

CITY OF TWO RIVERS
BUSINESS AND INDUSTRIAL DEVELOPMENT COMMITTEE
AND
COMMUNITY DEVELOPMENT AUTHORITY

Regular Meeting

April 24, 2018

5:15 PM

Minutes

Call to Order

President Greg Coenen called the meeting to order at 5:15 PM.

Roll Call

BIDC Members present: Betty Bittner, Greg Coenen, Donald Karman, Richard Klinkner, Darla LeClair, Keith Lyons and Bonnie Shimulunas. BIDC members absent: Dan Wettstein and Tracy Yaggie.

CDA Members Present: Betty Bittner, Greg Coenen, Donald Karman, Richard Klinkner, Darla LeClair and Bonnie Shimulunas. CDA members absent: Tracy Yaggie.

Also present: City Manager Greg Buckley, economic development assistant Dan Pawlitzke, David Wage of Formrite Companies/HMF Innovations, and Mike Schwarz of Schwarz's Pub and Grill/Windella, LLC/Anchors Away, LLC.

Minutes of the March 27, 2018 Regular BIDC/CDA Meeting and April 10, 2018 Regular BIDC/CDA Meeting

Mr. Klinkner moved, supported by Mr. Lyons, to approve the minutes as presented. The motion was approved by voice vote, without dissent.

Information Only

Mr. Pawlitzke noted that the status report on current loan was provided with the agenda.

Mr. Buckley reported that the City Council had approved lot prices for Phase 2 of the Sandy Bay Highlands Conservation Subdivision, as approved by the CDA at its April 10, 2018 meeting.

Mr. Buckley and Mr. Pawlitzke reported that Governor Walker's recommendations for Wisconsin's Opportunity Zone designations were recently approved by the U.S. Department of Treasury. Investments in Opportunity Zones will get preferred treatment on capital gains taxes.

Mr. Buckley reported that the Economic Development Strategic Plan is now being put in final form by the consultants at Redevelopment Resources.

It was noted that the first monthly meeting of BizStarts Two Rivers will be held on Wednesday, May 23, 2018, starting at 6:00 PM, at the Lester Public Library.

Discuss Repayment of HMF Innovations/David Wage and Sandra Murzyn Loan

Mr. Buckley noted that the BIDC had, by action earlier in 2018, authorized a forbearance agreement, whereby the borrowers would be allowed to re-amortize their current loan balance over 7 years at three percent annual interest. That agreement was predicated on the borrowers paying the City approximately \$5,600 “up front” as a reimbursement for legal costs incurred by the City in obtaining a default judgment.

Mr. Wage referenced a letter that he had provided to the City in reply to this proposal, asking that the BIDC either grant relief of the default interest rate of 12 percent that had been applied to the loan for over two years, in conjunction with a payoff of the loan, or “renew” the loan as a loan to HMF Innovations, at the original loan interest rate of 3.188 percent.

In the discussion that followed, Mr. Wage stated that he was unwilling to enter into a forbearance agreement that continued to include he and his wife as co-makers/guarantors of the loan). He offered that Formrite might be able to offer the City a second lien position on its real property and/or machinery and equipment as additional security on the loan.

Mr. Wage also provided the committee with an update on the status of Formrite’s business activities. He noted that the company currently has about 120 employees and has an immediate need for 20 more; he added that the need for additional employees could increase to 40 by 2018 year-end. He also reported on the status of various tenants in Formrite’s Columbus Street building, including Allstates Rigging, Dowco and Chard International.

Mr. Coenen stated that the BIDC would review Mr. Wage’s request in closed session, and would take action upon reconvening in open session. Mr. Buckley stated that he would e-mail Mr. Wage regarding the committee’s decision.

Discuss Status of Loan to Anchors Away, LLC, Windella, LLC and Michael and Rebecca Schwarz

Mr. Buckley reported on recent discussions with Mr. Schwarz and with the WI Department of Administration, regarding Mr. Schwarz’s plans to cease operating the bar/restaurant business at 1509 Washington Street and to lease that property to Mark Weston, for the operation of Cool City Bar and Grill.

He noted that the Loan Agreement for Anchors Away et al includes a provision that the loan may be “called” as immediately due and payable, if the borrowers cease to operate the business or lease it to another party.

