MINUTES OF THE COMMUNITY DEVELOPMENT BLOCK GRANT REVOLVING LOAN COMMITTEE

THURSDAY, AUGUST 8, 2019, 7:30 AM
CITY HALL, ROOM 207

A. ROLL CALL.

1. Members: Matt Schuller - Chair, Vice Chair (Vacant), Ald. Brian Johnson, Chad Van Handel and James Blumreich

Members present: Matt Schueller, Chad VanHandel, James Blumreich, Brian Johnson, Excused:

B. APPROVAL OF THE AGENDA.

1. Approval of the agenda for the August 8, 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- James Blumreich, Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

C. APPROVAL OF MINUTES.

1. Approval of the minutes from 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 minutes with the amendment to include Loan Terms in the minutes. Motion carried.
Yes- None, No- None, Abstain- None

D. REGULAR BUSINESS.

1. Consideration with possible action regarding the loan application from Voyageurs Sourdough, LLC, requesting $45,000 in Community Development Revolving Loan Funds (CD-RLF).

The Committee may convene in closed session pursuant to Sections 19.85(1)(e), Wis. Stats., for purposes of deliberating or negotiating the sale of public properties, investing of public funds or conducting other specified public business as necessary for competitive or bargaining reasons. The Committee may thereafter reconvene in open session pursuant to Section 19.85(2), Wis. Stats., to report the results of the closed session and consider the balance of the agenda.

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

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

Moved by Ald. Brian Johnson, seconded by James Blumreich to approve the revolving loan fund request from Voyageurs Sourdough for $45,000 to purchase equipment for their new location at 320 N. Broadway with 6-month of interest only payments with a 6-year term to match primary lender. Motion carried.
Yes- James Blumreich, Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

2. Consideration and possible action on the request by Gather of Broadway and SEE Ventures, LLC., to restructure of their revolving loans.

The Committee may convene in closed session pursuant to Sections 19.85(1)(e), Wis. Stats., for purposes of deliberating or negotiating the sale of public properties, investing of public funds or conducting other specified public business as necessary for competitive or bargaining reasons. The Committee may thereafter reconvene in open session pursuant to Section 19.85(2), Wis. Stats., to report the results of the closed session and consider the balance of the agenda.

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

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

Moved by Ald. Brian Johnson, seconded by James Blumreich to the approve restructuring request by Gather and SEE Ventures, LLC subject to:
1. Confirmation from our City attorney that the resulting structure is legally sound; and
2. Confirmation that all documents and required information are in order for this transfer of responsible parties; and
3. That all new guarantors are in place prior to releasing any current guarantors or agreements.
Motion carried.
Yes- James Blumreich, Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

3. Consideration with possible action regarding the additional information on the Cineviz loan bankruptcy.

Moved by Matt Schueller, seconded by Chad VanHandel to hold the item for the next meeting and monitor the bankruptcy. Motion carried.
Yes- James Blumreich, Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

4. Election of Vice-Chair for the Revolving Loan Fund Committee due to a vacant position.

Moved by Ald. Brian Johnson, seconded by Matt Schueller to elect Chad VanHandel as Vice-Chair of the Revolving Loan Fund Committee. Motion carried.
Yes- James Blumreich, Brian Johnson, Matt Schueller, Chad VanHandel, No- None, Abstain- None

E. INFORMATIONAL.

1. Revolving Loan Fund Status Report

Wendy Townsend presented the Revolving Loan Fund Status Report. No action needed.

F. ADJOURNMENT.

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

VERBATIM MINUTES

- Ready to go? Let's do roll, Johnson?

- Here.

- Chad Van Handel?

- Here.

- Jim Bloomer?

- Here.

- And Matt Schueller's here as well. Let's move to the first item on the agenda, the approval of the agenda. Do we have a motion?

- So moved.

- Second.

- Motioned by Jim Bloomer, second by Chad Van Handel. All those in favor say aye.

- [Group] Aye.

- Alright, and next item on the agenda is approval of the minutes from the June 7th meeting.

- I second.

- Moved by -- second by Chad Van Handel, all those in favor say aye.

- Just one thing, question.

- Sure.

- Wendy and I noticed, and I don't know if this is just a standard practice now with the video footage, but in one of the items, there was a motion, and I think it was to approve a loan for somebody, but we didn't actually state the terms of the loan. So, I'm just curious with respect to the, What's that?

- I think it's good practice to list the terms so we can make a update.

- Okay.

- We'll list the terms of the loan on the minutes.

- I think it might've been the one for ZOZO's.

- We amended it, but we didn't put the new terms.

- Yeah, so I think it would be good practice just to at least document the terms, even though we have the video footage, makes things a little bit easier and efficient.

- I've had the full previous minutes and that's a good point.

- So I would just make that amendment to detail the terms in the minutes.

- That requires a formal action.

- Second?

- Second.

- All those in favor say aye.

- [Group] Aye.

- Motion approved. Why don't we kick right into regular business then, and our first item is a possible loan with Voyagers Sourdough LLC, requesting $45,000. And Wendy, you wanna take it away?

- Good morning and welcome everyone. I have brought before you a consideration with possible action and loan application for Voyagers Sourdough LLC. They're requesting $45,000 in community development revolving loan funds. Voyagers Sourdough is a bakery that produces naturally leavened, hand-crafted sourdough bread, made with local grains in Green Bay, Wisconsin. Co-owners Ben Cadmen and Kevin McGillivray are here and began making and selling their bread at local farmer's markets in June of 2018. They've grown their offerings to include farm markets, online sales, home delivery, whole-selling to restaurants, and retail sales. Currently, Voyagers Sourdough is using a shared kitchen with Saint Jude Church. They are experiencing growth challenges that come with shared space and are looking to move into the Rail Yard district and lease space of their own. With the new space, they will be adding a coffee shop as well. Ben and Kevin are asking for $45,000 in revolving loan funds for their project to buy equipment for their new space, located at 320, North Broadway, suite one 10 in Green Bay. They're working with American National Bank as their primary lender for this project, who'll be providing financing for lease hold improvements and equipment purchases. Voyagers Sourdough is requesting a six month interest only payments with six year terms to match their primary lender. And then I don't know if you want me to go through with my recommendation or wanna hear from them and?

