

**ALBUQUERQUE DEVELOPMENT COMMISSION**  
**Local Economic Development Act Hearing**

**June 11, 2020**

Case #2020-4

**LEDA-20-3:** OBTC Warehouse, LLC (DBA Old Barrel Tea Company) Project

**REQUEST:** Approval of \$40,000 in Local Economic Development Act (LEDA) Zero Interest Loan funds is requested.

**NOTE:** The State of New Mexico's Economic Development Department (NMEDD) has developed a new program during the time of the COVID-19 pandemic to assist New Mexico businesses. They have reached out across the state, and asked local communities to partner with them through the Local Economic Development Act, as fiscal agents for a State 0% Loan Program to assist businesses for expenses relating to land, buildings, and infrastructure, as required by the State Act and local ordinances. Those expenses can include lease or mortgage payments, as the City has done with projects in the past.

It is very important to understand that the City, and this Commission, are not being asked to evaluate whether a loan should be given to a particular company, nor the terms of the loan. No City funds are involved in these transactions. The Administration and City Council have agreed to make changes in the City's LEDA enabling legislation and remove the requirement for a ten-year company commitment to operate. The goal is to try and shore up existing businesses with a two-year 0% interest loan to help maintain and sustain jobs during this time of pandemic; it is less about job creation than job retention. Additional information on this program is attached and can be found at <https://gonm.biz/about-us/covid-19-response>.

Our department and the Commission are being asked to review and recommend these projects to the City Council, as to whether they comply with the City's LEDA plan, and then the City will be the fiscal agent for the State funds. The City is relying solely on the representations made by the companies participating in the State's 0% interest loan program, and the State's due diligence in reviewing and approving these projects; the companies and the State assume responsibility for the accuracy of the information. Also, the economic impact analysis is different from what we usually use on the City's projects. We agreed to accept the analysis of the state's economic consultant/model/staff, since only State funds were involved. A copy of the company's application to the state is attached.

We appreciate the State's Economic Development Department staff in working with us to assist Albuquerque companies in these uncertain times.

**PROJECT SUMMARY:**

Old Barrel Tea Company (OBTC) was established in 2015 in Ruidoso, New Mexico. OBTC is a manufacturer of tea, honey, spices, and essential oils. The initial business model was a retail location with just a few of their favorite tea blends and some local raw and unfiltered honeys. After two years of that location thriving and growing in loyalty from locals and tourists alike, the Albuquerque retail location was opened. Cloudcroft followed less than a year later. They grew to

## LEDA 20-3: OLD BARREL TEA COMPANY Project

6 retail locations as well as an online presence. They decided to open a production facility and a Durango location in 2018. Since opening the production facility, they have been able to bring production for their teas, honeys, essential oils, and some spices in house. Their Albuquerque manufacturing and warehouse is located at McLeod Road NE in Albuquerque, between San Pedro Drive NE and San Mateo Boulevard NE.

As the result of the COVID-19 pandemic, their sales have had to shift to online only. The company has been manufacturing for 2 years and has had the retail locations for 5 years. The loan request is to allow the company to maintain operations and expand online sales in order to retain and rehire furloughed workers. Before the COVID-19 economic collapse, the company was looking into expansion to accommodate for rapid growth. They planned on getting a new warehouse with improved electrical output and a larger water heater for their increased heated water usage.

The LEDA Zero Interest Loan is to be used to offset lease payments at their Albuquerque manufacturing and warehouse facility to maintain their current staff and hire an additional 2-4 employees toward the end of 2020, which could increase payroll by \$120,000 in time for their busy holiday season. None of the funds will be used for their retail operations. OBTC is currently ramping up its online footprint. In spite of having to close their retail establishments their online sales have picked up. However, without this funding it will be very difficult for OBTC to recuperate from the COVID-19 economic crisis.

