MINUTES OF THE COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN COMMITTEE

WEDNESDAY, AUGUST 15, 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 Jim Blumreich

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

B. APPROVAL OF THE AGENDA.

1. Approval of the agenda for the August 15, 2018, meeting of the Community Development Block Grant Revolving Loan Committee.

Moved by James Blumreich, seconded by Ald. Brian Johnson to approve of the agenda for the August 15, 2018, meeting of the Community Development Block Grant Revolving Loan Committee. Motion carried. Voice vote.

C. APPROVAL OF MINUTES.

1. Approval of the minutes from the January 23, 2018, Community Development Block Grant Revolving Loan Committee meeting.

Moved by Chad VanHandel, seconded by Ald. Brian Johnson to approve the minutes from the January 23, 2018, and July 31, 2018, Community Development Block Grant Revolving Loan Committee meetings. Motion carried. Voice vote.

2. Approval of the minutes from the July 31, 2018, Community Development Block Grant Revolving Loan Committee meeting.

See agenda item C1.

D. REGULAR BUSINESS.

1. Review the loan application for the Historic West, LLC with the loan committee's requested additional information.

Moved by Ald. Brian Johnson, seconded by James Blumreich to open the floor for discussion. Motion carried. Voice vote.

Moved by Ald. Brian Johnson, seconded by James Blumreich to go close floor for discussion. Motion carried. Voice vote.

Moved by Ald. Brian Johnson, seconded by James Blumreich to approve the loan application for the Historic West, LLC, with the first 12 months being an interest only deferred loan. Motion carried.
Yes- None, No- None, Abstain- None

E. ADJOURNMENT.

Moved by Board Member James Blumreich, seconded by Ald. Brian Johnson to adjourn. Motion carried. Voice vote.

VERBATIM MINUTES

- Well, if Matt's not gonna be here, then we'll just call the meeting to order.

- Yeah, Jessica is getting--

- All ready.

- You're getting ready?

- We're all set?

- We're all set.

- Okay, I would like to call the meeting of the Revolving Loan Fund Committee for Wednesday morning, August 15th. So roll call. Matt Schueller is excused. I'm here. Brian Johnson.

- Here.

- Chad Van Handel.

- Here.

- Jim Blumreich.

- Here.

- All right. Motion to approve the agenda.

- So moved.

- Second.

- All those in favor.

- Aye.

- Aye.

- Aye.

- A point of order we need to approve, the minutes of the January meeting as well as the past meeting because apparently though a voice photo over the phone, legal didn't agree with that. So we would like to have a motion to approve both minutes.

- I can motion on the January 23rd, but I wasn't here on July 31st. Can I still motion on that?

- If you read 'em.

- Okay, yep, then I'll motion on them.

- Second.

- Any further discussion? Hearing none, all those in favor signal by saying aye.

- [Members] Aye.

- Opposed? Regular business. A review of the request for Historic West, LLC to come back to the committee with some updates. Wendy?

- Yes. We've been busy since we met with you. Last time we had a couple of questions. And so the four items that we talked about were parking. And so in your packet on the second page, you'll see that we did go and talk to Paul Neumeyer, who helps us with our zoning portion of the city. And he highlighted the fact that because it's a downtown district they could have, well actually, let's go down to the bottom portion where it says auditoriums, theaters, and convention centers. So theater, the recommendation for the city, according to the plan is that one space for every four seats. And then if it were operating as a nightclub capacity because it probably would do theater, nightclub, either way, if it was a one to three space, or one to four space, on the theater they would need, they can also, they're gonna plan on having a capacity of roughly 150. So at a capacity of 150 divided by four, that's roughly 37 1/2 seats, or parking spaces, due to its downtown location, they can cut that in half. So they actually would need 19 spots if they were operating as a theater. And then if they were operating as nightclub-related activities, they would need the 150 divided by four, divided by two, so they would need 25 spots, and they have actually 36 spots. So they're within their required guidelines. They have also began dialogue with the city for future development that maybe the city--

- Could rent that space.

