MINUTES OF THE COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN COMMITTEE

WEDNESDAY, AUGUST 29, 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: James Blumreich, Chad VanHandel, Matt Schueller, Michael Borlee, Ald. Brian Johnson (arrived at 7:40 a.m.), Excused:

B. APPROVAL OF THE AGENDA.

1. Approval of the agenda for the August 29, 2018. meeting of the Community Development Block Grant Revolving Loan Committee.

Moved by James Blumreich, seconded by Michael Borlee to approve the agenda. Motion carried. Voice vote
Yes- James Blumreich, Chad VanHandel, Matt Schueller, Michael Borlee, No- None, Abstain- None

C. APPROVAL OF MINUTES.

1. Approval of the minutes from the August 15, 2018, Community Development Block Grant Revolving Loan Committee.

Moved by Michael Borlee, seconded by James Blumreich to approve the August 15, 2018, minutes. Motion carried. Voice vote.
Yes- James Blumreich, Chad VanHandel, Matt Schueller, Michael Borlee, No- None, Abstain- None

D. REGULAR BUSINESS.

1. Review the loan application for Mason Real Estate, LLC, dba as Tenet.

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 Authority 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 Michael Borlee, seconded by James Blumreich to open the floor for discussion. Motion carried. Voice vote.
Yes-, James Blumreich, Chad VanHandel, Matt Schueller, Michael Borlee, Ald. Brian Johnson, No- None, Abstain- None

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

Moved by Matt Schueller, seconded by Michael Borlee to go into closed session. Motion carried. Voice vote.
Yes-, James Blumreich, Chad VanHandel, Matt Schueller, Michael Borlee, Ald. Brian Johnson, No- None, Abstain- None

Moved by Michael Borlee, seconded by James Blumreich to return to regular order of business. Motion carried. Voice vote.
Yes- James Blumreich, Chad VanHandel, Matt Schueller, Michael Borlee, No- None, Abstain- None

Roll Call - Members Present: James Blumreich, Chad VanHandel, Matt Schueller, Michael Borlee, Brian Johnson, Excused: None.

Moved by Chad VanHandel, seconded by James Blumreich to approve the loan application for Mason Real Estate, LLC, dba as Tenet, subject to the following conditions:
a. Loan agreement of principal and interest payments at four percent for 10 years.
b. First lean on equipment purchased.
c. Second mortgage on building.
d. Secured by unlimited personal guarantee by Jason Campbell and Lisa Campbell.
Motion carried.
Yes- James Blumreich, Michael Borlee, Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

2. Review the loan application for 4 C's LLC, dba Tasty Treats, LLC.

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 Authority 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 Michael Borlee, seconded by James Blumreich to open the floor for discussion. Motion carried. Voice vote.
Yes-, James Blumreich, Chad VanHandel, Matt Schueller, Michael Borlee, Ald. Brian Johnson, No- None, Abstain- None

Moved by Michael Borlee, seconded by James Blumreich to approve the request with the following conditons
a. 15 year amortization of four percent with the first six months being interest only payments.
b. This loan will be contingent on approval from Economic Development.
Motion carried.
Yes- James Blumreich, Michael Borlee, Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

E. ADJOURNMENT.

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

VERBATIM MINUTES

- Let's begin.

- Let's start.

- Okay, roll call. Well Matt's here. Mike Borlee?

- Here.

- Brian Johnson? Brian Johnson's gone. Do you have any idea Wendy?

- Brian is supposed to be attending.

- Okay. Uh Chad Van Handel?

- Here.

- And Jim Blumerich?

- I am here.

- Good, well we'll get rolling. We've got four either way. Need a motion to approve the agenda for the August 29th, today's meeting of the Community Development Block Grant Revolving Loan Committee.

- So moved.

- Seconded.

- We've got a motion by Jim and a second by Mike. And approval of the minutes from the August 15th.

- Need to vote.

- All those in favor say aye.

- [Group] Aye.

- We have it. Are we good?

- Yep, we're good.

- Okay we're gonna go on to the next one then. Approval of the minutes from the August 15th Community Development Block Grant Revolving Loan Committee meeting. A motion?

- Motion to approve.

- Second.

- Motion by Mike, second by Jim. All those in favor say aye.

- [Group] Aye.

- We're good.

- Okay, got that done. Let's go into the regular business then. Our first item on the agenda is reviewing the loan application for Mason Real Estate LLC. Doing business as Tenant. So I think Wendy you'll probably open us up here.