- Yeah, why don't you go ahead and go through the recommendation.

- Is recommending the approval of the revolving loan fund request for Voyagers Sourdough for 45 thousand to purchase equipment for the new location at 320, North Broadway, with six month interest only payments, with a six year term to match the primary lender. This would also be at 4% interest, which I did not write in the, but that's our standard amount, so just to full fledge the terms. Voyagers Sourdough will be creating two full-time equivalent positions made available to the moderate income individuals. And you'll see by the attachments, that we have all the documents as required by the, That's it.

- I move to open a party of interested parties.

- Second.

- All those in favor say aye.

- [Group] Aye.

- Whoever would like to come up and kinda tell us about Voyagers Sourdough and how the business got started, and what you're lookin to do.

- Good Morning.

- Good Morning.

- I'm Ben, Kevin. Yeah, I guess, Kevin and I both worked at Rising Grain coworking space last year. And that's how we met and both realized we had a keen interest in sourdough baking. I had done it at home for many years and so had Kevin. And we realized that no one was really producing that product here in Green Bay, and we both had passion for the local food movement, And so we saw an opportunity to launch an online business where people would order bread and it would get delivered to their homes. And that's basically how we started. Last September was our first official Bake Day, which now happens every Thursday. In the week people come to the website, place the orders, and we have it delivered to their homes for free. And the bread that we produce, obviously, sourdough is a little bit different to regular bread. We don't use commercial yeast, we use a wild culture. It's a centuries old way of making bread and it makes a healthier bread for you. Coupled to that, we source a lot of our grains locally from farmers in Brown county and surrounding counties. So, we use stone-ground flours in our bread, which adds a lot of flavor and nutrition and we try and use different ancient grains as well. So typically we have about four or five different sourdough available each week for our customers. And since then we've added as many farmer's markets as we could handle between the two of us.

And then also we started doing some wholesale from about November onwards, and I think we have about 14 accounts on the wholesale side. We got challenges obviously in the business now. As Wendy mentioned, we've reached a point where we can't grow anymore because of the equipment that we use and the kitchen that we use. It's kind of the time in the business where you kinda gotta make that next big leap in order to turn it into a sustainable business for years to come. If you wanna add anything to that, Kevin.

- Sounds to be good summary.

- If there's any questions you,

- Yeah what's the, kind of the major equipment you're looking to buy?

- So I guess the heart of the bakery is the oven and the one that we have on hold now is from Germany. It's a 32 thousand dollar oven. So to create that kind of artisan bread, which is crusty on the outside and soft in the middle, you need a specialist type of oven, and it injects steam into the chambers. There's four decks, it's relatively large. It will give us plenty of room to grow. To give you an idea, right now the way that we bake is a home baking kind of hack version. We use Dutch ovens, with the cast iron pots and we have 20 of them which we shuffle around to ovens in the church kitchens from the 70s. And you bake with the lid on. That creates that steam environment. That steam is what generates the crust on the bread. And so, obviously, for the last year we've been shuffling these pots that are five hundred degrees with welder gloves on, around the two ovens. So yep, the main thing is gonna be the oven. To give you an idea, right now it takes one hour to bake 20. This oven will allow us to bake 60 in 35 minutes. And, right now, we can only bake a sourdough that's round and 10 inches in size, because that's the size of the Dutch oven. The new oven will allow us to bake baguettes all of the types of naturally leavened breads. Sourdough, the misconception is it's a particular bread. It's not, it's just an act of using wild yeast to leaven or proof any kind of baked good. So it opens up the door for everything. The oven's kind of multipurpose too, it's not just for bread, it's a model which allows you to do pastry, you could do pizza, you basically could roast anything you wanted in there. So, it's flexible for our needs. And then on top of that, there's things like walk in coolers, sanitation area. There's the coffee bar, coffee machine, some seats. We already own a mixer, and we probably won't need another one until towards the end of the year. And there's just other room improvements. Custom tables, that's probably the other kind of, in baking you need wood-top custom kind of tables where most of the bakers do their work.

- And did you say you're doing all your baking on one day a week right now?

- No, well, okay, you can answer this one.

- For consumers we have one bake day a week where we do pick-up and delivery, and then, currently during the summer, we have our market schedules. So we're baking on Wednesdays for the Wednesday downtown farmer's market, and on Friday, Saturday for the Saturday market. And then other days of the week we do wholesale baking. So we're baking five or six days a week currently.

- Got it.

- We produce about three to four hundred loaves a week at the moment, we sell them for 10 dollars each to customers and seven dollars on wholesale.

- Kevin, where do you think that number goal is, post kind of financing?

- Well I think the business plan is three years of projections and obviously, by year three, we're doing two, three hundred breads a day. But then obviously there's many other products beyond that. Obviously those that walk in and have coffee and cake and sandwich and that type of thing.

- So the coffee shop piece is something that would be new to what you guys are doing, so, I saw, just looking at the business plan, looks like I think you would be looking to open that by the end of the year or early next year?

- Yeah, it'll be a slow ramp up. I think obviously, cause we've gotta move our production, with moving, and focus on getting used to new equipment, a new kind of process and flow, and who we need to hire to be able to fill in, to be able to expand our wholesale operations, kind of, I guess where the low hanging fruit is for us immediately, is to then tell all of the stores and all of the restaurants, hey we can bake for you now. Up until now, we've kind of held back to grow that side of business. And once we're comfortable in the new space, yeah, opening the doors to the retail side.

- And then do you envision the retail side selling bread out of that retail space so many days a week?

