



OFFICIAL MEETING MINUTES

OF A REGULAR SCHEDULED MEETING OF THE **ECONOMIC DEVELOPMENT COMMITTEE** HELD ON MONDAY, FEBRUARY 4, 2019 @ 5:00 PM, IN THE COUNCIL CHAMBERS, CITY HALL, 2000 NORTH CALHOUN ROAD, BROOKFIELD, WISCONSIN

MEMBERS PRESENT:

Alderman Bob Reddin (Chair)
Scott Oleson
Spencer Mather
Diane Byrne
Glen Allgaier

MEMBERS EXCUSED:

Brian Shecterle
David Krutz

OTHERS PRESENT:

Todd Willis, Economic Development Coordinator
Nancy Justman, Visit Brookfield
Carol White, Brookfield Chamber of Commerce
Grant Chromy, Milwaukee Economic Development Corporation

Roll Call

1. *Chairman Redding noted a quorum present and called the Committee to order at 5:02 pm.*

Order of Business

Minutes

2. *Motion made by Mr. Oleson for approval of the December 3, 2018 EDC Minutes, seconded by Mr. Mather. Passed unanimous 5-0*

New Business

3. **Report from the Brookfield Convention and Visitor's Bureau** – Mrs. Justman handed out her monthly report for January to the committee members. She stated that one of the goals of the CVB from their contract was to maintain or lower its bounce rates. In the month of January, Visit Brookfield ran three (3) campaigns, and the bounce rate is down by almost 300% from the same time last year. She mentioned that Visit Brookfield is looking to increase its market share through the use of social media and specific hashtags to their campaigns. The Conference Center has booked its first meeting, which will be a 1,500 person event and is booked in 2020 and 2021. The year-end hotel report showed that 2018 is was good year for the areas hotels. Mrs. Justman

mentioned that the Harley Davidson Anniversary event and the Milwaukee Brewers playoff run were important factors. The fourth quarter was good for the hotels, with great numbers for December (typically slowest part of the year), this was because there is a number of construction projects in the area, so can mostly be attributed to construction crews for some of these projects. For 2019, 3 new hotels that will add a total over 340 rooms to the market, which could lead to some flat occupancy and will be something to watch once the August numbers come out.

4. **Report from the Greater Brookfield Chamber of Commerce –** Mrs. White stated the programming for the Chamber continues to be strong. The Chamber is currently launching a new joint structured networking program, it is combined with: New Berlin, Delafield, Hartland, Pewaukee, Sussex and Oconomowoc. The first event had 57 attendees, and the 2nd one already has 68 attendees registered. The After Hours event continues to be strong with well attended turnout. Mr. Allgaier asked how larger the Brookfield Chamber membership was currently? Mrs. White said it was around 540 total members. Chairman Reddin asked when the Chamber Golf Outing was this year? Mrs. White stated that it was going to be held on June 12th, 2019 at the Ironwood Golf Course in Sussex.
5. **Action on Request by Milwaukee Economic Development Corporation (MEDC) for Brookfield Development Loan Participation Opportunity - Grovhac Inc. –** Mr. Willis explained that Grovhac, Inc. had been in contact with Milwaukee Economic Development Corporation (MEDC) for a “gap financing” loan for \$55,000. He mentioned that MEDC has reached out to the City to see if it would like to participate in the loan with its Brookfield Development Loan Fund program? Mr. Willis added that currently the City has all \$300,000 originally allocated by the EDC, Finance Committee and Common Council available for the program. Mr. Willis explained how the loan program works, what loan funds can be used for, the maximum amount of participation for the City. Mr. Willis went over the term sheet provided from the approved MEDC loan, which if the City chose to participate, would be the terms for the City’s participation funds. Mr. Willis let the EDC know that Grant Chromy from MEDC was at the meeting and would be able to answer any questions that he could publicly. Mr. Willis mentioned that if the EDC recommended approval for participation in the loan, then it would go to the Finance Committee and Common Council for final approval.