- I will get you started this morning. Good morning and thank you all for coming in today. We have... This will be a dual proprietorship. This is, so there'll be Jason and his wife. And then it will be Joseph Schmidt and his wife Rachel are gonna be a part of it and we'll explain their roles and what they're all gonna be doing in this business. But as you know farm to table restaurants are real popular in the communities right now. But Mason Real Estate LLC is requesting $250,000 to be used towards the purchase of restaurant equipment for their new farm to table restaurant located in the old Buster's Bar building which is at 2475 West Mason Street. And they're gonna be operating under the name Tenant. Tenant is a locally sourced farm to table restaurant. It will include a small retail store that will sell locally produced food items that patrons may purchase and prepare at home. The restaurant and market place will serve and sell in-state, local organic products in an area of the city that's underrepresented by this concept. Tenant also plans to provide education to patrons about locally sourced, fresh food seasonally in addition to enjoying the executive chef-prepared selections. The business owners have purchased the property at 2475 West Mason, which needed many updates including a new commercial kitchen, which is where the CDRLF funds will be spent. Jason and Lisa have a commitment from Bank of Luxemburg and have, I think it's a different bank, I'll have to just verify that.

- Denmark.

- And maximize their personal investment... Good morning, good morning. And are seeking CDRLFs for gap financing to complete this project. And then the recommendations of the staff are to grant that and we have all of the paperwork including the financials commitment, business plan, projections, estimates for the restaurant equipment, and the application and quotes are all in your packet. So with that I'll... It is the Bank of Denmark, I apologize for the...

- Okay.

- They started out with one bank and then ended up...

- Yeah and I think it was Denmark State Bank's letter that was in the packet.

- Correct, yep.

- That was out.

- I did not update my paperwork to you so please make that correction for me. Alright if you have any other questions for me, I can otherwise resume...

- I would suggest we open up the floor. So the folks doing the business can tell us about the business.

- Motion to suspend the rules.

- Seconded.

- Motion by Mike and second by Jim to open up the floor. All those in favor say aye.

- [Group] Aye.

- Alright. Go ahead, if someone could... I don't who is who amongst the folks on the business plan.

- If everyone introduce themselves and come up to the podium. You can speak so if you... Yep, come on up.

- Yeah and kind of tell us about right hey what are you trying to do, you know, with the business, what does the building need would be great to know. Somebody's got experience in the restaurant business I know from reading through the packets. And we'd love to know more about that. And then I think get us into a little bit about your projections on the business and where those came from and why you think the revenue's gonna do as projected, so...

- Alright absolutely. Well, when we started this venture.

- You are?

- Sorry, my name is Joseph Schmidt. I will be the partner in the business itself. I will also be, my role will be executive chef. I've been in the culinary industry since I was probably about 15 years old. I started washing dishes at Eve's Supper Club here in Green Bay when I was a kid. Went to culinary school in Colorado. Went from Colorado out to the San Francisco Bay area where I cooked in farm to table-esque restaurants out there. And then I came back here to Green Bay to further the thought and idea for this community and hopefully it's a good undertaking for the community. Our thoughts here are to show what this area can produce, help support local farmers, and really bring a culinary experience to the area, especially in the area that we've obtained this property. So where the property is located, like was stated previous, is over on West Mason where it is kind of a food oasis. There is not a lot going on there. So if we can provide for that area, that community, and the greater community, that's kind of what we are shooting for. The idea with, you know, really building the community, and all of the food and everything that's available into one location, I've tried to, tried to help other places in the area do so where I feel like that thought has kind of fallen short. So with that being said, we really are shooting for the whole local sustainable organic movement that is brushing across the country, but really bring it to this community. As for the building itself, Jason will be able to speak a little bit more on that just for the overall needs. I've seen the process, but the lingo is not my forte. That is... Is a little unbeknownst to me. But for equipment and everything else that we are requesting funds for would be our new walk-in coolers, new actual restaurant equipment, so ranges and grills, fryers, stainless steel tables, mixers...

- We do have a list that's been submitted, so if you want to just... I don't know if you need a written list.

- Oh okay. And so with all this equipment, we'll be able to produce all of our food locally in the restaurant and so no outsourcing all of these other things, but actually being able to produce all of the food for the restaurant within the restaurant.

- Jason do you want to... Do you have anything to say?

- Yeah absolutely. The food aspect, do you have anything additional?

- Um, sorry my...

- Don't worry.

- All over the board right now, but as for the food, we want to make it obtainable for the community itself. We don't want to price ourselves out of the market in any way, shape, or form. We want to have community involvement in that aspect. The projections on the numbers speak as so and the original numbers that were ran were as, as the restaurant was full going for the most part. When the restaurant is, I think year three projections, are the restaurant full goes seven days a week just absolutely non-stop business, business, business. And so that is the full potential of what the restaurant can offer. So hopefully...

- Speaking to year three.

- Yes, well speaking to year three. Year one was toned back a little bit, and the financials do project for overstaffing so that we can make sure that the business does run on full cylinders so that we're not lagging or we're missing or disappointing anyone in the process.