- Would be interested in doing that. So we talked to Celestine, and Celestine had suggested that wait till after the business transaction happens so that they actually could have more of a vested interest in that, and then that they are interested in working with them on that. So a dialogue has begun.

- So I'm happy to see that that you guys are gonna meet the parking requirements, and that was my biggest concern, right? We go down this road and then all of a sudden you find out you don't meet 'em and then you're stuck. But I do still wanna maintain, I guess, a strong sense of urgency that you guys continue to work on something with with that green lot. I mean, not only from an aesthetic perspective, but even though these might be the minimum parking requirements, you're gonna need more stalls than that if you've got 150 people in there. And when you look around that immediate vicinity, there's no place for them to go. The lots that previously were available are no longer available. And so I do think it is important that you continue to work on a plan for that. But that alone, I mean, you're meeting the requirements, so that alone would not, I mean, from my perspective, prompt any sense of concern, I guess, to move it forward.

- All right, so that was item number, one of the items. The next item was that we wanted to make sure that the Bank of Luxemburg had a confirmed participation dollar amount in this business transaction. And if you see, I have highlighted on the Bank of Luxemburg's first page that their loan terms will be for $228,000 on this business transaction. All of the other details are below that. And so if you have any questions regarding that, they have confirmed their loan, this is their loan presentation from there of what has been approved. And then if you turn to the second page, I have the other piece highlighted that they were able to work with Ken Rehn and the people at Bank of Luxemburg, and they also have organized a business operating line of credit with them for $35,000. So that has also addressed some working capital-related questions that the committee had. So feel free to ask them any questions that you have, but those were two items that were, just wanted to shore up the commitment from Luxemburg, and then also to address, kind of, some working capital shortfalls. Also regarding the working capital shortfall, I went back and kinda sharpened the pencil and worked with our finance department here at the city and would like to also propose to the loan committee to take a look at an idea from our area, as well, to help out with the working capital shortfall is that we could potentially, if the committee is interested in this, maybe do a deferred, where it's interest only for six months or maybe even potentially 12 months to give them additional working capital. When we stretch it out over their payments it's not that significant, but when you're in start-up phase it is significant to a business. And so I did run both of those loan amortization schedules here and those are attached, as well. So that is part of, potentially, the city's participation in helping with some of the working capital shortfalls as well that we identified in our last meeting. And let me know if you have any questions with that. The fourth item, I don't know if you want to take a look at just the financials here, but why don't we just stop on financials right now before we go onto the next item so we can talk about that.

- Wendy, perhaps I'm missing it. What is the interest rate on this loan?

- 6%.

- So in the cities it's 4%. And we are going out 180 months, or I think it's 15 years.

- It's 4%, I mean, is that the standard rate on this?

- That's what out loan is. Yeah, it's a flat four.

- Does that change when prime changes?

- Nope, it's always been four. The committee could at one point in time review that and decide to change that, but it's been a very, at one time they had problems getting funds out into the community, and I haven't had that issue since I've been here. So the interest rate seems to be in good, it's a very good rate. You might want to ask Chad about business rates right now.

- So that is locked in for the term of the loan then?

- For their length of their loan, yeah.

- Yeah.

- And at some point in time if the loan committee decides to change something that would be up to the loan commissioner.

- Whereas their loan from Luxemburg is based on prime.

- They're at, I think 6%--

- 6%.

- So if you look down in the middle of the term rates there.

- And the line of credit is 36 and a quarter.

- And Chad would know what business lending is at these days.

- Brian, if I may, just add from the loan committee standpoint, the last, and Chad can probably agree from that, with interest rates being pretty flat, you know, we have looked at that, now, that's not to say that those interest rates do, have changed, so we can look at it in the future.

- Yeah, and there's more--

- Just some information.

