MINUTES OF THE COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN COMMITTEE

FRIDAY, JUNE 7, 2019, 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

Present: Matt Schueller, Chad VanHandel, Brian Johnson, Excused: James Blumreich, Absent: Mike Borlee

B. APPROVAL OF THE AGENDA.

1. Approval of the agenda for the June 7, 2019, 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- Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

C. APPROVAL OF MINUTES.

1. Approval of the minutes from the December 12, 2018, 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- Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

D. REGULAR BUSINESS.

1. Request by Robert Stahl of ZoZo World, LLC to amend the terms of their Community Development - Revolving Loan Fund loan.

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

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

Moved by Ald. Brian Johnson, seconded by Chad VanHandel to approve the new proposed loan terms for ZoZo World, LLC dba ZoZo Kitchen, LLC and ZZQ, LLC. Motion carried.
Yes- Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

2. The City received a Chapter 7 Bankruptcy notification for Cineviz, LLC. The notice is dated May 17, 2019, and is requesting to write off their defaulted loan balance of $33,291.25.

Moved by Ald. Brian Johnson, seconded by Chad VanHandel to refer this request back to staff for additional information from the Legal Department regarding their Chapter 7 Bankruptcy. Motion carried.
Yes- Brian Johnson, Matt Schueller, 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 Chad VanHandel, seconded by Ald. Brian Johnson to adjourn. Motion carried.
Yes- Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

VERBATIM MINUTES

- Everybody ready to roll?

- I think so.

- Let's kick off the meeting. We'll do a little bit of a roll call. Alder Johnson?

- Here.

- Chad Van Handel

- Here.

- Jim Blumerick, I'm assuming is excused.

- He is excused.

- And Mike Borelli, I'm assuming is excused as well. Or we just don't know?

- Mike has actually sent a letter to the mayor's office and he'll be resigning.

- Okay.

- I think the retirement, and travel, and things like that are harder for him to make a commitment.

- Well, tell him that we had a cake for his retirement and he missed it.

- It was delicious.

- You should have showed up.

- Okay, well that's good to know. So we'll be adding a new member, I take it.

- We'll be seeking other replacements for his position.

- Okay, great.

- Thank you.

- Okay, first item on the agenda is the approval of the agenda for June 7th. Do we have a motion to move?

- Second.

- We have a motion by Alder Johnson, a second by Chad Van Handel. All those in favor say I.

- I.

- I.

- I. That was easy. Everyone kind of knows their roles for today. Minutes from our last meeting on December 12th, we have a motion to approve, Nanette.

- Second.

- A motion from Alderman Johnson and a second from Chad Van Handel. All those in favor, say I.

- I.

- Okay, into regular business. Our first item is a request by Robert from Zozo World to amend the terms of the Community Development revolving loan fund, and I read in the documents it has something to do with road construction. So, sorry about this.

- It's a plethora of ...

- But if you could just give us just of what's going on, that'd be very helpful.

- I mean, we've had a plethora of things that ...

- Yeah, you're right. Sorry about that.

- I apologize.

- Nope. Do we have a second?

- Second.

- Second.

- All right, we have a motion and a second to open the floor for public comment. All those in favor, say I.

- I.

- I.

- I.

- Wait a second. I think we should ... Does ...

- It doesn't matter.

- Okay, we're good.

- All right, it's listed.

- Okay.

- The background was ...

- Sectional.

- Click on that.

- Mm-hm.

- Real fast, I was just gonna give a fast summary for what's going on with the loan decision. So Zozo's was granted a loan ... Back in ... June of ... No, after. That's right where we had it.

- The original loan was ...

- August the 17th.

- Yep.

- We had August 31st of 2017 as one of the original loans.

- Okay, and then we did go one year interest only.

- In February of 2018.

- Right, and that ended in January of 2019. And so he's back to full payments at this point. He's experiencing some construction on Webster with the slowdown of business. Oh, there we are. Zozo's was granted two Community Development revolving loan funds in August of 2017. One loan was for working capital, and one loan was used to purchase this property at 1038 Vander Rack Street. In January of 2018, the local community granted Zozo World, LLC a 12 month interest only option, which ended in January of '19. Zozo's World is now experiencing a slowdown of business due to Webster Avenue reconstruction, which will continue until late fall of 2019, probably into the November time, according to the Department of Public Works Office. Zozo's World, LLC is asking for the loan committee for another 12 month interest-only and revised loan terms. We have a schedule there. There's a spreadsheet that shows the building loan remaining at $16,456.13. With the new proposed terms, what we would like to propose to the loan committee is to extend the remaining balance over 15 years to go out to the original terms. Loan interest will remain the same at 4% with the first 12 months being interest-only payments. The second spreadsheet shows the working capital loan remaining balance of $24,847.41. With the new proposed terms extending the remaining balance over three years, interest will remain at 5% with the first 12 months being interest-only payments. The third spreadsheet shows working capital loan and payment history since the loan originated in 10/1 of '17. And the fourth spreadsheet just shows the loan history since the loan originated on 10/1 of '17. And the fifth was general loan data. So, that gives you a summary of what you're looking at, the new terms, what was the origination, and general background. So, thank you.