- Have you guys designed a menu already?

- We have a couple of different menu layouts, yes. But moving with the seasons and continually changing the menu, the menus are not set in place. So it has the potential of changing weekly or removing and adding items daily.

- Traditional model of a restaurant is ordering off the Sysco truck and how many tenderloins do you need for the week or whatever. In the case of this type of restaurant, it's what's available right now, and how can we build around that? And chef can speak to that, but in theory, you know, there will be a couple of things that would be season long, meaning we could hit it for six to 12 weeks at once in some regards.

- Absolutely.

- A lot of things stick around for a long time. But there might be a couple of items on the menu that, hey just because you're here today this is what you, what's the opportunity today and it won't be around tomorrow. And part of that is a draw. In terms of a customer base, you know, opportunities are definitely what bring people in.

- So on...

- It's a celebration of what's available.

- And on that note, where did you get your... Where did you get your numbers? I have... A lot of concerns. You think that, you're gonna open the doors, come out of the box running and do two million dollars in sales your first year?

- I'd be happy to explain how we did projection and assumptions. My name is Jason. Would you like to... So to answer your question directly with numbers? Or do you want some history on the property?

- Well you can start with, you can start at the beginning.

- Well, yeah. Just so we can stay on track, I'll answer your sales projection and the assumption. So we are going to be 150 plus seats in the renovated property. And the assumptions year one is if lunch... Lunch prices are what they are, dinner is what we're expecting. But it's the number of covers and how many times a meal is served. So we made the assumption that at the light end year one, if we just serve half of our seats for lunch and just half of our seats, or if we seat our full seats for dinner, meaning a couple that sit down and consume the seats, we are projecting what is showing up as legitimate, and the comparative literally down the street for a lunch, a Cousin's Sub is $12 plus a chip and a drink. So to ask $20 for a locally done something for a decent sandwich and whatever isn't out of... Out of line, realistically. And the way we allocated staff, speaking to Joe's comment, is we took all of year three numbers, in terms of how we needed to serve, took all of that staffing, and carried it to year one. And so meaning we aren't going to be hopefully disappointing on the service level. So realistically, and this may not speak positively, the projection is actually light because we overstaffed and over purchased food and all of those types of things for those projections.

- My comments are based on the research that I did. That you, Joe, stated an oasis. There's a number of eating places surrounding you. Granted none are farm to table, but established businesses on the east side of Green Bay. And that really was, the start up was an oasis, that's been there for a number of years, and is double the size in covers.

- Excuse me, did you say east?

- On the east side of Green Bay.

- Okay, alright.

- Is double the size in seating, covers. And, and this is not year one, two, three, or four. This has been around for a number of years, does about 3.2. I, I, you are... I thought I'm an optimistic guy, I think you guys blew my optimism way out of the water. Yeah, cause my concern is to give you quarter of a million dollars,

- Yes sir.

- and you don't make it, we haven't done anybody a positive service. You know, so do you spend the money, or trust that can you do this with less, or you've got a big pile of cash somewhere, because I didn't see any working capital in this projection at all that's gonna carry you through if you don't hit those numbers or even get the half of those numbers. One million? One two?

- Okay, let's speak to the number of restaurants in that area. So going down the road toward NWTC, you've got a Gallagher's. There's Cousin's, there's a McDonald's, a Hardee's, a whatever. Across the street it's Fast Fazoli's and then Schlotzsky's. Adjacent to us El Azteca, a long standard family owned, Los Benitos, certainly he's welcoming us to the neighborhood, open arms, they're excited. The previous Fuzzy's, now Scoreboard. Matt is hugging, he's like this is exactly what we need in the area and the other restaurateurs and bar owners in the area are like man are you filling a void. More to the point, all of the residential behind us, you know, supporting that high school there, we're talking, I don't even know the population right there. But those neighbors are literally walking by on a daily basis now that there is some activity on the site again. They're all excited, like what's going on here? We're excited for another opportunity for a place to eat. If you need to reach out beyond that four, five block radius, you have to get down one exit to the Lambeau district or you need to head way past what would be the military vicinity and there you start to get into the Culver's and whatever else. In our perspective, it really is an oasis. It's a desert for restaurants for a sit-down opportunity.

- Did you say you had some numbers from Buster's?

- Uh, Buster's when John and Bob closed, and arguably they were at like 40/60 meaning primarily you know beer or liquor, they were at approximately 300 and some odd thousand. And I think if John were sitting here...

- Yeah.

- And I actually spoke to him yesterday because he was shutting down some of his accounts and things like that, he would tell you that they weren't doing anything. Yeah, and on their 14 beer tap system, he had three beers. They were essentially on cruise control.

- And I know a lot of greasy spoons.