- Yeah, I think our goal is always to be a no waste business and I think in traditional bakeries for the past few decades it's kind of the opposite. You know, they bake a ton every day, and they open their doors and they hope people turn up. At the end of the day, whatever's not sold goes to pantry or goes in the bin. And that's unfortunate, because there's a lot of wastage and affects your over all margin. For us, we were tech background before this and understand websites and that allows you to basically just bake what orders you have collected that day, so there's no wastage. And we'd like to somehow put that into the retail portion as well, that people maybe order an then come and collect, then we know what to bake that day. And over time we can use the data of how many people come in and want to buy bread to then think, okay, we should really have 20 on the shelf every day. And then as traffic increases, okay we need 30 on the shelf, and kind of do it that way and learn it over time.

- So there's not a space right now that you've found that you're gonna cook in, or where would the space be?

- It's in the rail yard, in the Cannery Larson building, the original one that's been open for the last few years and we've looked at a few different available venues there on the first floor, so the room that we negotiated the lease for, is the one right next to the tap crew. It's kind of an internal space, it's all glass. Floor to ceiling windows, and we've had approval from the health department to be able to nock out some of those windows, create a bar along the corridor, where you could sit, have coffee. And the idea is that you sit there and you can see everybody at work. So you would see the oven, you would see the bakers on their tables.

- And you'd smell the bread baking.

- Exactly, yeah. We're actually gonna pipe it back into the building.

- I was gonna ask that question next.

- Yeah, I think that the important part of, I think, food preparation, which is missing in many places I guess, is that interaction, to be able to sit there and actually see your product being made I think is something Kevin and I were passionate about when we started talking about this. We don't want it to be behind closed doors.

- And I noticed in the write up in the application you had done a Kickstarter campaign and raised funding that way as well, But I don't really kind of see that in the sources of funds. Is that playing into anything with this loan?

- I think it is sources, in the table towards the bottom right perhaps. It's listed there, cause I think when writing the business plan, it was our, it was ongoing, the Kickstarter, it hadn't closed. But yeah, obviously with the revolving fund, 10% is put up by the borrower so that money that we raise, we're using some of that for that purpose and then the rest is in our savings account and we plan to use it as part of a lease hold improvement and more working capital or anything else that we might require over the coming months.

- What makes you nervous headin' into this?

- Kevin?

- Good question, I think with any growth, it's we're basing it on our success so far. Taking the leap to be able to support even more, we don't know quite where that ceiling is, but we think it's quite high, but that's always an unknown, where exactly it can go.

- Yeah of course it is. I think we've been fortunate so far. We've only stocked one type of product at one price, and that's it. We've managed to grow to, this month doing 12 thousand dollars in revenue just selling a 10 dollar loaf of bread. And the demand for it increases every week, and so I'm not too nervous about being able to grow the business, to repay loans, or hire people, or pay the lease. I guess you just get nervous in business in different stages of time. Right now I'm quite confident with everything, but I'm sure that the nerves set in once you start buying everything and you set up your place and then you kind of realize, right now we really need to five X the business as fast as possible to pay for everything. So there'll definitely be some hustling and nerves in that, it's so far everything that we've done, and put the plan together, and milestones we've reached, we've surpassed each one, so quietly confident.

- I think what you guys've done is really impressive. You're here, not really as a start up, cause I think you've proven there's some demand for the product, you had this Now it's time to expand, right? And have greater capacity so you can grow the business, so it's impressive, I think, your background. We're also very -- which is interesting. Are there other questions?

- I guess the one question I had is, I'm thinking what set's you apart is the delivery. I don't know that anybody bakes bread and delivers it at the same time to retail customers. Do you have a lot of following from some place that's been successful?

- There's a few other bakeries that, what's that one?

- Brake Bread in Minneapolis.

- Yeah, Saint Paul's, that was. When we were trying to decide, we were creating a premium product. 10 dollars is a high price for a loaf of bread. So our idea was, at the beginning, it's like, how do you convince people that it's a good deal before even tasting it? And that was for us to say, well, we'll just deliver it to their door. Green Bay's not that big, we'll just bake and then we'll jump in the cars and we'll drive around. And then, obviously, as it's grown, it's like 100 homes a week now, so Kevin and I don't actually do the delivering anymore.

- We have four or five retired men and women that do the delivery for us, in return for a loaf of bread, and so we've leveraged the help of kind community members that wanna help a growing business. Long-term for the business, we will probably end up hiring a delivery driver and have a little van, Voyagers Sourdough van that whizzes around the city. That's kind of the idea, and Brake Bread in Saint Paul, they basically do it all on pedal power, so they have, they look after, like two or three neighborhoods in Saint Paul, and they basically deliver everything on a bike with a trailer. So that was what kind of sparked our idea. That is one of the unique parts of .

- You don't see a drop off with Great Harvest or some of the other wholesale, Culpitts, with opening up the additional space or anything like that?

- No, I think, everyone that's, all of the bakery businesses in Green Bay kind of have their niche. You can say Uncle Mike's, probably 80% of his sales come from his kringles. And Great Harvest, their typical loaf bread, which is slightly better than the super market, but it's still just a commercial bread. So everyone kind of has their niche, and I think we have our niche too. And I think in the last year, we've built a big enough mote around that niche that even if one of them decided to go full force into the artisan bread, I think it would take them time to kind of reach what we're producing now. But I think it's still, you know, bread baking in that community's quite different to other businesses, it's very collaborative as well. And the more people that produce good bread, the better for the whole community. So we kind of welcome any of them that wanna start making a better product.

- Any other questions for them? Anybody wanna make a motion?

- I would move to close the floor.

- Second.

- A motion to close the floor and a second. All those in favor say aye.

- [Group] Aye.

- Thank you guys.

- Thank you.

- So I would just disclosure and transparency So I have helped these individuals look around at some spaces. I donated to their Kickstarter campaign personally, however I feel neither conflicted nor do I receive any benefit from the operation of their business. So I just wanna make that clear, that I do not feel conflict of interest, even though I've contributed to their campaign.

- I would say that's a campaign in a different sense. So with that, I would move to approve the terms of the loan as outlined by Steph.

- We have a motion and, just to be clear, those terms are, it's a six year loan, 45 thousand dollars, 4% interest, with the first six months interest only on the loan, and then the rest is paid in the last five and a half years of the term.