- Yeah, prime's at 5%. It is a attractive long-term rate, but again it's meant to kinda help as a buffer, and I think, yeah, it's a good deal.

- I'd have to look back, but I think, if I remember right, it might be before your time on the committee, and I think we tried to stay like a point, a point and a half below prime.

- Usually, the committee has looked at those when there's been difficulty getting loans out and usually that fluctuates by whatever the, is available in the community, but we've been very happy with the rate that we've been offering.

- Any other questions on the financial end of it? The last was the fourth item with the Health Department.

- Yeah, so we had both, both the proprietors and myself have reached out and had dialogue with the Health Department. They had an appointment set up for Friday when all of this meeting got set up and filed into our computer system. The Health Department inspector had to cancel the Friday meeting and has moved it to today. So we haven't had a chance to get her in there, but we still want to go ahead with the meeting because we have had so much information ahead of time, and it was a late cancel. So just the way that meeting got posted, we decided to go ahead. But with the Health Department, I understood, so Gina's been kind of a little hard to get ahold of, is the health inspector person there, but I did have dialogue with her. There is two options that they could have when they came to the Health Department. They could have a pre pre-inspection, where they pay $180 and just have that, and it doesn't go towards the actual inspection, which is about $650, or they can actually have the pre-inspection, which starts a timer that on the first day that they open, they get 30 days to fix everything, and they opted to go with the, have 'em in, figure out what they need to get fixed, and have that with a 30-day timeline. So they've already signed up for that and she'll be coming later today in there. So that's up to the committee to decide how they want to handle that. If you want to wait till you have additional information, but unfortunately, we did have a scheduling pick up, but already had had this meeting in the works.

- The kitchen was that, I mean, was it certified and operable up until the time of its closing?

- So when I spoke with the previous owner, Mary Clare, the woman with the building, I spoke with her on Monday night, just by chance ran into her, and she said she was ready to open and was completely licensed and health-inspected at that time. So I did kind of--

- So you've been told that, kind of, just secondhand. You didn't actually see a certification or license?

- I did not.

- And she was the last one?

- The last one.

- Last. So she never did open up?

- Right before they were opening, there was a couple of things that happened. They had some problems, and so they just never got the door open, but it was like on opening day that they closed.

- And I think they operated retail out of there for a little while--

- Oh, they did operate retail for a little while, you're right. You're right, they were. But the restaurant portion of it was never open to the public.

- So when was the last time that kitchen's been operated?

- I would think two or three years ago. I don't know how long it's been vacant. Do you remember?

- More than two or three years.

- Okay.

- I mean, and if she didn't operate it, and if they owned that building for several years, I mean, is it FiveSix? Is that the last time that kitchen was used?

- Mary, the proprietor that had it before then, did a bunch of work in the kitchen and got it all up to whatever they needed to at that time 'cause they were getting ready to open a restaurant.

- But it was never operated? I mean, she might have put the work in, but it was never operated. And so that's the question I'm getting at, is when was the last time it was operated by health code standards?

- It would probably be back, previous to that time. I wasn't at the city so I don't know when. I don't know the history of the building--

- I don't even know if FiveSix would have had, did they have food?

- Yes, they did.

- I don't know, I was just gonna say I think--

- Mark would know 'cause he was with that organization.

- Oh, okay.

- Yeah.

- I believe you operated the kitchen.

- I had an at West Theatre from 2001 to 2005, after that FiveSix, and there was a church that rented it after that, but I don't know if they .

- So that's 13 years ago, so we still don't.

- Well, FiveSix closed less than 10 years ago.

- So everyone's familiar with, Jim, were you at the last meeting?

- No, this is my first.

- It's your first time. Well, for the purpose of continued discussion, I would entertain a motion.

- I'll move for a vote on of the 12 month deferred interest proposal.

- Can we make a contingency based upon passing the Health Department requirements?

- Yes. Okay, so I would accept that.