- Yeah exactly.

- Ends of the spectrum.

- And they were, you know, straight from, and no disrespect to them, it was straight from the freezer to the fryer and you got what you got. And they still did a lot for the fish fry. So again in all due respect, but they knew that Buster's had its run and both of them were very tired. And Bob is still going on the other side of town to my knowledge, but um... Can I speak to the property then real quickly?

- Let me just, was there any, do you know what the max revenue they were ever doing? Did you ever... get that from them?

- No, honestly I don't. But it's the not same model either.

- No, I understand that.

- Yeah, right.

- Just to see what that could support, what that building could support, but...

- Yeah, John actually, so he actually called because he had stopped in the end of last week and he just was excited to see things happening and the opportunity was there because people have been asking him you know what's going on and things like that. But speaking to the property very quickly, 60 seconds on it. So I'm not a Green Bay long term resident. Wasn't born and raised, I was on the other side of Wisconsin, but since we've acquired the property, I've met not dozens, but hundreds of people who have a history there so 1978 it was established as the Blarney Stone. So that was a pretty long run, and everybody who knew anybody was always there. And it was a hopping place and I know that there was quote unquote a questionable establishment in terms of operations and how they dealt with community in that regard. Switched over to Sharkey's they tried, and then Buster's another 20 year run. So you know it's a 40 plus year history. Two establishments had two decades worth of good business. And I would like to see this building revitalized. DeLeers is doing our construction. It's a really, really strong steel building full span with I think about a quarter of it of basement. Poured foundation. Really well done and the property itself, when compared to the others up and down the street is about twice to 250 percent the size 'cause it's wider and more to the point it has an adjacent L to it. So it's a substantial piece of real estate in that regard and a very busy area. Everything is ready for full remodeling and revisions. There isn't much that is missing from our remodel plans.

- And is the kitchen that's there today just too small? Or is there not much kitchen there?

- It is a sufficiently sized kitchen for the operations that were there. It suited Buster's quite well. We are literally increasing the size of the kitchen by 100 percent. So for the type of the operation we're doing that isn't necessarily excessive, but appropriately sized because of the type of cooking that we'll be doing. So as Joe was, Chef was saying you know when we're not ordering off of the Sysco truck we're doing a lot more preparations ourselves. The dry storage and the larder, if anybody remembers that term, will be a lot smaller and the cooler is oversized purposely because there'll be a lot more preserved and held over in terms of fresh and so forth. That is the only addition being done to the building. The rest of the footprint remains. It's just being reorganized on the interior.

- Okay.

- Yeah.

- Is there a seasonality projected for the revenues? Do you see any particular season being heavier?

- We're actually playing to that dealing with the renovations. So phase one does not include any exterior seating but the site plan does include it in the renovation remodel, we are accounting for that. So the seasonality of food, um, I don't believe there would be an influx of traffic, but just Wisconsin season in general I believe there to be. Now opening towards the end of the year we aren't gonna go out and sit with our gloves on and have a beer. We aren't including the exterior seating with the phase one remodeling. That is in an account for next year assuming all works well. That being said, I think that will help taper, or excuse me, help keep sales fairly consistent because people are yearning for that outdoor seating environment. And the lot really plays well to that because it's a quiet area towards the back. I think there's a great opportunity for people to have a nice, quiet meal back there. On a very busy road.

- And what were you planning for working capital? For the business?

- We're both bringing in a substantial amount for start up and so forth. In terms of beyond the six to eight month range, I will be honest, we're assuming that we're cash flowing for at least operations at that point.

- So start up working capital is $100,000? $500,000?

- Uh 75 each.

- That's $150,000.

- Yeah.

- Is that it?

- Yeah.

- And I don't want to...

- And that's just because it's equal. My wife and I can make up a difference at that point.

- So in your, are you gonna be day to day operations of this facility? Or what is your background? Were you...

- Yeah.

- Obviously we have a chef.

- Yeah.

- Because we look at it, you know.

- The operations are a partnership. So Tenant LLC is a fifty fifty, Chef Joe and myself. The real estate, Mason Realty is a husband and wife LLC. Lisa, my spouse. And so we own the property and then the operations will lease from us. My background is actually fairly diverse. Everything from education and now farming. But my wife and I have been quote unquote tilling the earth for all of our life raising food. And my role in this will both be the aggregation and the liaison of farmers and bringing food to the table literally. But also assisting in management and I'm particularly good at numbers. So I will be assisting in the accounting and so forth.

- Okay soy you're not... Of the two general managers and assistant managers, you know a couple hundred thousand dollars in payroll there. Neither one of you are in that operational cost? The reason I ask that is as you start breaking it down like for instance, your lunch labor costs per shift is what, 26.9 percent you have listed here. But dinner is only eight and a half percent. So how do you double your seating, but your labor costs per shift drop to a third?