The State of New Mexico and its local governments are empowered to offer discretionary incentives to companies that support economic development projects that foster, promote, and enhance local economic development efforts. Qualifying entities for these projects include:

**A corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is one or a combination of two (2) or more of the following:**

- A. An industry for the manufacturing, processing, or assembling of any agricultural or manufactured products;**
- B. A commercial enterprise for storing, warehousing, distributing, or selling products of agricultural, mining, or industry, but not including any enterprise for sale of goods or commodities at retail; and**
- C. A business in which all or part of the activities of the business involves the supplying of services to the general public or to governmental agencies or to a specific industry or customer, but, other than as provided in paragraph E. of this subsection, not including businesses primarily engaged in the sale of goods or commodities at retail;**

The LEDA Zero Interest Loan application, provides details of the Project and the number and types of jobs to be retained.

Project Participation Agreement (“PPA”) between OBTC and the City. The PPA is summarized in Section V.

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This project includes a fiscal impact analysis from NMEDD from information supplied by the company utilizing an economic model prepared by Impact DataSource. The fiscal impact determination of the Project is from information the Company provided. The analysis shows that the company will be making a substantive contribution to the community.

**The State Loan Program will provide \$40,000 to assist the company with lease and/or mortgage payments and maintain employment in Albuquerque. In regard to the financial viability of the project the State has provided the following statement:**

The New Mexico Economic Development Department staff has reviewed Old Barrel Tea Company financials and have found the following:

The company has increased sales by 47% over the period of 2018-2019. Cost of goods sold was in line with the increase in sales which suggest that the company is efficient in digesting growth. Net income has remained positive during the period. Company records show no accounts payables due at the end of the period, which suggest that the company is paying its outstanding debts.

Salaries and wages increased from \$7,721 in 2018 to \$81,898 in 2019.

We note that there are definite strengths with this application:

1. The Company has been growing despite the pandemic
2. The company has a defined strategy to maintain revenue through the crisis
3. The Company is a manufacturer in a target industry

The only weakness found in the project was:

1. Retail may suffer during the pandemic

NMEDD staff has reviewed and OBTC meets the standards for approval.

### **FINDINGS:**

1. LEDA 20-3 is a qualified project as defined by the State's Local Economic Development Act and the City enabling legislation (F/S O-04-10); and
2. OBTC has a successful history of doing business in Albuquerque; and
3. The City is willing to act as fiscal agent for the State's 0% interest loan program for OBTC; and
4. LEDA 20-3 would make positive substantive contributions to the local economy and community by retaining 4 jobs; and
5. LEDA 20-3 would support a New Mexico business during extreme national economic challenges and help position them for recovery; and

6. Subject to the development of acceptable Security documents, LEDA 20-3 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives, including payback of the full loan amount within 2 years; and

7. Subject to the development of acceptable Security documents, LEDA 20-3 would adequately meet the evaluation criteria established by the City for Local Economic Development Act projects.

**PROJECT ANALYSIS:** The project, as proposed in the project application, will be analyzed in accordance with the City's LEDA project evaluation criteria.

## **I. PROJECT ELIGIBILITY**

### **1. QUALIFYING ENTITY**

City enabling legislation (F/S O-04-10), as well as the State Local Economic Development Act, establishes a definition for a "Qualifying Entity" eligible for LEDA funding assistance. OBTC qualifies under the Act and the Ordinance by meeting the following definition:

**As stated in the Summary, qualifying entities for these projects include**

**A corporation, limited liability company, partnership, joint venture, syndicate, association or other person that is one or a combination of two (2) or more of the following:**

- A. A commercial enterprise for storing, warehousing, distributing, or selling products of agricultural, mining, or industry, but not including any enterprise for sale of goods or commodities at retail; and**
- B. A business in which all or part of the activities of the business involves the supplying of services to the general public or to governmental agencies or to a specific industry or customer, but, other than as provided in paragraph E. of this subsection, not including businesses primarily engaged in the sale of goods or commodities at retail;**

## 2. ECONOMIC DEVELOPMENT POLICIES AND OBJECTIVES

The City's enabling legislation also states that applications for LEDA assistance, which meet the policies and objectives of the City's community economic development plans, shall receive priority. OBTC qualifies as the type of project that meets the City's identified economic development priorities under (F/S O-04-10) in the following categories:

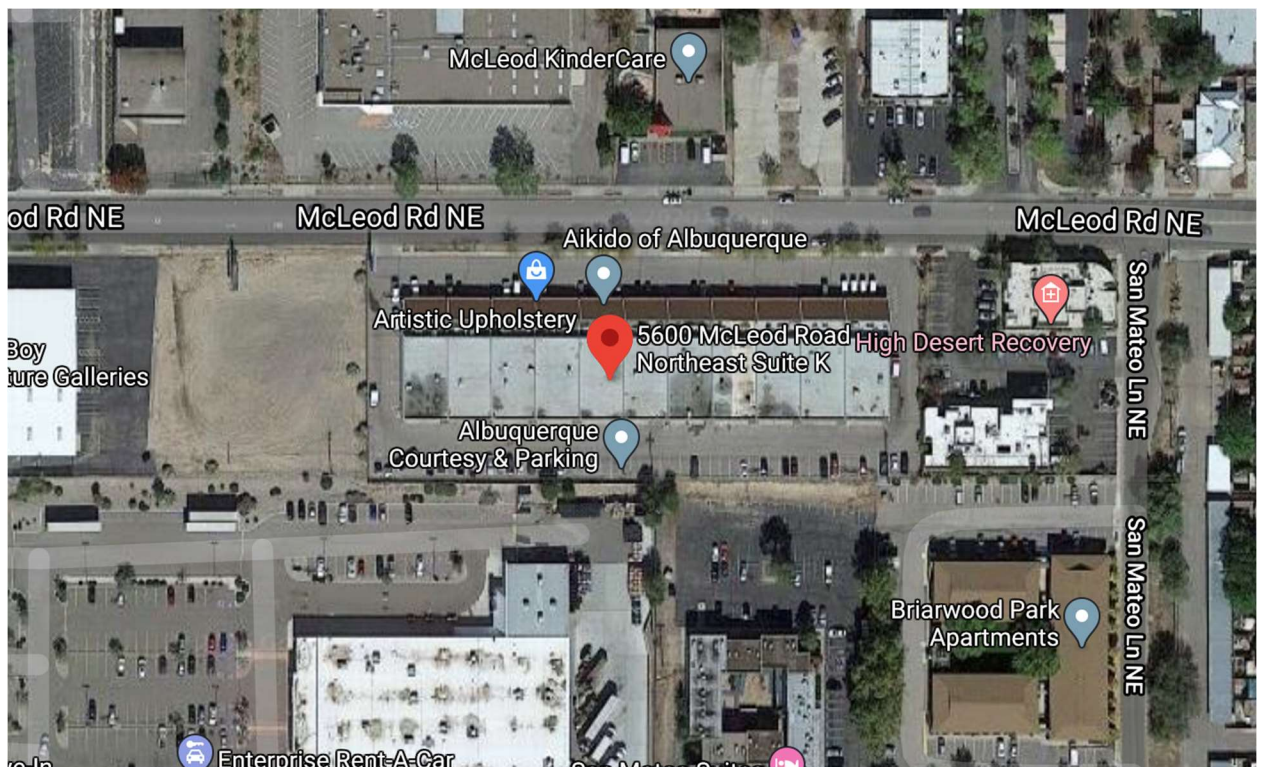
- (1) Private companies seeking to build, expand or relocate facilities;**
- (2) Manufacturing firms; and**
- (3) Projects in industry clusters listed above are particularly encouraged,**

## II. LAND USE, PLAN AND DESIGN ELEMENTS

### 1. PLAN & ZONING:

OBTC has several retail and warehouse facilities around New Mexico and one location in Colorado. The manufacturing warehouse facility in Albuquerque is located at 5600 McLeod Rd. NE, Suite K. The facility is 2,000 sf and is located on McLeod Rd. in between San Pedro Dr. NE and San Mateo Blvd. NE.

OBTC also has a 1,500-sf. retail store in Old Town in Albuquerque.



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The location information is for the full complex and not just the suite K.