- And then also on this, if I'm correct Wendy, we met on this back in December of '18 in our last meeting. Nothing really to do with our loan terms, but I think Zozo's had increased their original loan from the bank, which I think was Bank of Luxemburg, right?

- Yeah, they've refinanced that.

- Refinanced that.

- What they had was some credit card debt that they had put quad equipment and things for the business with.

- Yep.

- And they rolled that all into a traditional loan with Bank of Luxemburg.

- Yep.

- So they restructured that loan.

- Okay.

- And we kept the same terms. just wanted to inform the loan committee of ...

- Yep.

- Of their financial picture.

- Okay, why don't we ... I think we still have the motion in place, that we've open the floor for public comments. So, Robert, if you could just give us an update on what's been happening, why are you back here today, give us a just on that.

- We're back here today just because of the fact that, right now, we're just in a slow spot with construction. This winter was just a killer to me, ice shelves have ripped off my rooftop units, things like that. Just trying to get by as I'm waiting for my catering season to get into full swing, so that way I'm getting more monies coming in through those outlets. I had to go back to work for my dad to get more income. My wife went back to work to Belen to get income and insurance. So, we're trying to make a go of this. We're both averaging 60, 80 hours a week just to not lose this business because this is my dream, what I've been wanting to do since I can't remember. We're just looking for a little help to get through this little slow time, right now, and push forward and keep on going. There's so much potential with that building, what's going on, when the road gets done, and the connection to Bay Beach. I want to get down to when Green Bay Packaging's gonna to have all that big ... The big building they're putting up, I want to try to maximize, want to get 1000 laborers there, a day, things like that. But I need help to get through until all this stuff gets into full swing. Does that makes sense?

- Yep.

- And right now, if we could help us with that, I don't know if there's any other money that there is available for funds. That would be beneficial to help us because we still got a bunch of debt. I gotta get my taxes paid for the year; otherwise, I'm going to lose my liquor license, things like that. We're just struggling a little bit because of things like traffic flow. Basically, some days, it's literally impossible to get to my building. There was one day where there was three different routes to my building blocked off from road construction from railroads, to Webster, to Irwin, to Vanderwack. There was literally one way that you had to weave through four different city towns. I know that I wasn't able to get a lot of mail, or people from my neighborhood would collect my mail, so I was late on a few city things. We're trying to get through and make a go of it. We want to revitalize that area of town and bring it up. And I'm sorry if I'm rambling.

- Nope, totally get it.

- Any questions, at all? How much of your income would you say, percentage-wise, comes from the facility versus your offsite catering?

- Right now, catering is probably 45%, restaurant's 55%.

- Okay, so it's a ... The restaurant's a substantial part ...

- The catering is holding the restaurant up 'til we can get traffic flow, right now. Barely, but we're holding out.

- Yeah.

- Now, I got the farmer's market on Wednesdays, so that's helping a little bit. But I'm doing everything I can. I'm doing the Thursday Ashwaubomay thing that they got there at their park. It's not like I'm sitting on my laurels. I'm trying to get money into the bank. Every avenue I can, I'm pushing.

- Have you been able to keep employees?

- I'm finally in a situation where I'm pretty happy and confident with my employees. I had a few employees that I'd caught stealing a bunch of product from me, which is unfortunate. And I had a bunch of employees that just took advantage, and that's unfortunate. But now I got a bunch of employees. We've definitely hit our low-income market. And actually, I've probably doubled that from what I've actually got reported. I've got 25 different employees that we had employed all part time.

- Sure.

- And I would say 90% of them are low-income and of ... Minority race? I'm sorry. Hunh?

- Yeah.

- So, I mean, we really try to bring good things to the city and that part of town, which is I think a ton of potential for what could become something great with now they're revitalizing Bay Beach and everything that's going there, that could be really cool. And I'd like to get that wall painted too, but that's a different topic.

- You do own the building, correct?

- Yes, sir.

- Our property taxes are current?

- They are, right now. But I've got 'til the end of July.

- Okay, all right.