- Um also cost of cover. And so our projected average cover cost increases also. And so not only are we doubling the seating for PM projection, but we are also going, I do believe it was about...

- 50 per two.

- Yeah. And so with the increased cost of dining at dinner, with the increased amount of seats projected, that's where we come up with that bigger number and that's how the staffing kind of offsets from your lunch staffing with the lower income coming in through the door to your dinner seating with a higher income and then almost same amount of labor going into it. And the AM labor is there mostly for preparation and to make sure that we're keeping all wheels greased and we're still a go go go facility.

- Speaking to that so as a reminder or a refresher, I took year three's staffing numbers and food numbers and placed them in year one. But only left year one income. So, and then if you look at the very last page, we're still green with those numbers. Barely, granted, but just wanting to make sure all bases are covered. So if we were to staff appropriately and only order the food that is appropriately sold in year one, that percentage would be significantly different. I wanted to take absolute worst case scenario and say is this still floating or is it not floating?

- And if it doesn't float are you guys prepared to take that hit? The total devil's advocate here. I love the concept, I agree with that. I watch foodie channel all the time. You know, I want to go to those farm to table things. Point being is that I also want you to succeed. And we don't want to... You know we have to be fiduciaries of taxpayer dollars here. Understandably, we're a gap financer because everybody else isn't gonna give you anymore money. And if you don't make it on those projections, what happens?

- And that's fair, absolutely. And any, any person standing here or any person opening their doors for business, it's all rainbows and butterflies, absolutely. And we're excited, and we're optimistic. But at the end of the day, I don't get behind anything that I know won't go and I have 100 percent energy into this. This model is lacking here. It does not exist though it is touted and sold and marketed that way. And I know this because as a food... I raise food, I grow food and I was a supplier to these places that say they've got farms on the menu. They don't because they bring you in, which I've done, they put you on the menu, and they advertise it, and then because it's seasonal, and it's inconvenient, they no longer purchase your food, order it off of the Sysco or the Reinhart truck, and now they're when seasonally available. This model is not that. It is rotating, it is... And I've aggregated as many as 40 other regional farms to supply to this so it's not just saying you grew at farm, it's I've literally made relationships over the course of my farming career, and I've reached out to them, and they're bringing food in from as far as you know Marinette area and as far south as well really Milwaukee and then Chilton for Meuer Farm. So everything from... Well everything except coffee, citrus, and chocolate that we don't grow here. But literally the grain for our breads are being produced at Meuer Farm in Chilton. So...

- As far as walking away. So I'm Lisa Campbell.

- Hi Lisa.

- I'm Jason's wife. And this is Rachel Schmidt, Joe's wife. Rachel has a background in the restaurant business and she can speak to that. I'm a physician in the area. I'm not walking away from the program. I can, could I come up with the funds to do this on my own? Yes, but that's not the point. We want it funded well up front. And I think that Green Bay would like to stand behind a well funded restaurant, well funded you know entrepreneurial things. So could this happen other ways? Probably. Do I want to see Green Bay get behind and support this? Yes. Can I financially support it in some independent manner? Yes, I could do that. I don't want to. I want, because I want to see farm to table succeed in the area which means the community needs to buy into it. At the end of the day, are we willing to walk away? I guess, I think the four of us really want to see this happen. Joe wants to do farm to table. Rachel wants to do farm to table. Lisa wants to do farm to table. Jason wants to do farm to table. We're gonna put everything we can into this. So there is operating capital that can back this up, that can back up your $250,000 loan should that become necessary. So it's backed well. You've got four, we're not young. We're not youngsters here. You've got four very capable adults working together to make this happen.

- We bought the building outright, I mean we own it. So the funds are there sir. I just, rather than put more cash into it and then be at zero for operating, we're asking for some equipment coverage so that we have the backup to take care of this over the course of the warm up period. That's the realistic answer.

- So in essence, I mean you purchased the building. I mean you basically bought the building. And now you're refinancing.

- I would argue we bought the land and we got the building for free.

- So you're financing the equity that you had in the building to put this project together. So to speak.

- So to speak, yeah.

- Well yeah but we're I mean above and beyond the funds for the remodel, we're still coming up with capital to go above and beyond that because you know if Steve were here at Denmark, there is a limit to what banks, and maybe Gene can speak to this, there is a limit to what banks want to offer for restaurants. Yes, they're risky, and which is why you're asking questions. But this model in this area, I don't... It's not hit. Nobody's doing it.

- I mean historically this committee has just not had a great experience in the food arena.

- And neither have...

- As well as just the fact that you guys know it's the tough... I mean you're gonna be working 100 hours a week.

- Oh, I...