Mr. Mather asked if the 10% that the City would provide was 100% of the gap financing? Was Commerce State Bank financing the other 90%? Mr. Chromy stated no, that Grovhac, Inc. had put a down payment within the complete loan package. Mr. Willis asked if there was a required equity amount for loans with MEDC? Mr. Chromy stated that there is a requirement that a loan have at a minimum of 10% of the financing within the projects total cost. Mr. Mather asked about the collateral position that the City would have on the loan as a participant at 10%? Mr. Chromy stated that the City would be in a second (2nd) position on the real estate that was being financed and a second (2nd) position on the business assets also. Chairman Reddin asked if Grovhac, Inc. planned to make any renovations to the property with the funds, or if the funds were strictly to just purchase the property that it was leasing? Mr. Chromy stated that Grovhac, Inc. had implied future renovations for the building, but for the financing purposes of this loan, it was just to purchase the property. Mr. Chromy mentioned that the property was recently up for sale, and a third party had expressed interest in purchasing it from the previous owner. Chairman Reddin asked what made Grovhac, Inc. believe that it would be able to almost double its employee size over the next couple of years? Chairman Reddin added that if they have been around for 50 years and only had 10 employees, this would be a pretty aggressive growth for the company. Mr. Chromy stated that they had some different products for the business. Mr. Allgaier asked what the main focus of Grovhac, Inc. is? Mr. Chromy stated that they are a manufacturer and distributor of submersible and dry mixers for commercial use. Mr. Allgaier asked how many new employees Grovhac, Inc. is expecting to hire? Chairman Reddin stated that the term sheet indicates 4 new hires over the next two (2) years. Chairman Reddin asked Mr. Willis what was the recourse for the City if Grovhac, Inc. did not hire the number of employees expected in the next two (2) years? Mr. Willis explained that MEDC and EDC had taken up this issue at a previous meeting, and that if the City wanted to hold them to the number of jobs, then the City could call

the note of the loan due after the initial 3 year term. Mr. Chromy stated that the loan was typical to commercial lending in term, rate, and amortization. Mr. Mather asked what Mr. Willis is looking for from the EDC for action on this item? Mr. Willis stated that the way the program works with MEDC as a partner to facilitate, underwrite and service the loans for the Brookfield Development Loan Fund, the applicant is approved for a loan by MEDC's loan committee and awarded the loan, and then the City/EDC/Finance/Council determine if they wish to purchase a portion of that loan up to \$50,000 as a participant. Mr. Mather asked if the use of the loan funds for Grovhac, Inc. met the policy and procedure guidelines outlined in the program? Mr. Willis stated that property acquisition is an acceptable use of funds for a loan. The EDC discussed if it had the authority to recommend a loan for \$55,000 if the policy and procedures state it is limited to \$50,000. Chairman Reddin stated that he thought there would be some questioning from the Finance Committee and Council if the EDC was to recommend \$5,000 more than the program allows. Mr. Allgaier asked if it was typical practice for MEDC to float the loan prior to the City's approval of participation? Mr. Chromy stated that the loans they do for Waukesha County are done in a similar fashion, and from a participation standpoint, it allows for the municipality to understand the terms of the loan prior to participation. Mr. Oleson stated that he thought the EDC wouldn't be able to recommend anything other than the \$50,000 that the program policy and procedures state. Mr. Chromy stated that if the City could only do \$50,000, that MEDC wouldn't have a problem holding onto the remaining \$5,000 of the gap financing loans. Mr. Mather asked if the Finance Committee and Council would see greater detail in the financial disclosure as the loan participation moved through the approval process? Mr. Willis stated that they would see exactly what the EDC had in front of them, because the City and MEDC would not be looking to have an applicant's finance's become public record. Chairman Reddin added that is what makes these types of deals tricky, because the City is going into the participation blind. Mr. Oleson stated that since the reason for the loan is within the parameters set in the policy and procedures, and the program has a cap of \$50,000, that was all the EDC should consider for approval. He added that if the Finance Committee and Council wanted to participate with the extra \$5,000, they had the authority to do so as it goes through the rest of the process. Mr. Allgaier asked how much of the equation relates to future job growth? Mr. Reddin stated that you can look at as we are participating for the future job growth or we are participating to keep the current number of jobs in Brookfield. He added that it is more likely that the effort will be to keep the number of jobs in the City. Mr. Mather added that since the terms of the loan are within reasonable commercial lending, and the idea of the financing fits within the scope of what the program was set to accomplish, the EDC should put a little trust in what was in front of them.

Mr. Oleson made a motion for the EDC to recommend approval of the MEDC loan to Grovhac, Inc. for the amount of \$50,000 to the Finance Committee and Common Council, and for MEDC to service the Brookfield Development Loan Fund participation on behalf of the City of Brookfield, based on the terms and conditions outlined in the Loan Participation Certificate and Agreement with MEDC and borrower, subject to City Attorney approval of loan participation document, as needed, seconded by Mr. Mather, motion passed unanimously 5-0.

- 6. Review and Consideration of Updated 2008 Economic Development Program – Program Evaluation Benchmarks:** The EDC went over a breakdown of slides that were presented. See attached PowerPoint presentation.

Adjournment

Mr. Allgaier made a motion to adjourn the EDC meeting, seconded by Mr. Oleson, motion passed unanimously 5-0

Chairman Reddin called the meeting adjourned at 6:00 PM