He further reported that, based on discussions with the Department of Administration, it may be possible to amend the loan agreement to allow continued payments per the

amortization schedule, tied to the new business (Cool City Bar and Restaurant) collecting, maintaining and reporting income data on job applicants and new hires, sufficient to show compliance with job creation and Low-to-Moderate Income (LMI) job creation consistent with requirements of the original loan agreement. Mr. Buckley noted that, due to inadequate record-keeping, Windella, LLC (the employing entity) was unable to show that at least 51 percent the jobs that existed at the bar/restaurant during 2017 were filled by individuals from LMI households.

Under such an amendment, Mr. Weston's business, Cool City Bar and Restaurant, would need to show that it was creating jobs in sufficient numbers, filled primarily with employees from LMI households, in order for Windella et al to continue with the loan. He added that he has made it clear to Mr. Schwarz and Mr. Weston that any such loan amendment needs to be entered into in advance of a change in the business—that is, while the employees at 1509 Washington Street are still employees of Windella, LLC, and Windella is still the operator of that business (including the holder of the liquor license).

Mr. Schwarz presented information regarding his expenses associated with 1509 Washington Street: payments on various loans associated with the property, insurance and property taxes. He noted that his proposed lease with Mr. Weston is intended to cover these costs, but that the identified rent of \$6,200 per month will need to be increased by about \$230 per month, to cover an increase in property taxes not included in the original lease.

Committee members asked about the status of the City TIF grant to the Schwarz project. Mr. Buckley responded that the grant was in the total amount of \$100,000, to be paid as principal payments on a \$100,000 loan to the project from Investors Community Bank. Payment were \$30,000 upon project completion/business start-up, and payments of \$14,000 annually for the following 5 years. He noted that the TIF grant was not tied to job creation, but rather to capital investment; it does require City approval for any sale of the real property at 1509 Washington Street.

Mr. Buckley asked whether Mr. Schwarz had any other real estate where he has net equity, that could be offered as additional security for the loan, as a condition for approval of the loan amendment. Mr. Schwarz stated that he has a commercial building on which the City might be able to place a mortgage.

Mr. Coenen indicated that the matter of this loan would be further discussed by the BIDC in closed session.

Closed Executive Session

President Coenen asked that the BIDC and CDA consider entering into closed session:

Per Wisc. Stats. 19.85(1)(e) deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session:

- Discuss borrowers' proposal and options for loan payoff and satisfaction of judgment in the matter of City loan to HMF Innovations, David Wage and Sandra Murzyn
- Discuss optionf related to possible amendment to loan to Anchors Way, LLC, Windella, LLC, Michael Schwarz and Rebecca Schwarz
- Discuss other outstanding loans

Ms. Bittner moved, supported by Mr. Klinkner, to enter into closed session at 6:05 PM for the reasons stated on the agenda. The motion carried by the following roll call vote. Voting yes: Bittner, Coenen, Karman, Klinkner, LeClair, Lyons and Shimulunas. Voting no: none.

Reconvene in Open Session

Ms. LeClair moved, supported by Ms. Bittner, to adjourn the closed session and reconvene in open session at 6:39 PM. The motion was approved by voice vote, without dissent.

Action Relative to HMF Innovations/Wage/Murzyn Loan

Mr. Klinkner moved, supported by Mr. Lyons, to agree to payoff of the loan in full, with no reduction in interest charges, plus \$5,594 in attorney fees due to the City. The motion carried by voice vote, without dissent.

Action Relative to Windella, LLC/Anchors Away, LLC/Michael and Rebecca Schwarz Loan

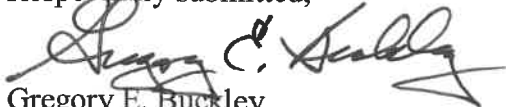
No action taken. It was the consensus of the BIDC that no action will be taken until Mr. Schwarz provides: updated, signed personal financial statements, a revised lease agreement that provides rental income sufficient to at least cover carrying costs for the real estate, and information on real property that might be offered as additional security for the loan. Further, that Mr. Weston provide pro-forma financials showing that he expects to be able to pay the lease and business operating expenses and make a profit.

In response to a request from the City Manager, BIDC members Bittner, Karman, LeClair and Lyons indicated that they were available to meet as an ad hoc committee to review such materials supplied by Mr. Schwarz and Mr. Weston. Mr. Buckley asked if those members could meet at 7:00 AM on May 2, to be followed by the meeting of the full BIDC at 5:15 on that date, if the requested information is provided. BIDC members indicated that both dates/times were acceptable.

Adjournment

Mr. Klinkner moved, supported by Mr. Lyons, to adjourn the meeting at 6:42 PM. The motion carried by voice vote, without dissent.

Respectfully submitted,



Gregory E. Buckley
City Manager