- Well if you're executive chef, you're gonna be standing there looking at every plate that goes out that kitchen door to make sure it's exactly... I just, I just can't believe your sales projections, but... Good luck. I just have a concern that, you know...

- Well you've got a break even of 1.6 so even if it isn't the 1.8, we've still got some room. Where you don't need to make the profit. The lease and rent is somewhat related. So there's probably you know at worst case scenario some flexibility in that 12,000 a month I think is what's in there.

- And that's all in.

- Right, right.

- But it's also a unique situation where the tenant, not Tenant is the owner. So there is some play in that where you know...

- So that could bring the break even closer to a million. If your numbers don't kind of hit as projected.

- I respect your concerns. Are there any other concerns on numbers from any of the other committee members?

- No my question at this point is Wendy have you and them talked terms on the loan? Cause I think it'll make sense for us eventually here to go into closed session and I want to make sure the terms are clear.

- It's gonna be in at four percent for 10 years on equipment. I should have put that in the first line.

- Wendy what's, what's the guarantor?

- We're gonna be holding the building as collateral. So it'll be backed by the mortgage and then promissory on...

- By the owners?

- Yep.

- So personal guarantee.

- Personal guarantee.

- And then second on the building.

- We will probably have filing on the equipment as well. You CC on that.

- And on that 10 years that's principle and interest paid during that whole time? Or is there any period that's interest only?

- No, it's just a straight...

- Okay, got it.

- Motion to return to regular order of business.

- Second.

- Motion by Mike, second by Jim to return to regular order of business. All those in favor say aye.

- [Group] Aye.

- I would suggest we just go into closed session real quick.

- Want to read the language real quick?

- Jim can you do that? Our finance guy.

- It's on page...

- You gonna read or do you want me?

- Right on the agenda.

- It's right here.

- It should be right on there.

- The committee may convene at closed session pursuant to sections 19.85 sub one sub b of Wisconsin statutes for the purposes of deliberating or negotiating sale of public properties, investing public funds, or conducting other specified public business as necessary for a competitive or bargaining reasons. The authority may thereafter reconvene at open session pursuant to section 19.85 sub two of Wisconsin statutes to report the results of the closed session and consider the balance of the agenda.

- Second.

- [Wendy] Come on in. Back in session.

- Okay so I need to do roll right? We need to roll? Matt Schuller, here. Mike Borlee.

- Here.

- Brian Johnson.

- Here.

- Chad Van Handel.

- Here.

- James Blumerich.

- Here.

- Okay now that we are back to regular order in session we are gonna make a motion and Chad's gonna lead us on this.

- Appreciate the opportunity again. I'm gonna make a motion to approve of $250,000 loan, four percent interest, 10 year term and amortization with monthly principle and interest payments. Secured by a first lien on the equipment, second mortgage on the building at 2475 West Mason Street in Green Bay. Also secured by an unlimited personal guarantee of Jason and Lisa Campbell.

- Do I have a second?

- I'll second that.

- So a motion made by Chad, second by Jim. All those in favor say aye.

- [Group] Aye.

- Great.

- Good luck.

- Congratulations.

- Thank you.

- I'm excited.

- I'll be one of your first customers.

- You gotta send us a note when you're opening.

- Yeah we will. Absolutely.

- We'll have to have a ribbon cutting. Yes. Congratulations.

- We appreciate the faith. I know it may have been a stretch, but we appreciate it.

- We're all excited.

- You are more opti... I thought I was the most optimistic. I'm telling ya.

- I run a farm for a living and if I can get through this year, optimism is nothing.

- Yeah this has probably been quite a week for you.

- This has been a difficult one.

- Oh yeah.

- We're all set.

- Just emails?

- Yeah why don't I set right now. I have another loan right back to that. If you don't mind me just, we'll follow up right afterward.

- Yeah.

- Is that alright?

- That came up on our skin to vote.

- Yeah, we're missing them.

- Yeah, well I got that part. I think I got that.

- Did you get everybody's vote?

- I did.

- Oh okay.

- Okay.