### Prevailing Site Conditions

Location Address	5600 MCLEOD RD NE
City	ALBUQUERQUE
State	NM
Zip Code	87109
Property Description	TRACT B BRECHEISEN ADD CONT 2.30 AC

### Present Assessed Value

Tax Year	<b>2020</b>
Full Land Value	\$584,100.00
Agric. Land	\$0.00
Full Impv. Value	\$1,275,100.00
Full Total Value	\$1,859,200.00

Taxable (1/3 Full)	\$619,672.00
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### Present and Proposed Zoning

The site is currently zoned under the IDO as MX-H (formerly C-3) for Mixed Use—High Intensity.

No changes will be required for the proposed use.

2. **LAND USE:** The facility occupies space in a mixed-use strip center commercial development. The area around the development contains a wide mix of commercial, retail, and warehouse uses, as well as a Kinder-Care center and apartments. The facility has enabled the company the ability to hire more employees and work more efficiently, pre Covid 19.

3. **INFILL:**

The project involves an existing building in a developed mixed-use area of Albuquerque.

4. **DESIGN AND CONSERVATION:**

The building is a mixed-use warehouse facility and no additional city infrastructure is required.

5. **RENEWABLE ENERGY:**

The Company will not create or produce renewable energy from the facility.

### III. ECONOMIC BENEFITS

#### 6. COMPETITION:

OBTC has several competitors online but the New Mexico Tea Company is the only one in Albuquerque.

#### 7. JOBS:

- Pre-COVID employment level was 8 with an average salary of \$30,000;
- Company would have hired 2 more employees in March 2020 at an average salary of \$35,000;
- Company has already had to let 4 employees go bringing their current employee count to 4;
- Without this loan, the company is expecting to lose additional employees in the short term constituting additional financial losses to the NM economy;
- This loan will not only allow the company to maintain its current employee rate of 4 employees, but hopefully will allow the company, which is currently aggressively ramping up its online footprint, to hire/hire-back an additional 2-4 employees in time for the October -December 2020 holiday season.

#### Local Purchasing

Overall, according to the State's fiscal impact analysis, the City will receive approximately \$367,100 in net benefits over the 10-year period and the Project will generate \$1,190,600 in total for all local taxing districts.

Table 7. Albuquerque: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Gross Receipts Taxes	\$364,324
Real Property Taxes - Project	\$0
FF&E Property Taxes - Project	\$0
Property Taxes - New Residential	\$0
Utility Revenue	\$17,700
Utility Franchise Fees	\$3,320
Building Permits and Fees	\$0
Lodgers Taxes	\$0
Miscellaneous Taxes & User Fees	\$0
<b>Subtotal Benefits</b>	<b>\$385,344</b>
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$18,231)
<b>Subtotal Costs</b>	<b>(\$18,231)</b>
<b>Net Benefits</b>	<b>\$367,113</b>
<i>Present Value (6.75% discount rate)</i>	<i>\$258,095</i>

Figure 3. Annual Fiscal Net Benefits for the Albuquerque

#### IV. PROJECT FEASIBILITY

##### 9. COST/ FEASIBILITY/ FINANCING:

The company has increased sales by 47% over the period of 2018-2019. The cost of goods sold was in line with the increase in sales which suggest that the company is efficient in digesting growth. OBTC's net income has remained positive during the period. Company records show no accounts payables due at the end of the period, which suggest that the company is paying its outstanding debts.

##### 10. DEVELOPER'S RECORD:

From their State application:

##### **Paola Huffmon** | Old Barrel Tea Company Owner

Paola graduated from UNM with a Bachelor's Degree in Business with a Minor in Spanish and a Master's Degree in Elementary Education. She was born in Chihuahua, Mexico and has grown up with English as a second language in the state of New Mexico. She has experience in retail management, business management, and teaching. Paola has been able to blend her passions for business and education into one role at Old Barrel Tea Company. She is actively involved in all of the blending, manufacturing, Warehouse operations, staff management, and training at our Manufacturing Facility.