- Which that's another thing I'm a little nervous about because of all the debt that I've had to incur because my bank loan, the escrow didn't start until after this year; then everything will be escrowed in.

- Sure.

- How much are you looking at for that property tax payment that's due in July?

- It's like $12,000.

- $12,000.

- Okay, when you think about your summer catering schedule, June and July, how is that ...

- June isn't as busy as July, so I'm trying to pick up three, four, five, more corporate jobs before end of June.

- Sure.

- I'm nervous if I'm going to make it, I'm not gonna lie. If I don't get through this, I probably got legitimately two, three, months left before I'm gonna be out of luck on ... I can get some help. Because I'm stretched as thin. I've pulled as many ... Cards as I can from ... Between avenues of my parents and things for extra funding and their businesses and stuff. They've helped me as much as they can. I really firmly believe we've got a good thing coming. We just got to get the people there. I think all people will attest to the food is delicious.

- The food's delicious.

- Yeah, I've been there a couple times and it's really good. If you're a barbeque fan, it's really good.

- On Wednesdays, I hand-carve brisket on-site, so it's a pretty cool thing at the market.

- Chad, do you have any questions?

- I don't think so.

- Anybody else, questions?

- Motion to close the floor.

- Second.

- Motion to close and a second. All those in favor, say I.

- I.

- I.

- Anything else from Wendy, the group, that we need to chat?

- [Woman] As long as there's no new cash going into this, there's no new obligation for hiring quota moderating people. It's just a refinance. So, it would just be changing those terms and putting valid no interest in there.

- Yep.

- But if you put new money in, you have to start all over with those hiring terms, then.

- Oh, I'm not worried. Sorry.

- [Woman] I just wanted you to know that if you do put more money in, that's what would have to happen with that.

- Okay.

- And he's actually met all of his loan moderate-income requirements for this loan. As a matter of fact, he's doubled those requirements.

- I mean, I would take a stab at this first. I mean, it seems to me that the whole purpose of the revolving loan fund is that gap-financing and to help people in times of need, and I think here we have ... I wouldn't say a circumstance totally out of your control in that the planning of that process was noticed well in advance. But I think you're right that on the back end, there's a lot of opportunity to be had. And I think the addition of new employees, but most importantly, just the accessibility of that site, and I would attest to the fact that anybody that I've ever talked to that's sampled his food has really attested to the quality. So I don't think the quality is the issue. So, maybe one day I would even, depending on the outcome of the vote here today, if there's someone over at SPDC that can maybe assist with some construction marketing or things of that nature, if maybe you could ...

- I think business mentoring is always nice too.

- Yeah.

- There's all kinds of wonderful resources out there that we'll connect him to.

- But I mean for us to insist that we need full payment now when it's pretty evident that that's the type of decision I'll put him under, that doesn't help us either.

- Yep.

- So I would support this.

- I did talk to The Department of Public Works and they offered extra signage to help with location and helping him as well. So they're in favor of that and willing to work with him on all of extra exposure for him.

- Okay. And the other thing, Wendy, that I would maybe request of staff pending outcome, of course, of the vote is maybe being proactive with addressing that property tax situation to see if there's something that we can do. Not necessarily us, specifically, but what resources are out there that might be able to help him be proactive about addressing that problem before it becomes delinquent.

- Mm-hm.

- Is there a motion up?

- Yeah, I would move to approve the modified terms as proposed by staff.

- And I would second that.

- There's a motion and a second. All those is favor, say I.

- I.

- I.

- I.

- We agree. Hey, we're sorry about what's going on with the road and understand what that's done to traffic, and we want to do what we can here to help you and at least reduce this payment schedule for the coming 12 months. And I think we'll all look forward to that road being done in November. And what little bit of inconvenience it is to me, I know it's a way bigger deal for you.

- Thank you.

- So, I hope that this helps.

- Very much, thank you.

- Thank you for coming in and also addressing it right up front. We appreciate it.

- Mm-hm, appreciate it.

- Great.

- Good luck.

- So, I'll connect with you, following. And we'll move onto our next item

- Okay.

- Our next ...

- You're all set to go.

- Thanks you guys so much, appreciate it.

- No problem.

- Thank you.

- Have a good day.

- Keep cooking, it's good.

- Yeah, yeah.

- Appreciate it.

- All right, see you later.

- All right, bye.

- Thank you.

- So, let's see. So, the city received ... Did you read it?

- Oh, yeah. Our next agenda item at number two is we've received a Chapter 7 bankruptcy notice from Cineviz. Notice is dated May 17th, and they're requesting to write off their defaulted loan balance of $33,391.25.