- Do we have a second? Do we have a second to that?

- I'll second.

- We have a motion by Alderman Johnson and second by Jim Bloomer, all those in favor say aye.

- [Group] Aye.

- Well, congratulations.

- Thank you.

- I forgot about this, sorry about that. We just got the electronic prompt.

- Congratulations, I'll be following up with you and we'll get everything squared. You guys rock, so okay, we're all gonna celebrate. Thank you again, have a wonderful day. Do I wait for you to say the next item?

- Okay, Gather, I guess now the pressure's on. Dessert.

- We don't wanna create a conflict, Matt, by serving you food before you've made your decision.

- Let's go to the second agenda item then. The consideration and possible action on the request by Gatherer Broadway, Ventures, LLC to restructure their current revolving loans. Wendy, you wanna kick this one off?

- They've given us a background real fast here. So background, we've met back in 2016 to discuss the start up business of Gather on Broadway. So the history, on June 15th, 2016, three couples, Tony and Priya , Matthew and Cathryn Sherman, and Thomas and Jill Everman purchased the property at 139 North Broadway and renovated the space and created the business Gather on Broadway. The city of Green Bay lent them 249 thousand dollars, where 117 thousand went towards the kitchen purchase equipment, and 132 thousand went towards the building purchase. We were in a third position on the building with SPA and Nicolet participating at 630 thousand, also there was 133 thousand in personal funds that were invested into this project. So, before you today we have a request from Tommy Everman, the business manager and Jill Everman, the executive chef, had been running Gather on Broadway LLC for the last year or so, and are now requesting to restructure their loan with the following terms. They would like to remove Matthew and Cathryn Sherman, and Anthony and Priya as equal partners and guarantors from both the cities community development, revolving loan funds. Once final agreements are made, that make Tommy and Jill Everman 100% shareholders of Gather on Broadway, they're requesting to have the Gather on Broadway LLC and themselves listed as guarantors for the city's RLF. The equipment loan of $94,908.26 was the remaining balance on August 2nd, and the city would be in a primary position on this loan. The second part of this that I have on the agenda has been changed, and while I'll just quick make the request, then I'll also add the addition, but once the final agreements are made with Bascom Holdings LLC and Sea Ventures LLC to dissolve the rest, is dissolved. When Sea Ventures LLC is dissolved, the request is to have Bascom LLC's and his members assume the $118,571.78 remaining balance for the property loan for the 139 North Broadway location. This loan will be in a subordinate position to Nicolet Bank and would include an unlimited personal guarantees and Tommy and Jill Everman. Their 85 15 membership of the Bascom Holding's LLC. Although the terms and conditions would remain, however I do have an update as of last evening, five 15 last night, that the second part of that loan will be paid off and so we won't need to figure that out. They've arranged something with Nicolet Bank and are going to be paying off the $118,571.78 when we do the closing, so those terms, we wouldn't have to renegotiate, because that loan'll be paid off.

- So there wouldn't be a building loan anymore.

- That's right.

- Just an equipment loan.

- Right, and we're working with Lindsay on all the agreements to figure out how to have the releases appropriately. Lindsay is our city, Our assistant city attorney, and she has been instrumental in helping us organize how to update all of our records to have everything reflect the requests here, and to make sure that we're doing everything legally sound. The staff recommendation for the restructuring of the items as presented, pending the subject too, that we have confirmation from our city attorney that the resulting structure is legally sound, and confirm that all documents and required information are in order for this transfer of responsible parties, and that all new guarantors are in place prior to releasing any current guarantors in the agreement. And I did send the attachments. I filled up the memory for sending information, so I had to pick and choose what I put in there, so there are some documents that I do have that I was unable to add into that. So if you have any questions regarding that, let me know that we have everything for our underwriting requirements met. So with that, I have, Tony Airbar is here to speak. We have Thomas Everman, and we have Sean, and Tim Heinrich from Nicolet, so we have the interested parties . Let me know if you have any other questions.

- I'm not understanding this properly. So, if the real estate loan, we're not even taking that up today then, correct?

- Cause they're gonna be paying that off, I don't think there's worth discussion, because it's gonna be resolved.

- So, what's the balance on the equipment loan?

- The equipment loan is $94,908.26.

- And that's the one that we're looking at today, then. And essentially, the status quo of that right now, is that there are six people who have guarantees on that loan.

- Yes sir.

- And we are in what position on that loan right now?

- Well when we, we're in a second position, because Nicolet took mortgage in it's assets. And so, I would consider the restaurant equipment that is in that building as assets. And so we are in a second position, but Nicolet is willing to put us in a first position in this new arrangement.

- A new arrangement would just be Tommy and Jill.

- Tommy and Jill, first position, city RLF, 94 thousand.

- Okay, understood, thank you.

- 94 and some change, sorry, it's almost 95.

- And I know there's a lot of moving parts here too.

- Yes sir, there is.

- And is it a new loan on the equipment with new terms, or just continuing to pay down against the current schedule?

- We would continue, we're just gonna do modification of the loan, because if we do a new loan, then they're obligated to do new employee hires and other information does kick in with this requirement, because it's federal, these are HUD dollars, and so we're trying to carefully navigate how to do this appropriately and Lindsay and others are helping me with that, but we are trying to not have more reporting going forward, since they've met all the requirements already, and have made all their payments on time. We're just doing an amendment to their loan. So it'll be a loan amendment.

- So the existing loan schedule continues.

- Yes, it does, all other terms would remain the same. And by remaining the same, then we don't kick in all of the other requirements, so no additional funds are being asked, then no additional time frame or structure or anything else, just different guarantors.

- The payment history on the loan?

- They're up to date.

- And how much life is left on that loan?

- The building, or I'm sorry, the equipment. Let me gather that information. I don't have the pay off .

- I see an original term of 10 years

- Was the original less than seven years?

- 12.

- Yeah, it was a 15 year loan.

- On the building, but the equipment loan was 10 years.

