

Goochland County Economic Development Authority
Administration Building, Board Conference Room
June 18, 2014, 5:30 p.m.
Brief Summary

1. **CALL TO ORDER:** Chairman Bowden called the special meeting of the Goochland County Economic Development Authority to Order on June 18, 2014, 5:30 p.m. in the Board Conference Room.
2. **ROLL CALL:** Members present were Marshall Bowden, Kirk Spitzer, Andrew Donnelly, Mark Bowles and Ben Slone. Others present: Economic Development Director Matt Ryan, and Secretary Lisa Beczkiewicz.
3. **DETERMINATION OF A QUORUM:** There was a quorum for the meeting.
4. **CONSIDERATION OF A REQUEST FOR FINANCIAL ASSISTANCE FOR THE LICKINGHOLE CREEK CRAFT BREWERY**

Chairman Bowden reviewed the Lickinghole Brewery request for a loan in the amount of \$40,000, with an annual interest rate of 3% for five (5) years, with a loan repayment schedule of 20 quarterly payments with a \$15,000 balloon payment due as the 21st payment. They are also requesting that the balloon payment be forgiven if the brewery meets criteria of: increase initial equipment capital investment by 25% over a five year period (not to include land/building value) and double our current paid workforce over a five year period (currently five full time employees, including three owner/members).

Chairman Bowden stated on June 3rd the Board of Supervisors heard their waiver request and fundamentally applicant shall pave the portion of Knolls Point Drive from the terminus of the existing paved surface, located on Assessor's Parcel No. 27-17-0-A-0, to one hundred (100) yards beyond the western boundary of Assessor's Parcel No. 27-12-0-1-0.

This allows them to have more than nine cars parked, they can have up to 249 clients, anything over 249, they would still need to get a large crowd permit. This gives them more degree of freedom to operate their business.

Chairman Bowden referenced some comments made during their presentation that resonated with him related to capital investment. Specifically, a canning operation which would broaden their distribution and with a greater margin then just selling strictly through distributors and is one thing they had ear marked money for.

The other thing that intrigues him about this opportunity is that we have, in the county, talked about rural culture, talked about opportunities in the west end of the county, this is an opportunity that, I think, underscores what is possible and thinks the Rural Economic Development Committee (REDC) would agree this would be a good rural economic activity.

Chairman Bowden stated he does not think it is the Authority's role to give money out to those who just request it of us even though we have had a track record of that. But more importantly, going forward, we need to consider loans or money granted as it benefits the County. Every bit of advertising on the Lickinghole website and their bottles has Goochland prominently displayed, their distillery is pulling people in from all over to Goochland and is an ancillary benefit to Goochland, is difficult if not impossible to quantify, they have been open eight (8) months and have generated, on average, close to \$1200 in sales taxes a month, even operating under this difficult business plan they have been operating under. There is lots of room for growth, thinks to the degree that they can continue to see sales tax increases, continue to attract folks to the county, the fact that it is a rural business, thinks it falls under our charge as a body that looks to encourage economic development, does what it can, uses its resources to stimulate economic development, thinks there is some possibility here.

Mr. Spitzer referenced their request for a 3% loan and the Authority is struggling with money sitting in money markets making nothing, that he had a chance to socialize with folks of Brown Distributing and they are very pumped about Lickinghole, he thinks they will be up to 20-30 people in 3-4 years, the rural agri-model fits everything described to us, the county has stepped up and worked with the issues, the State senate law that was passed recently, to him it all fits, is something the Authority should support, the question is the nature of the deal. Mr. Spitzer stated he likes a four year term with a balloon of \$10,000.

Mr. Bowles asked if we know anything about their books, how much debt they have, what they are carrying, what they are making.

Chairman Bowden stated he does not, but one of the things we have requested is a business resume/business plan for consideration of this request. Chairman Bowden referenced their attorney (Jim Theobald) mentioning a \$1.5 million investment, thinks there is a loan associated with that, a group of investors as well (could be family but there are other folks involved).

Mr. Donnelly stated he agrees with Mr. Spitzer on the \$10,000 balloon forgiveness but thinks the five year term is legitimate.