- So, Cineviz, LLC was granted a loan on January 2nd, 2013 for $115,000 with a remaining loan balance of $33,391.25. The company has filed Chapter 7 bankruptcy and the City of Green Bay was not named as a creditor. The filing also indicates that Cineviz has 0 in assets. And after any administrative expenses are paid, no funds will be available to unsecured creditors. Reading for creditors is scheduled for July 18th, 2019 at 11 o'clock was my notification. I just thought I should bring this to loan committee. And since it seems like there's no way to recoup any funds that we may just take action on our part and clear this up. I'm looking to the loan committee for advisement.

- Yeah, I'll make a motion to ...

- Let me just asked a question first, Chad. So, Wendy, I presume in this instance that we did not have a guarantee on personal assets.

- We did have that, but they're saying that there are ... Yeah, we did have that. I did talk to our attorney to see if there was anything we could do. And I'm not sure how that works exactly, so that's a great question.

- I mean, the Chapter 7, correct me if I'm wrong, would only apply to the ... And so, unless ... And I'm just curious By the legal term that we were not listed as a creditor. Unless it means something that I don't know, if we're not ...

- Let me go back and give you a little history on that.

- Yeah, please do.

- If you don't mind. So, what happened was our loan was given to them for HVAC equipment for cooling their computer room. So it was for, essentially, air conditioning that was specialized for their computer. I think the

person before me never filed a UCC filing on that item, so that's why we don't have any ... We can't find anything that the city was listed, so I just don't know if the paperwork didn't get followed through or what. But when I went to find UCC filings on the particular items that typically would be done with equipment related loans, I couldn't find anything.

- But aren't they, meaning Cineviz, still required to list you as a creditor and have that show up in the filing. My understanding of bankruptcy proceedings, and of course I could be wrong, is that if you're not listed as a creditor, that could prevent the debt from being discharged.

- Mm, I don't know.

- Now, if they don't have any assets, that may not matter. But that's where I go back to the personal guarantee. And I understand that the easy thing would be to write this off, but I'm also looking to do the responsible thing.

- Absolutely, and I was a little curious that he could sell the business off. So he sold off his assets.

- Now that's the type of thing that you can contend in a bankruptcy proceeding.

- He sold off his assets and Elevate 97 bought his assets.

- But did not buy any of the debt.

- And then filed bankruptcy. So this is a messy one

- That's ridiculous.

- Knowing that, I would say I really don't feel comfortable.

- Okay.

- Taking action on that recommendation then. So, why don't I do a little bit of work with the attorney, and follow up with that.

- I think there would be two things. One is exactly what you're saying. Wendy is ... Hey, let's follow up with our attorney and see what possible mechanisms and recourse do we hear before we just write it off. The second is this is not the first time, then, that this issue of not having done UCC filings has come up.

- This is the only one I've been ...

- No, there's something before. I think was the HC Miller thing. There was something that came up on that and we hadn't done UCC filings, and so now it's like ...

- Now, we do. Now, we do.

- Well ...

- After the ...

- But this is now the second. And so do we need to go back and review all of these loans

- I did.

- And see whether or not we've done our UCC filings.

- Cineviz is the last old loan that's out there.

- That was before my time

- Everything else has been touched by Wendy.

- Okay, so this is the last possible one where there's exposure of not having these UCC filings?

- Right.

- Okay.

- And when I went back ... Yeah, we had to do a little ...

- Okay.

- But then I guess ... Yeah, to Brian's question. So, let's just use Zozo. So would he signed a personal guarantee ...

- He did.

- Against these ... Okay, so typically they are signing a personal guarantee.

- Every one of our loans sign a personal guarantee because they're very high-risk, typically.

- Right, mm-hm. Okay.

- And every partner must sign one. So when we have ... Like Gather had six people involved, every one of them signed.

- Mm-hm. Okay, just so that I understand correctly based on what you verbally told us. We have a situation here where the business owners sold the business. We have a personal guarantee. The business has filed for bankruptcy, but we don't know the status of the individual.

- That's right. I would have to do some investigation.

- And when is the hearing on this bankruptcy proceeding?

- It's ...

- July 18th.

- July 18th.

- July 18th at 11 o'clock.

- Okay, so we have time.

- So we have a little bit of time.

- Okay,

- About a month

- And the reason I think it may be worthwhile to contest this, 'cause again if I'm not mistaken, depending on the terms of that business sale, I think a judge could rewind and make alternative decisions related to how assets were distributed during the sale if a creditor is not listed during the bankruptcy proceeding.