- So it stayed at the same terms, at the same duration.

- And it looks like that payment's about 13 hundred a month, and I'm assuming that that just stays the same.

- Yes.

- I'd like to make a motion to open the floor for interested parties.

- Second.

- We have a motion and a second to open the floor. All those in favor say aye.

- [Group] Aye.

- Let's open the floor and come on up and tell us what you're tryina do with the restructure loan.

- Thank you for having this meeting. Wanna start by saying thank you to city staff, it's been a long journey to get here and I appreciate every single person that's been involved tryin to get, it's very complex and so, just wanted to first start by saying thank you, all the work that's gone in. As a business goes, there's ebbs and flows. We've been open for three years. As the process went on, we had six parties involved. Early on in late 2017 we had, as you have it, Catherine and Matthew. We're in a position where we needed to remove them from the company. There was some difficult things going on that we found out, and so there was an agreement made that they would leave the business. And so we need to tidy up that paperwork there from getting them off of the personal guarantee. And then things continued and progressed. And Jill and I have been running Gather on Broadway as operators, co-owners, but operating the business for about a year and a half. As it went along, the Airbarbs realized that it was maybe time to move on. Some difficult conversations happened and we needed a deal to be worked out. So my brother-in-law, Sean, who's here had a conversation with the Airbarbs and they worked out a deal to restructure the building side of things. And so they had a deal worked out where there's gonna be some relief of debt by the Airbarbs and then some debt assumption. So there's two things on the balance sheet you'll see if you're looking, both companies, there's some money that was put in by the Airbars that would be forgiven by them as part of the deal and then they're gonna take some of the small, personal loans that we had to take on to stay alive early on. And they're gonna take that as part of the deal they've worked out, for Sean to come in with his personal guarantee. So that's the behind the scenes deal between those two parties. As of yesterday, Sean and Nicolet were able to work out a deal where they're able to finance, not only the 630 that Nicolet had, but also bring in to some money coming in from Sean as a down payment, but also in that process, be able to pay off the loan that we have from you, with the, as she explained, with the building. So that takes some of the complexity out, so today it really comes down to the equipment loan that we're using at Gather for our purposes. Jill and I, at the end of this, will end up being 100% owners of Gather on Broadway. We'd love to have the opportunity to have that loan stay with Gather on Broadway guaranteed by Jill and I, since we're the sole operators of that, and on top of that, Nicolet's offered as a compromise as well, to make this work, to remove their position on the lean on the equipment, so the city will be in first position. So the position improves there. So there's a lot of positives, even though it's difficult, there's a lot of positives coming through this. It's never fun to have parties leave a business, but it's the best thing, I think, for everybody involved. I'm sure there's questions you have, but at the end of the day, that's the ask. Jill and I have been running the business. We have made every payment on time, and part of that has been not taking a paycheck at times to make sure that all the building loan has been paid on time. We've never missed a payment, except for that one time when we were moving things to automatic transfers and, other than that, every bill's been paid on time to Nicolet and to the city to make sure we are honoring those commitments. And Gather's truckin' along. Gather's doing it's job now, it's supporting itself. It was a little shaky for a little bit, but we've worked it out. And you can see on some of the financials, if you have any questions, I can answer that, but we're very proud of the work that we've done. We're not outta the woods by any means. It's a large machine to keep running, but full confidence in my wife and in myself, and then with Sean taking on some of the debt and putting some money into the business, it's gonna free up some cash flow for us, which is gonna continue to improve the situation. Secure that business downtown. We think it's a staple in the On Broadway district. We create unique experiences for the district. As people move downtown, we wanna be part of that and create an environment where people can come and have great memories of what we do.

- So, Tommy, just to kind of simplify this, let's take maybe the narrative of the real estate out of this whole equation, since it sounds like today that's not even going to be discussed, it's gonna be paid off. So really, in it's simplest forms, what we're asking for today is to relieve the equipment loan for other guarantors. And the impotence of that is really an exit strategy by those partners. You and Jill are the sole owners. That's the only thing that we're doing today, and then improving our position from second to first.

- Very simply stated, thank you.

- I mean, I do appreciate the background as well though. It sounds like, you know I'm not overly concerned I guess about first couple years of business challenges. That's every business. I'd be surprised, in fact, if a business didn't have those challenges. I think trajectory, though, is what's important to me and from what you're telling me, and from the numbers that we have supplied, trajectory is there.

- Yeah, we've been able to improve year over year, 80% year over year. Last year we broke even and that's a huge win, because we were not doing that. But the changes that we've been able to made, in terms of labor, getting more efficient there. Cash has been bit better situation for us. We deferred our loan for a year. That allowed us to pay down some debt and then also save up some cash, which allowed us to make some purchases, so now, there's expenses coming off the books, Costs are way better in alignment. If you look at the average restaurant, service industry, you gotta control those costs in terms of food and bar, all that, and they're all improving. So next year the goal is to reach a million dollars in sales, which will then, hopefully, change the financial situation significantly for Gather, put the cash in the bank account, allow us to have that emergency fund, or that ability to burn through cash just in case there is an economic downturn and such. And like I said, with Sean's deal on the other side, it'll free up a lot of cash flow for us as well, to try and continue to build that momentum. So the trajectory every year since 2016, the improvements have been there.

- So you have said a word several times steps really on my next question, which is cash. Cash is king, and so when we take a look at your cash flow for the organization, how does the restructuring of the real estate loan impact Gather?

- Yeah, so what Sean has worked out with Nicolet is that by lumping the loan with the city in, it's gonna be a 20 year.

- 20, 25.

- 20 year loan, and so that alone will reduce the payment.

- We pay our real estate rent, 53 hundred dollars.

- So they're paying around 138 hundred dollars, correct?

- Yeah. So it'll free up about 900 dollars a month, cause we're actually taking some money and putting it away in savings there as well. But every month it'll be saving about 900 dollars.

- But the saving is your choice.

- Correct

- So, you're seeing a net increase of 15 hundred dollars a month in cash flow.