- Alright. Well it's a busy day for our loan committee today. Thank you very much. We're gonna review the loan application for Four C's LLC doing business as Tasty Treats LLC. You may remember the Dairy Queen on Main. We participated in that loan the first time through. And now that's been paid off and settled. It was my first settlement here which is kind of exciting. But the operations have been at this location Chad Mindak and Courtney Carlton have been busy combining their efforts. Courtney for the last four years and Chad for the last 10 years have been producing and operating this business. They just are looking to now purchase it from the previous owner and get their name on the title. So Dairy Queen on Main LLC is requesting $140,000 in... This is a little different, this is not our RLF. This is our funds that came from the Packers Stadium. This is an economic development RLF. So it's a little bit different to be used towards the purchase of a Dairy Queen located at 1301 Main Street. This will be a woman owned business. So it's a 51 49 split between Courtney and Chad. And so that's where it fits into this minority owned loan that will be coming forward. And so similar to our other, it's written in all the same ways except for that it has to be a minority, a veteran, or a woman owned or disadvantaged business is the criteria for that loan. So the staff... Um, so they now wish to purchase this building. The property they have helped develop. They plan to grow the business by growing sales, promotional products, and adding staff. They're eager to move forward with this. The staffing, my recommendation is to request the EDRLF funds to purchase the Dairy Queen business located at 1301 Main Street and we'll be attaching our funds to the mortgage purchase. So in the attachments, there is the finances, the appraisal, balance sheet, presentation from Bank of Luxemburg, and the application for Four C's LLC doing business as Tasty Treats LLC. And with that...

- Wendy how long ago did we make the loan for the Dairy Queen the first time?

- I don't know, but it's... About three and a half, almost four years ago. I started here four years ago and it was one of the first things that I did with the RLF was the settlement for Tasty Treats.

- The settlement. So the actual loan is...

- Paid and done as of three or four years ago from the previous owner.

- Okay.

- So that scenario is that there was a two partner and then the partners split and then we came in and helped offset the funds that he had paid for his other partner.

- Okay.

- And then he satisfied that and it was my first satisfaction.

- Okay.

- But in here those funds are back in and so now they can roll forward again for the business again. Which is kind of interesting that it ends up being in the same building.

- Got it, okay.

- Motion to suspend the rules.

- Second.

- Motion by Mike and second by Jim to open the floor. All those in favor say aye.

- [Group] Aye.

- Why don't you both come on up and tell us a little bit about... Hey this is, obviously you have some experience um with this business. So I'd love to know a little bit about A what your current roles are in the business and then why you want to buy it. And what you're planning to do with it and all that good stuff.

- Well, my background, I have two sisters that actually... One of them had one in Manitowoc, and my other one had the one here right now on Main and... Main and Mason they were running. Now she runs a restaurant, but... So I have some background in that.

- Okay.

- And before even getting involved in the Dairy Queen, Gary Fetner had 14 stores and what I did is I went around and did his maintenance on the machines. So I'm familiar with the Dairy Queen systems. Got involved with Main and Mason or Main Street. And that one was closed for I think around 60 years. Was closed from October til March. So when we got in there, I didn't, I didn't like that one bit. So we keep it open all year now.

- That's right it does close in the winter.

- Not, not for eight years.

- Not now, but it did. You're right.

- Yeah the first two years it was a little struggle but then after that everybody knew...

- Knew that you were still there.

- And as far as my role, it was always an operator role rather than a manager role. I started doing spreadsheets, payroll, scheduling, you know bills. So it was always kind of that. So now we're kind of getting to the point where it's like well now we want to have our name on the deed.

- So the gentleman that you're buying it out of Manitowoc owns the building and the franchise?

- Yes.

- Am I correct?

- And then you're gonna maintain it as a Dairy Queen?

- Yes.

- And so that, on your financials, the Dairy Queen franchise fees are under licensing? Or are they under other deductions? I was trying to figure out where you're gonna pay for the loan, but then and also pay for where the franchise fees are on the p and l? If that makes any sense. If you go under Tasty Treats. So you know it's just a matter of okay, how are you gonna, you know, where's the money coming to pay it off. Is it gonna be coming from increased sales or is there, in the current sales of $418,000. You can jump in if you want.

- Sure.

- So they have their lender here as well. So Eugene is here.

- Alright, great.

- Eugene from Bank of Luxemburg. I'm their commercial lender. The purchase price is 485. What we do, we're gonna finance $335,000 which is gonna cover the majority of their expenses. And the good will we're gonna secure the loan on the bank side with their real estate. Chad and Courtney are gonna pledge their residence as well and fixed assets. We have done, we completed business evaluation on the business through a local accounting firm. And we valued the value percent to the purchase price. So from our stand point it's secured. I know Chad still had optimist love and he's been running this business like he said for the last 10 years. It's just a matter of putting his name on it and helping with some financing.

- So when you look at the P and L then the rent payment you know that's listed three grand a month, theoretically that's your payment.

- That's a payment on the...

- That'll be your payment and then because your franchise fees are probably under the 25 three. I'm just using those last year's numbers taxes and licenses, I'm assuming that's where the franchise fee is.

- Mm hmm and my understanding of the rent. They'll keep all the funds in the company. And the rent's just gonna go just to cover as a payment.

- Are you guys gonna structure that where they will own the building as...

- Separate LLC.

- Separate and then business operate, okay.

- Courtney why don't you tell us about what you've been doing in the business and kind of what your role will be going forward.