- [Woman] 'Cause generally speaking, you list the creditors you want to get rid of in your bankruptcy proceedings. And if you're not listed, they're not trying to get rid of your debt.

- Right. So again, I think, to me, part of it is looking at 35,000 and how much effort is worthwhile.

- It is worthwhile.

- But I don't know that we know that answer necessarily until perhaps we have a conversation with legal. So, I would move that we refer this back to staff for some additional work and answers to those questions.

- Certainly.

- Great.

- I would second that.

- We have a motion by Alderman Johnson and a second by Chad Van Handel to refer this motion back to staff. All those in favor, say I.

- I.

- I.

- Motion is approved. That wraps that one. Yeah, it's the motion because they can't change the wording of it.

- Okay.

- Yeah, we can't change it.

- So, technically, yes. That's the referral

- But I will change it in a minute.

- Okay.

- Okay, go to the informational section then, which is the revolving loan status report.

- I just wanted to bring everybody up to date with where we are as of the month of June. Everyone is current and they're turning in their paperwork really nicely with the low to moderate-income positions that are being created. So everybody's current with that as well. As you can see at the bottom, I have about $124,000 available funds, and I have a couple of applications in the pipeline. So we'll see how that all plays out for that. So, you can see that we have roughly 17 loans for the Community Development revolving loan. And then on the second sheet is our Economic Development revolving loan fund, which is our minority-focused, and we have two of those out and a little over 5,000 remaining to be able to grant out for that program. If you have any questions, just let me know. But everyone's current and on track.

- So, I don't understand. So, some of the revolving loan funds got disbanded and shifted to other ... They're not funding revolving loan funds, the state isn't funding revolving loan funds anymore, is that correct?

- So, there is some cities where that hasn't, but where an entitlement city.

- Okay, so ours was before like 1992 or something? Does that count at all?

- There were cities that got Community Development black grant funds, and the big problem was that the communities were not getting them out in circulation. So they were sitting in ...

- Oh, I'm sure.

- Accounts and were not ... They were just in accounts in cities. And ours is a little different scenario. Obviously, as soon as we get them in, we try to get them out.

- True, true.

- I know before I started, there was a large amount in there that was not moving, and we don't seem to have that problem now. It seems to be working really well.

- Okay, good.

- But the City of Green Bay is an entitlement community, meaning that we have ...

- [Woman] Well, an entitlement community is one that receives funds from HUD every year.

- Okay.

- And what happens with that is you have to meet certain criteria, you have to be so big, you have to be doing so much. And with that money that comes in every year, part of that we have broken off for the revolving loan fund to put back in there. But the other communities got a one-time deposit of money for that type of a program, and then it was just to be revolved back into the communities. And they found with loan rates that they hadn't been using those revolving loan funds because everything else have been so competitive. So with stagnant funds, congressionally, you're not really supposed to be holding federal funds in private entities, which would be a city entity.

- Sure.

- [Woman] So those monies, if they are not being revolved back out, are going back to state and federal funds.

- Okay.

- So, actually they closed all the ones that are not entitlement cities. You had to pay back the money employed in those funds.

- [Woman] Yeah, but ...

- So, anyway, they ...

- I guess my question was, so, eventually there's going to be more money that's coming into the revolving loan fund because we're an entitlement city?

- Mm-hm.

- You're putting a request.

- Okay, all right.

- Yes, and I believe that in the 2019 entitlement money there was money put aside for this.

- I think there was and I don't remember the amount. We would have covered it at the RDA meeting I think last month. But I just don't remember.

- [Woman] I think it's a 100,000, but I'm not positive on

- Usually, it's about that number.

- that number.

- That'd be the number that I would say, but on ...

- Usually, about a 100,000 is what I request for ...

- And when would that typically flow?

- [Woman] Whenever Congress decides to put money in our account.

- When the money gets here. Okay, got it. So we can have the decision made here and think we know what's available. It doesn't ...

- Usually, September-ish.

- [Woman] We've gotten it as late as October.

- Mm-hm.

- Okay.

- We'll say before.

- Yeah.

- So there was ...

- Specifically, I know Monkey Tails is an operating location, but everything's fine there. There's no ...

- He has his food truck, yeah.

- Right.

- Trailer.

- And he's making his payments and ...

- Okay.

- And everyone else seems to be up to date other than the issue which we discussed, which is now the oldest loan in the portfolio?

- Yeah.

- Okay.

- Good.

- Okay.

- Thank you. With that I think why don't we ... I want to make a motion to adjourn and we'll ...

- So moves.

- Second.

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

- I.

- I.

- I.

- Meeting's adjourned.

- Wow, done in a little over a half hour. Really well done.

- Thank you.