- Correct.

- From the equipment stand point, is there additional equipment that you need to buy in the future, or at this point, is everything that's there gonna get you where you need to go?

- No, from a kitchen equipment stand point, we put everything in it at once that we need, we had to. But they're small things like tables and stuff, but those are things that we do on an annual basis, it's in our budget now.

- What do you need to do with the business to reach that million dollar goal?

- We're kind of at that start capacity of weddings. We do, on average, 40 weddings a year, which, out of the gate is pretty great. When you think of dates on a calendar, there's 52 Saturdays in a year, So filling out some Fridays. Again, growing the brand, putting the brand in a great spot where it's the place to get married. We believe we can get to 50 weddings a year, and that's gonna some off season weddings, and include some Fridays, so there's growth there, but we truly believe that the corporate side of things, is where we absolutely need to expand. So there's some deals in the works where we can upgrade the facility in a way, that will allow us to attract corporate events. And grow that side of the business. We do big campaigns for corporate parties, and holidays. We're a food driven venue, my wife's an amazing chef, And so we think that's were we attract people differently, is that we can create a customized menu for your business, and be able to provide unbelievable service. Our space is beautiful for weddings, but there's a warmth that is needed from a corporate side of things, so we're working towards that goal. We believe we can hit that, we're 150 thousand dollars away. You get two larger corporate events a month, and that's just us building relationships right now, and having the time to go out and build those relationships. So that's the current strategy to grow that million dollars.

- Any other questions for Tommy?

- I'm good, I know a good place to buy bread.

- We've talked a bit actually. They were doing farmer's market in our place early on, and so my wife would do a bunch of dishes with their sourdough and sell out of our place originally. It was great. Thank you, I appreciate it.

- Was there anyone else who wanted to address?

- Move to close the floor.

- Second.

- So we've got a motion to close the floor and second. All those in favor say aye.

- [Group] Aye.

- Okay, so we've essentially got, I'm not sure if we'll have to put any language into a motion if we would decide to go forward about, cause there's a lot of if this, then that, then if this, then that, to go here.

- Yes, although that has been significantly reduced, given that this other loan is being taken out.

- Do we need to save that subject to that loan being paid off, or?

- I think we would need to put some subject to language, in here if we would decide to. And once again, this would be about just amending the current equipment loan to essentially release four guarantors who are on there today. No changes in the term of the loan, no changes in payment, no changes in interest rate, it's essentially just moving it all to Tommy and Jill, them as 100% owners in Gather LLC, and then eventually the other building loan will go away.

- And we'd become primary?

- And we'd become primary. It seems to me as well, that on a loan of this nature, I understand there's fewer guarantors, but you also have a business that's three years established now. I think I would see that as less risky than maybe the original loan that was done, particularly with our first placement on that now. I mean, I guess I would make that motion that we allow the release of those four other guarantors, with the, I guess, subject two, law department insuring that it is structurally, legally sound. You've gotten all the paperwork you need, right Wendy?

- There'll be some agreements that we're still finalizing with Lindsay.

- Okay, so we'll still make it subject to receiving the paperwork that you need.

- Yeah, so, we'll need to be able to contact Matt and Katy, to get their signatures to get off, and then we also, I've been communicating a little with attorney Toni Sefik, who is the Airbar's attorney, and we've discussed the terms of the arrangement for the debt assumptions and the transfer of the business interests in both companies into Tommy and Jill's names. So we do still need those things to be finalized, but that's kind of what was eluding to, with the if then, if then, those kinds of things. Basically, all of those things, we expect, would have to happen at the same time.

- So did my motion cover that?

- I believe so, I kind of lost track of it to be perfectly honest.

- So I move that we relieve the other four, partners from their guarantees on the loan, subject to the city attorney reviewing that it's legally sound, and that we receive the appropriate paperwork for the exit of the other four partners. Does that cover it?

- Works for me.

- Do we have a second to that?

- I'll second that.

- So we got a motion by Alderman Johnson, a second by Jim Bloomer, and then I'm gonna wait for the electronic thing this time to pop up.

- Motion was approved.

- Great, congratulations.

- Okay, our next agenda item is consideration with possible action in regarding the additional information on the Cineviz loan bankruptcy. Is this one Wendy or Lindsay?

- I feel like at this point we're morphing into one. So Wendy asked me to just provide an update, because, I believe initially, when I was asked to look into it, the information that I found, which was not actually from the docket sheet, had said that the city of Green Bay was not one of the creditors listed in the Cineviz Bankruptcy. They filed, now I don't have the documents up, cause I had all the Gather stuff up. They did file an amended bankruptcy petition, but more importantly, I was able to access the docket sheet as well as the list of creditors. Both the city of Green Bay and the city of Green Bay redevelopment authority are listed among the creditors And the docket sheet indicated that the creditor's meeting, which was originally scheduled in June, was rescheduled for July 25th, but that's the same date that they filed the amendment petition. And there's no additional information from the docket as to what happened at the creditor's meeting, we weren't there. It's still anticipated that they will not have any assets beyond their administrative fees that would cover any of their debts, including ours, or their debt to us, I guess.

- While there is no information that has been, that that last meeting even took place.

- Right, which it's unusual that there wouldn't have been an entry on the docket sheet for the meeting, but there isn't, and I've looked well after that meeting. I don't have an answer for that, I don't practice in bankruptcy court, so I'm not sure if there's somewhere else it would have appeared. But it is a chapter seven bankruptcy. They're liquidating their assets. The loan short of it is, regardless of whether that meeting happened we wouldn't see any money.

- I recall that I know that I brought this point up, because I didn't see us listed as a creditor, and the point was, I'm true to recall, I thought there was some discussion about maybe sale of some assets or something, and then, if we weren't listed as a creditor, and there was a gain outside of the bankruptcy, if that was just cause for further evaluation. But if, in fact, we are listed as a creditor, kinda makes that whole discussion a moot point.

- Just additional information at this point. So we had asked, to see if we wanted to now that we have further information for the committee.

