't.

- Yes.

- And I don't think anybody's figured that out yet.

- Helping give input about where those funds are going. This program has been really successful. I know that they have been very generous with keeping our funds allocated in this direction, but if I don't need them we'll focus on what we have until we do have a need, then we can maybe ask.

- Okay, thank you. Any questions on-? No questions? I think that we're ready to adjourn the meeting. Motion to adjourn.

- Second.

- All those in favor say aye.

- Aye.

- Aye.

- Meeting adjourned.