- Um, my name's Courtney and I've been there for four years now. And when I first started, I was just a crew. I just walked in and we decided together that it was time for me to, that we wanted to do this business together and that we wanted to have a future there, that eventually we wanted it to be ours and that it would need both of us there. So when I first started, it was basically just a crew member that was on the floor. From there I moved up to trainer, and from there I moved to cake decorator, and now I'm also operator like him. Inventory, scheduling, bills, all that. Everything it would take to run the business both of us do together.

- Cake sales.

- Yeah and with the cake program, when I started doing the cakes, obviously at the beginning we didn't see much of an increase, but after a couple of months of me being there, we had doubled and sometimes even tripled the amount of cake sales per month that we were doing prior, in the years prior.

- And how did that, aside from you being the lead on that, was it through advertising or just word of mouth, or people realized you had great cakes?

- It was basically word of mouth. We didn't really advertise, but it was word of mouth.

- We started venturing out and we were doing some weddings so that was huge. That's really neat. We actually did a funeral too to be honest. But all kinds of parties.

- We did implement... We did implement like online cake ordering so we do have that now. You know that wasn't in the years prior.

- Home delivering cakes.

- Yep, we deliver, we do deliver some cakes.

- Did you promote that through social media? Facebook or...

- We do have a Facebook account for the Dairy Queen. We are relatively new to that, but we are trying to implement social media more.

- Okay.

- Especially for like holidays, I did use that for the cakes through the holiday sales. That did help.

- Alright.

- What are the staff that you're gonna be doing... They're gonna be increasing their staff as well to help with this decorating portion of their business. And then we have to do full time equivalence ratio every $35,000 that we lend out same as our other traditional loan. That the cake business is taking off for them. And that's one of the biggest places that they're going to... They're kind of land locked in that location and so to grow it externally with other school sales and other things like that is part of the marketing plan that we discussed earlier as well. That's one of the noted positions that they need is cake decorators as soon as possible. So as soon as, we encouraged them to wait 'til after the loan to start their hiring process.

- Any other questions?

- Chad did you have any?

- Nope.

- For purpose of moving on to further discussion, I would make a motion to approve the loan as request, as presented. It's a higher risk in the sense, but it's offset by the fact that these two individuals have been in the trenches for so long at that location and it's an ongoing business.

- What, what...

- I have one thing to add to the loan committee on this one. Our new loan, we haven't had a chance to get it all approved yet, so we're a little bit horse before the cart so we had the application come and I haven't had it go through the EDA. So it will be going through the EDA. And Economics Development Authority for final approval of all the guidelines of that. One of the guidelines that was set up on our acquisition where we ask for the funds from the excess tax was that they had a cap of 100,000. The loan committee can decide to go over. This request is for 140. We have 200,000 in our fund. And for the loan committee to weigh in on that to see if they'd like to raise the cap for this particular instance, okay.

- Okay.

- And then we'll get all the approvals in place, but the loan just happened to come through and we've got this other loan so I put all the meetings together in the convenience of time.

- And what's the proposed rate on this?

- This is four percent as well. And property it will be going out 15 years. So the... It's 140, four percent, 15 years.

- Principle and interest from the beginning?

- They're an operating business in full swing.

- Okay so we need to read... How much of the initial motion do we need to revise based on the approval of the EDA?

- I would say... That we have all of the approval, or guideline approved by the EDA that meets all the guidelines approved by the EDA.

- So the motion would read to approve the loan of $140,000 for 15 year amortization at four percent, correct?

- Yep.

- That's our rate. I would further add that the first six months we would do interest only. And upon approval of proper guidelines established by EDA.

- So that is a contingency then. Assuming EDA approves.

- Okay I'll second.

- I think they're moving that day because of Wednesday. This month in September that we meet and that will be in the agenda I believe.

- Okay I'll second the motion.

- So we've got a motion by Mike and a second by Jim. All those in favor, oh... Right we'll do this electronically.

- Oh she's looking over her shoulder.

- Oh look at this.

- I think she's got this.

- Gonna have to save. How did we do miss?

- Motion has been approved.

- Alright motion has been approved. Congratulations. And good luck.

- Good luck.

- Welcome to the business now of owning instead of just operating. So congratulations.

- Thank you.

- Congratulations.

- Just a quick point of order, we failed to return to regular order of business.

- We didn't go to close.

- No, but...

- Oh.

- We're fine, but just...

- I think we can handle this. And then do you mind if I just step outside real quick.

- Okay, I think and we can go to the last item on the agenda which would be adjourning for the day. Do we have a motion?

- Motion.

- Second.

- Motion by Jim, second by Chad. All those in favor say aye.

- [Group] Aye.

- We are adjourned.

- We did pretty good on the rules, we did okay?

- You did great.

- Okay.

- Thank you.