- And at this point, Lindsay, is it, it sounds like from what you were saying though, it doesn't sound like the bankruptcy stuff is done.

- Correct.

- Okay, then it's still open?

- Correct.

- And so there's a question in my head, and I am no expert on bankruptcies fortunately. If we go and openly release our claim, does that somehow hurt us in anything that could be coming in, understanding there's likely not any assets. But we know that there has been some sale of this business, so there's something of value that was there. I'm just trying to understand. Are we maybe a little bit premature in writing this off?

- Well with the caveat that I'm not a bankruptcy expert, because it's chapter seven and they're liquidating, I don't know much about what sale happened. I don't know if they sold part of the company, and part of it filed for bankruptcy, which is similar to what Sears and Kmart did. So I don't know for sure what the sale that you're referring to actually involved. If we release the claim while the bankruptcy is pending, if it turns out that there are actually assets to be recovered, we've already released our claim, even though we're listed among the creditors, we probably wouldn't be able to recover, but I'm not 100% sure on that. If you'd like, I'm willing to look into that and get you an answer back, but I honestly, my initial reaction based on what I do know about bankruptcy is that it may be worth while to wait until the bankruptcy has resolved. That said, chapter sevens resolve a lot faster than chapter 13s, but that doesn't mean that they necessarily resolve quickly. So I don't know how long we wanna wait with this open.

- Well there's two things going on here and I don't think we need to release the claim. What's being asked of us is really just to write this off of our books, from a balance sheet perspective, and if a payment were to come later, we could still receive it so long as our claim is in place, right?

- Seems like it, again I would wanna make sure, but I believe so.

- I feel like what we're being asked is really just an internal thing. To write it off of our books.

- Right, if there's loan agreements or any kind of lean or anything like that, if that remains in place, that wouldn't affect whether we maintain our status as a creditor.

- So question on my mind, what is the advantage to writing it off and releasing claim? It does nothing for us.

- We can hold it. When we put this agenda when we had gotten the original information, I just wanna be forthright with having this item on, that it's something we're looking into, we're working on it, we know that there's no payments coming in. For me to just have that bankruptcy paperwork and not have any activity, or any research, or any information with the may very well hold and just continue to monitor the situation until a further day.

- So off of our books, but still maintain the claim, does nothing for us so long as we're aware of I don't see a benefit of acting on it right now.

- We could just hold it until the chapter seven is finalized.

- But yeah we went ahead that we're monitoring it carefully.

- So it doesn't sound like we really, or do we just take an action here to just gonna hold this item and keep it open?

- Yep, that's fine with me.

- It's up to the committee to decide how they wanna take action on this, but I think we bring all the information to you, and then kinda helping make a decision on that, but holding seems,

- If you wanna establish some kind of dates , just to check back in, just to make sure that it doesn't fall off of radar, or we can set that up independently, but just so there's some kind of mechanism to make sure it's being monitored.

- What's a good time frame?

- I would think as a creditor, we're gonna have to get notified once the bankruptcy's finalized, so can that be the trigger?

- Let's just keep it there, and I'll just keep monitoring.

- Okay.

- So about this, I make a motion that we not take any formal action to release it or anything like that. We just continue to hold and monitor what's happening with the bankruptcy filing on the Cineviz loan.

- I second.

- Do we need to get an electronic vote on this one?

- We will.

- Motion approved.

- Let's see, next agenda item is election of a vice chair for the revolving loan fund committee due to the vacant position, which I'm assuming is Mike Borley stepping down.

- That is correct.

- Do we have anybody who'd like to be the vice chairman of the committee.

- I nominate Chad.

- I am happy to accept the nomination.

- I would second that nomination.

- I'll approve.

- Do we need to electronic?

- You need to ask three more times or two more times if there's any other nominations.

- Oh, why they are doing it formally.

- Are there any other nominations for the vice chair of the revolving loan fund committee? Are there any other nominations for the vice chair of the revolving loan fund committee?

- And then you can do a vote, and we'll do a voice vote, that's fine.

- I hear none, so all those who are in favor then, of Chad Van Handel as the new vice chairman of the revolving loan fund committee, please say aye.

- [Group] Aye.

- All those opposed, none? Chad, congratulations.

- Great, thank you.

- Well done.

- It was a landslide.

- I was gonna say, let's quickly vote, before he changes his mind.

- Okay, let's move then to the revolving loan fund status report.

- We'd like to do an update from time to time with the loan committee each time the committee meets. You can see that we are current. That there's only one that has bankruptcy issue that we're discussing on a regular committee level, and monitoring it , but between the community development revolving loan open accounts and the economic development revolving loan, everybody is current and up to date. So we're paying off, some of them paid off a little early, which is kind of interesting, has freed up some funds for me to look to other projects.

- So that was the Reynolds one you're commenting to?

- Yeah, Reynolds paid theirs off early. Roots on 9th had paid theirs off a couple months ago early, but it looks like everybody's getting bankable, they're growing their businesses, these are all positive signs that they are moving into the next development stages of their businesses, so our help helped incentivize them to kind of move foreword. We're still working with Monkey Tailz, they're making payments, they've also restructured their business to be more of a, not bricks and mortar, but a food truck related piece, but they're still using the equipment, and paying for it, and are current, So we don't really have any changes, other than they've changed their model, but we have kept everything the same.

- And you've got Historic West Theater on here marked as delinquent, is there something there?

- Actually, we did call them and he said, he doesn't know what exactly happened, and he was really busy and couldn't check into it, so he said he just released another check to get it current. So actually, between printing this report, we have received their payment.

- So they are up to date now, okay. And then you've got Voyagers on here already that was quick. Well we just, because we did the schedule, and started printing everything out, and showing them what it would be and where it would be, that activates our piece that we're talking about. And you can see the contract is to be determined in that one, but because when we print the schedule to let them know what their payments are and everything, then they go onto this report, that we are that close to So you can see that that's there tentatively as a place holder. But it's kind of nice, we have 22 loans, and I guess there's a couple that are paid off, so we have about 20 loans that we're actively working with and everybody's doing a really good job.