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### **Bailey Huffmon** | Old Barrel Tea Company Owner & Director of Marketing

Bailey graduated from UNM with a Bachelor's degree in Psychology and a minor in Sign Language Interpretation. Straight out of school she began a Sign Language Interpreting business in the State of New Mexico and was (and continues to be) very successful in that field. Although she went into this field, her heart remained in the health and wellness industry. Aside from her experience in the school system as an interpreter, she has also had experience in retail and restaurants. After opening Old Barrel Tea Company with her mother, Dana, she found that her passion was in Marketing and Branding. She wanted to be the voice of Old Barrel Tea Company so that we could be authentic to our consumers and ourselves.

### **Dana Huffmon** | Old Barrel Tea Company Owner & Events Coordinator

Dana is a three-time cancer survivor who has learned that the most important part of life is your family and community. She has experience in retail, restaurants, and more recently, in the medical field. Prior to her diagnosis and after her recovery, Dana was a medical transcriptionist for many years. Her passion has always been in health and wellness and she has found herself spearheading events and community involvement for OBTC for many years. She finally assumed the role of Events Coordinator and she currently orchestrates all charity involvement, local

### **Nenada Maslovaric** | Old Barrel Tea Company Owner & Director of Operations

Nenada was born in Serbia, and like Paola, is a first-generation immigrant. She went to USF in Florida and got her Bachelor's degree in both Psychology and Biology. Her goal out of college was to help children, but she found herself working in many realms of management. Nenada had prior experience in business management, restaurant management, and retail management. Her restaurant management career was with a large corporation. That allowed her to bring a new perspective and lots of tools to OBTC as far as operations went. Nenada has a passion for team management and people development and is currently the OBTC Director of Operations for all retail locations. She is also acting as district manager for all location management.

## 11. EQUITY:

1. The Company Contribution. The Company agrees for its contribution to this economic development project to maintain four (4) positions and a minimum of seven thousand seven hundred dollars (\$7,700.00) in monthly payroll. A position will represent an employment position for a person for at least one pay period consisting of at least 32 hours of work per week. Positions filled by contract, part-time and temporary workers will not be considered positions.

## 12. MANAGEMENT:

From the information presented in #10 above, the owners and operators appear capable of managing the project.

### 13. FISCAL IMPACT ANALYSIS

This project includes a fiscal impact analysis from NMEDD from information supplied by the company utilizing an economic model prepared by Impact DataSource. The fiscal impact determination of the Project is from information the Company provided. The analysis shows that the company will be making a substantive contribution to the community.

The project will generate additional benefits and cost for local taxing districts. The State report indicates that overall, the City could receive approximately \$367,100 in net benefits over the 10-year period and the generate \$1,190,600 in total for all local taxing districts.

### V. PROJECT PARTICIPATION AGREEMENT

Pursuant to the Local Economic Development Act, Sections 5-10-1 to 5-10-13 NMSA 1978 ("LEDA"), the City adopted Ordinance No. F/S 04-10 (the "LEDA Ordinance"), approving an economic development plan for the City and authorizing the City to consider applications for economic development assistance. The Ordinance calls for the preparation and approval of a Project Participation Agreement (PPA), which is the formal document, which states the contributions and obligations of all parties in the LEDA project. The agreement must clearly state the following items:

- (1) The economic development goals of the project;**
- (2) The contributions of the City and the qualifying entity;**
- (3) The specific measurable objectives upon which the performance review will be based;**
- (4) A schedule for project development and goal attainment;**
- (5) The security being offered for the City's investment;**
- (6) The procedures by which a project may be terminated and the City's investment recovered; and,**
- (7) The time period for which the City shall retain an interest in the project. Each project agreement shall have a "sunset" clause after which the City shall relinquish interest in and oversight of the project.**

**B. Each project participation agreement shall be adopted as an ordinance and adopted by the Council at a public hearing.**

The primary terms of the OBTC Project Participation Agreement are summarized and attached as an Exhibit.

### 1. COMPANY CONTRIBUTION

1. Goals and Objectives. The objective is to create and support an economic development project that fosters, promotes and enhances local economic development efforts. The goal is

that the project will provide jobs and career opportunities that will benefit the community and contribute to its long-term economic growth and sustainability.