- Fine, and I would support the 12 months with a contingency for Health Department approval.

- So we have a motion on the floor to approve the loan as presented with a 12-month deferred interest, contingent upon approval by the Health Department for a kitchen.

- I'm wondering if we can--

- Need some clarity

- Get if certified.

- on that because the concern around it, Jim, was that they go in there, and all of a sudden there's $50,000 worth of expenses that they didn't foresee to bring it up to code and then there's no way to pay for it.

- Well, we've got the working capital, which is $37,000.

- And 50 is probably a bit of an inflated number. I mean, I've been in the kitchen. It's, I mean, all the equipment's in there yet, so it's just probably, in a likely scenario, it's probably like wiring or plumbing or things like that that need to be updated, but you just hate to get blindsided, right?

- I could mention that all of the plumbing in the building was replaced in 2001, everything. It's all brand new plumbing. They sawed up the floors. All the bathrooms are brand new everywhere. Everything was replaced. There were no kitchens before 2001. That was all brand new.

- So my fear with, as I'm thinking this through with that contingency, they probably you know, do we need to open the floor?

- We've been.

- Talking.

- We just have a motion, we have no seconds, so we can make a motion to suspend the rules.

- Yeah, I would move to open the floor for public discussion.

- Second.

- All those in favor, signify by saying aye.

- Aye.

- Aye.

- Aye.

- Mark, if you can just come up.

- Sure.

- So correct, I mean, your access to the line of credit, is that contingent upon the successful closing on the property?

- Yes.

- It is. Okay, so essentially, my concern would be if we say upon successful passing of the health code, and it takes $20,000 to fix it, you cannot access this line of credit to fix it.

- We would not have to do those repairs until we're ready to, until after we've closed. Because we're doing a pre-inspection, but then when we want to open, then we have 30 days to get everything up.

- Okay. Do you have, I mean, outside of the business operating line of credit, is there any other line of credit or cash that you have?

- Yes, I do have $15,000.

- $15,000, okay. So a total of $50,000, basically, would be available for startup cash and repairs, and whatever else might be needed?

- Mm-hmm.

- Okay.

- Then on the line of credit, basically, you're personally guaranteeing that, and the first is on the building. So the first loan the bank has is just they're in first position. And the way it looks, you have.

- And so the loan doesn't have an interest-only period from the bank?

- I think that they have done that too.

- I know I did have a dialogue with 'em about that, that they may be able to do that as well.

- 'Cause there are some renovations that are gonna happen, is that correct?

- Well, most of the work that would be done would be on the marquee.

- Okay.

- But there is some, one or two plumbing issues to deal with, but the majority of that was the marquee.

- But it doesn't preclude you guys from opening up and operating and getting the ball rolling, so to speak. I mean, the marquee is

- Correct.

- Instrumental in the marketing process.

- Right. Yeah, the building is essentially ready to go as soon as we take care of the one or two items.

- And basically, in casual conversation, the previous owner was ready to run it as a food establishment, and whatever situations arose, that didn't happen.

- Has the health inspector given you any indication, once they do come in today, how long it would take to get the report?

- No, but I think it would be quick. And I did have a discussion with her on the telephone, going over details of the kitchen and the bathrooms and what we might expect. And I don't anticipate anything. In the bathrooms, we'll have to replace the way you operate one of the sink in each bathroom, and she mentioned it just has to be hands-free, so I think paddle handles. I guess I wanna stress that it hasn't been that long since it was operated and everything was new, so I realize you don't know the history, but there was no way it could have been a restaurant before I went in there and we spent a significant amount of money to bring it up to a new state. So we spent about $45,000 on plumbing to do the bathrooms and the kitchen, not including the hoods and things like that, just the plumbing was $45,000 in 2001. It was significant.

- And structurally it's all there as far as you have the three compartment sinks are there--

- And they're all, everything is there, yes, including hand washing sinks,

- Hand washing sinks.