- Yeah, and then really the next time we see this, that Gather on Broadway building loan should be off of here, which should, that would add another 118 thousand to the loan.

- We expected to meet again, cause that means it frees up funds for another project.

- over 300 thousand of available funds, Wendy.

- I know.

- It's just burning a hole in your pocket.

- I know, we're gonna find some other wonderful projects to I take applications all the time in the hope that we do free up funds, or find finds, and then as soon as we do, then we can move forward on those.

- How is the farm to market restaurant doing? I forget what their name was.

- Tenet, T-E-N-E-T.

- It's names as the Mason Reality LLC, cause we're involved in the property. So it has the name of the property, but that is Tenet, and they are, when I did my visit, they are surpassing their original numbers that they had set up, so they seem to be doing pretty well. You know I think it's that kind of a business. They are just gonna have clients that they grow, and it's gonna progress for this organization, where they have patrons to come back after trying it once or twice.

- They've done a ton of work.

- I have not been there.

- I'd recommend trying it.

- It's different.

- But we've done site visits and have been working with everybody, so so far so good.

- There's another outlet for Voyagers Sourdough.

- Exactly the same kind of mission.

- My name is Eric, I think of like, the revolving loan fund is funded through block grant dollars, right? And so when I think back to the Facade grant that Matt has, and if it wasn't used by a certain date, it had to be released internally to be used for different projects, so that it could be used by the deadline. Do we have those select types of challenges with the revolving loan fund?

- We've been really fortunate, we've been able to get the funds out, so nobody's tapped into our pot of funds. But there is guidelines that I should have this money in circulation, we shouldn't just be sitting on it, having it here without having it circulated, but I think we have a pretty good track record of showing that we're getting it out. When I first started here, there was, a million or two in the account and it hadn't been moved for a while, and so, been really fortunate with being able to get everything, and I usually am waiting to get the funds in to get it out, so it's a different business model. By October time, I'm supposed to try and get this out. There is an annual amount, or annual date, and there is encouragement for me to get it out.

- But does that change with somebody, like when you have a new injection of cash? To me, I would view that differently than cash that's been re-payed, cause you need time. So now Gather, for example, is about, if they pay that off, lets say, in September, might be a little bit unrealistic to expect you to get that out by October.

- I think we could say that we had some unexpected funds come into our possession, but it's up to me to be able to make sure to manage that. So I have three revolving loan funds applications on my desk right now. So I'm excited to say to them, hey, I have found some funds, if you are interested in moving your project forward.

- So it's not like a hard deadline from the Block Grant requirements, that it has to be out by a certain date.

- I think we could plead the case that it just came in a week before, or two months before the end, that it was unanticipated, couple paid off. But if we say we're in the works with some, and we have em queued up and ready to go, I think we have a pretty solid case in the fact that we're working internally on this. It's not like we're just leaving those funds.

- So no concerns that we would lose that balance. Okay, thank you.

- And then some of the funds are the economic development funds that are from the packer funds. Those do not have those strings attached to them, and those are my minority business operation loans.

- So is there an infusion of Block Grant money every year?

- I ask for funds every year.

- And?

- And I usually as for at least $100,000 to add into this to keep going, because I think that it's such and important program for our community. You can see what the results are. So as long as I can keep getting it out, they see that as a way to keep funding this mechanism. We could play the job creation piece, and the tax base, so we have numbers and information of how we're changing things on a regular basis. But if we weren't getting that money out there, they would not allocate additional funds for this. I can pretty much guess.

- So the 233 that we have on hand now includes this year's Block Grant loan?

- No, that would come, they put that in for an ask that would come in after October and then I get to use that till the next October.

- Oh, okay.

- But yes, we're watching those numbers closely.

- Now this is probably the best balance of available funds we've had in quite a while.

- I know, I really tapped into em typically, but I think that's a great thing.

- It's a very good thing.

- It's been hard to tell people that have great projects that we don't have any funding for them and now we do, so it's kind of, maybe do a press release and let them know that we're looking for great projects, that we have funds. And that's always a fun part to be a part of,

- I know what Jim's had on his mind.

- I think that's it.

- I just have two quick things. Are our fundings subject to a loan commitment from a bank in most cases?

- That's right, we are GAF financing. We don't wanna really do a loan without a bank involvement. We wanna support our lenders, and we wanna be able to give them an option, to be able to find a way to say yes, kind of scenario, that if they feel that there's enough pieces that they would participate if there was somebody else to share the risks. So it's supposed to be GAF financing. That we'll work with a bank. We kind of rely on their underwriting guidelines and other things that go with a lender as far as their area of expertise. So we always like to work with a lender.

- The only reason I ask, it looks like the Voyagers Sourdough was a proposal, so is this money already, they could get 45 thousand without the bank giving them the other piece, I guess is the question that I would have.

- No, I should have written it in a way that it was if, so I got a commitment from their lender, that said they're participating, so then that kinda kicks in ours, it's kind of a domino effect I think. One kind of eludes to the next. So we wouldn't just do a straight up loan with somebody.

- Capital loans could happen that way, and then have it have, even when we've done working capital loans, we've done it in conjunction with some other lender.

- And then the only other thing is it looks like they were doing, I think it was 40 thousand, and we were doing 45, which is kind of weird that we were in a second position and then we just had more of a commitment.

- I think it has to do with their interest rate is a little more. And then their personal funds. But they're also doing line of credit and some other things with that lender, so while the loan amount is an amount, by the time I add up their line of credit and their other information they're gonna be working with that lender, it's probably double that.

- Okay.

- That works for me.

- And I think with their start up, they're gonna need some of that line of credit established and things like that . Yeah, we can't be more than 50% of the entire project, so we always make sure that we're not. But good question, thank you.

- Any other questions on loan fund status report? If not, then I will make a move to adjourn.

- Second.

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

- [Group] Aye.

- We are adjourned, well done. That's a lot done in an hour and 10 minutes.

- Thank you, very effective meeting .