2. The Company Contribution. The Company agrees for its contribution to this economic development project to maintain four (4) positions and a minimum of seven thousand seven hundred dollars (\$7,700.00) in monthly payroll. A position will represent an employment position for a person for at least one pay period consisting of at least 32 hours of work per week. Positions filled by contract, part-time and temporary workers will not be considered positions.

If payroll falls below 90% of the above payroll, the loan interest rate will escalate to 3% from the date of execution. If payroll falls below 80% of the above payroll, interest on the loan will be 6% from the date of execution. If payroll falls below 70% of the above payroll, the loan will become immediately due and payable.

3. The State Contribution; Procedure for Disbursement of the State Contribution. The City anticipates that the State Contribution of forty thousand dollars (\$40,000.00) will be delivered to the City for subsequent disbursement to the Company, following enactment of the related LEDA ordinance and execution of this Agreement and an intergovernmental agreement between the State and the City. The City will submit an invoice to the State and request transfer of the State funds. Upon receipt, the City will place the State Contribution into a separate account established in connection with the Project, as required by law. If, and only if, the City receives the State Contribution, the City will disburse the State Contribution to the Company in the manner described in this Agreement. The State of New Mexico Economic Development Department has agreed to loan to the Company the funds for a period not to exceed two years from the date hereof to be used for lease costs and tenant improvements at the 5600 McLeod NE, Suite K, Albuquerque, NM 87110. Said loan shall be without interest, provided the terms of Section 2 are met, and will be repaid in whole at the end of this two (2) year agreement.
  - A. Fourteen thousand seven hundred and fifty dollars (\$14,750.00) will be disbursed upon the execution of all documentation and proof of the documented lease. The remaining twenty-five thousand two hundred fifty dollars (\$25,250.00) will be disbursed upon proof of execution of one or more of the following: (1) an extension of the lease at the Company's current location; (2) a lease at a new location; and/or (3) a mortgage at a different facility which would consume the remainder of the funds in the two years of this Agreement, all for eligible LEDA uses, and the execution of any amendment to this Agreement or other necessary documentation. The City may, from time to time, request proof that the lease or mortgage is current.
4. Security. As security for the faithful performance and payment of all of Company's obligations under this Agreement, the Company shall furnish to the City proof of, and maintain during the entire term of this Agreement, a lien against eligible furniture, equipment, and inventory, worth in excess of eighty thousand dollars (\$80,000.00). The list shall be accompanied by a sworn and notarized affidavit from a company officer. The list of furniture/equipment/inventory is attached as Exhibit A. Security will be held in place until the loan is repaid in full.

## LEDA 20-3: OLD BARREL TEA COMPANY Project

5. Fees. Each party shall bear its own costs and expenses in connection with the negotiation, execution and delivery of this Agreement or any amendment of this Agreement.
6. Quarterly Requirements. The Company is required to submit to the City of Albuquerque's Economic Development Department copies of its unemployment insurance reports on a quarterly basis.
7. Effective Date. This Agreement will be effective as of execution and shall terminate now later than two years from that date.
8. Liability. No party shall be responsible for liability incurred as a result of the other party's acts or omissions. Nothing herein shall operate or be deemed to alter or expand any liabilities or obligations under the applicable provisions of the New Mexico Tort Claims Act (NMSA 1978 §§ 41-4-1, et seq.), or to waive any immunities, limitations or required procedures thereunder. Nothing in this Agreement constitutes a waiver of any party's right to seek judicial relief.
9. Notice. All notices or other written communications, including requests for disbursement, that are required or permitted to be given pursuant to this Agreement must be in writing and delivered personally, by a recognized courier service, by recognized overnight delivery service, by electronic mail, or by registered or certified mail, postage prepaid, to the parties at the addresses shown in the signature block of this Agreement. If notice is mailed it will be deemed received on the earlier of actual receipt or on the third business day following the date of mailing. If a notice is hand-delivered or sent by overnight delivery service, it will be deemed received upon actual delivery. A party may change its notice address by written notice to the other party to this Agreement.
10. Amendments. This Agreement shall not be altered, changed or amended, except by instrument in writing executed by all of the Parties hereto.
11. Governing Law. This Agreement shall be governed by the laws of the State of New Mexico.