- And that is required.

- Prep sinks and--

- Mm-hmm, dishwasher.

- In your time with the property, 'cause I know that you guys have had access, have you turned on the ovens, the hoods?

- No, no I did not do that. But I don't anticipate there will be any issues with that. There are three convection ovens and then there's natural gas for the stove, oven, and broiler. And then a gas French fryer. That's what--

- And the fire suppression system's all intact?

- Yes, of course, that will need to be, we'll have to make sure the fire department, or, I'm sorry, the var-pal is in to certify that there, I think it's yearly they have to do that. So it'll be time to do that.

- Well, probably have to upgrade some of the units so you'll have a cost there.

- Mm-hmm, yeah.

- Okay.

- I did check to make sure there were fire extinguishers.

- All of the units and all the batteries are working and all of the ice machines and all the refrigerating units in the entire building are functioning.

- Yeah, we did check those.

- Okay.

- Those things have been checked, but otherwise everything remains intact as listed and as it is from the .

- Okay. Move to return to regular business.

- Thank you.

- So we have a section item. All those in favor signify by saying aye.

- Aye.

- Opposed? Return to the original motion request.

- Like I said, I've been in the kitchen. I've been in there multiple times. I can verify that the equipment's all there. It's a small kitchen. We're not talking about a kitchen that's worth hundreds of thousands of dollars. It's a small kitchen designed for that space and to me, seems to complement their use well. And I went for the 12 months deferral. I like the idea of helping these guys preserve some start-up capital. If they don't have to tap deep into that line of credit early on in their start-up phase, I think that would benefit them greatly. And again, if you look at the purpose of the revolving loan fund, that's what it's for, is to help these guys get through that start-up phase, so I would support this.

- So could you restate the motion?

- To approve the 12 month interest-free contingent upon successful completion of health code inspection.

- I have a question with that. You can't really pick the close on the property in order to do any of the health inspection pieces, and so I don't know how we grant them the money contingent on the Health Department inspection. Trying to kinda understand what, so the money that we're having is for them to purchase the property. I don't know if they can purchase the property and make any other changes to the property prior to ownership. And so I'm thinking that--

- Let me restate that motion.

- Our $87,000 is going to purchase this property, and I don't know if the contingent that you're putting on it--

- Would work?

- Yeah.

- Will work because we have to purchase the property in order to do the repairs to get it open. Does that make sense?

- It does, Wendy. And actually, I am gonna restate that. I'm just gonna do a motion to approve the 12 month interest deferred.

- On $87,000?

- Yeah, on $87,000.

- I'll second that. So we have a motion to approve the loan to the Historic West Theatre, LLC with a deferred 12 month interest deferral. We have a second? Is there any further discussion?

- I just have one. So the pre-inspection, the 30 days clock, that starts as when the report is issued or when you move to open the restaurant?

- It's actually, the health inspector told me is the day that they open. So they do the pre-inspection, they get busy starting to get their business ready for opening, they can open, and on the day of opening, the time starts ticking where those 30 days start peeling off the calendar. And in 30 days, they need to, the health inspector will be back. So they give them a soft opening time to work through some of these operable pieces, and then the health inspector will come back within that 30 day period and give the final approval.

- And further questions or discussion? Hearing done. All those in favor of the motion signify by saying aye.

- [Members] Aye.

- Opposed? Motion passed. Good luck, gentlemen, you're in a tough market.

- Thank you--

- You can't be mediocre in Green Bay, and you guys know that?

- Yes, thank you very much.

- Does this require final approval by city council? No, okay.

- It does not consider but the motion I have, adjourned.

- Motion to adjourn.

- Motion.

- Second.

- All those in favor.

- [Members] Aye.

- Good luck.

- Good luck.

- Thank you.

- I hope you make it.

- I'm pretty much sure we do.

- That's good.

- Congratulations.

- Thank you, thank you.