Mr. Slone stated he is trying to equate equivalency with what was done with Midnight, is somewhat difficult, obviously there is not the return on the utilities, is concerned with precedence, watching out for citizen's money. Spoke to the Authority's responsibility under the Code of Virginia to support businesses and has been struggling with equivalency between Midnight and here and doesn't know how to establish that right now with the different revenue models, the revenue that effectively comes back to the County. Is not crazy about forgiveness of balloon payments to this entity which is separate from the County, effectively we are giving away the people's money with the theoretical concept of it coming back into the County which is a different entity unto itself but that being said, once the precedence has been established with Midnight we

need to find as much equivalency with it and then look at probably the fact of previous discussions-- where do we set the boundaries for this type of operation? We are starting to pick winners and losers and does not believe that is our business. Believes the Authority needs to be equivocally equal to any business that would approach us and if we aren't, then we are starting to get into the business of picking winners and losers and is a firm believer that is not the Authority's function. We should enable investment, we should allow for investment, we should require a return on our monies but beyond that..that is his inherent belief.

Mr. Bowles asked about a recommendation by Mr. Alvarez as is in his District.

Mr. Spitzer stated he does not believe you can compare the two breweries, Lickinghole is self-sufficient, a self-containment of what they do, they have the acreage, they are going to recycle the water, grow their own products/hops, is an epitome of the rural agri-model.

Mr. Slone stated we should not pick and choose; reason why, with the precedence already set we should be as equivalent as we can between the two because it has already been set. We can't discriminate by picking winners or losers in this case.

Chairman Bowden spoke to one of the issues we really struggle with in the county is no standing inventory, we do not have the buildings. The nice thing about Midnight was it was a way to stimulate business, water usage wasn't going to be a real big deal, at end of day, if Midnight folded its tent at conclusion, we fundamentally have a business, a standing building, connected to a water source that we could in turn re-promote and bring someone in a short period of time.

Chairman Bowden stated Midnight has come to us saying the contractor has a meter that will serve their needs and we don't need your money. At this point, as far as he knows, Midnight is not coming back to us.

Chairman Bowden stated to Ben's comment, this would be the precedent even though Midnight set some of the LOI and legal documents, this would be the first one on the street.

Chairman Bowden stated if we go through with this, another thing is that Lickinghole pays the legal fees, Mr. Spitzer stated that should be a given with anything we discuss, standard boiler plate.

Mr. Donnelly asked Mr. Slone if he was opposed to the forgiveness portion of the loan or the loan itself.

Mr. Slone stated not the loan itself, per say, as long as there is not the intent of picking winners and losers. Thinks all businesses should be treated equally, not big on forgiveness simply because it is money from this entity that then goes on into a different space or is not returned at all to this space, being that we are a separate entity under the

guise of the Commonwealth, that is the people's money that has been put in here, that is then distributed out to the business, the County, or some other entity so it is that principle that does bother him and concurrent with that is the idea that we are picking winners and losers, potentially.

Mr. Donnelly asked about the funds that the Authority has, Chairman Bowden spoke to the funds from bonds and its current source of funds.

Mr. Donnelly stated so the taxpayers have not contributed to this cash that we have, Mr. Slone stated they contribute by the backing of the bonds through whatever institution through the EDA. Mr. Donnelly stated but the county taxpayers have no liability with respect to the issuance of these bonds, Mr. Slone stated no it is strictly on the value of the individual investors that is correct.

Chairman Bowden circled back stating is providing this entity a loan the right thing to do and is getting a sense it is. So it becomes a question of terms and something that we can do again, spoke about businesses we have worked in, you need to make X amount of return on investment with funds invested, your hurdle rate is going to be....if we look at terms and work out cash flows that provide that kind of return, that is something that we can establish going forward be it this company or any other company.

On a motion by Mr. Donnelly, and seconded by Mr. Spitzer, with the terms outlined below, the Authority authorized the Chairman to go back to the Pumphrey's and review their business plan/financials then come back to the EDA on July 16 with a recommendation as to a sales tax figure, etc. Mr. Spitzer stated he would not be present for the July meeting. In summary:

- loan in the amount of \$40,000
- 3%
- Five (5) year term
- quarterly payments
- \$10,000 balloon forgiveness if brewery meets the following criteria at end of term:
 - Increase initial equipment capital investment (not to include real estate) of 25% (offered),
 - Double current paid workforce over a five year period (offered),
 - Includes addition of increased sales tax figure to be determined by Chair/Authority (added by EDA)
 - Pumphrey's to incur any legal expenses associated with a loan (added by EDA)

Chairman Bowden, along with Matt Ryan, will get with the Pumphrey's to review their business plan/financials/ books and come back to the EDA with a document/agreement/note to include a reasonable dollar growth in sales tax.

Based on documents presented by the Pumphrey's, and the Authority's belief they have the ability to pay, and the parties agreeing to the documents and terms, the Authority would approve the request for financial assistance and a check could be prepared.

5. OTHER BUSINESS: None

6. **ADJOURNMENT:** As there was no further business, the Authority adjourned to its Regular Meeting on July 16 at 5:30 p.m.

DRAFT