### **FINDINGS:**

1. LEDA 20-3 is a qualified project as defined by the State's Local Economic Development Act and the City enabling legislation (F/S O-04-10); and
2. OBTC has a successful history of doing business in Albuquerque.
3. The City is willing to act as fiscal agent for the State's 0% interest loan program for OBTC; and
4. LEDA 20-3 would make positive substantive contributions to the local economy and community by retaining 4 jobs; and

## LEDA 20-3: OLD BARREL TEA COMPANY Project

5. LEDA 20-3 would support a New Mexico business during extreme national economic challenges and help position them for recovery; and
6. Subject to the development of acceptable Security documents, LEDA 20-3 would comply with the adopted City plans and policies, and meet community economic development priorities and objectives, including payback of the full loan amount within 2 years; and
7. Subject to the development of acceptable Security documents, LEDA 20-3 would adequately meet the evaluation criteria established by the City for Local Economic Development Act projects.

### **STAFF RECOMMENDATION:**

Based on the above findings, staff recommends approval of LEDA 20-3 as proposed in the project plan application.

Economic Development Department

## Fiscal Impact Overview

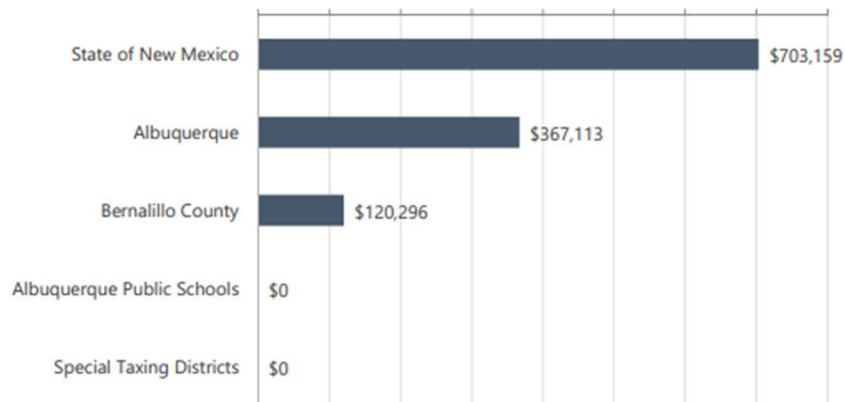
The Project will generate additional benefits and costs for local taxing districts, a summary of which is provided below. The source of specific benefits and costs are provided in greater detail for each taxing district on subsequent pages. Overall, the City will receive approximately \$367,100 in net benefits over the 10-year period and the Project will generate \$1,190,600 in total for all local taxing districts.

Table 5. Fiscal Net Benefits Over the Next 10 Years for the State and Local Taxing Districts

	Benefits	Costs	Net Benefits	Present Value of Net Benefits*
State of New Mexico	\$954,730	(\$251,571)	\$703,159	\$494,429
Albuquerque	\$385,344	(\$18,231)	\$367,113	\$258,095
Bernalillo County	\$120,296	\$0	\$120,296	\$84,572
Albuquerque Public Schools	\$0	\$0	\$0	\$0
Special Taxing Districts	\$0	\$0	\$0	\$0
Total	\$1,460,370	(\$269,803)	\$1,190,567	\$837,096

\* The Present Value of Net Benefits expresses the future stream of net benefits received over several years as a single value in today's dollars. Today's dollar and a dollar to be received at differing times in the future are not comparable because of the time value of money. The time value of money is the interest rate or each taxing entity's discount rate. This analysis uses a discount rate of 6.75% to make the dollars comparable.

Figure 1. Net Benefits Over the Next 10 Years for the State and Local Taxing Districts



## OLD BARREL TEA COMPANY | FISCAL IMPACT

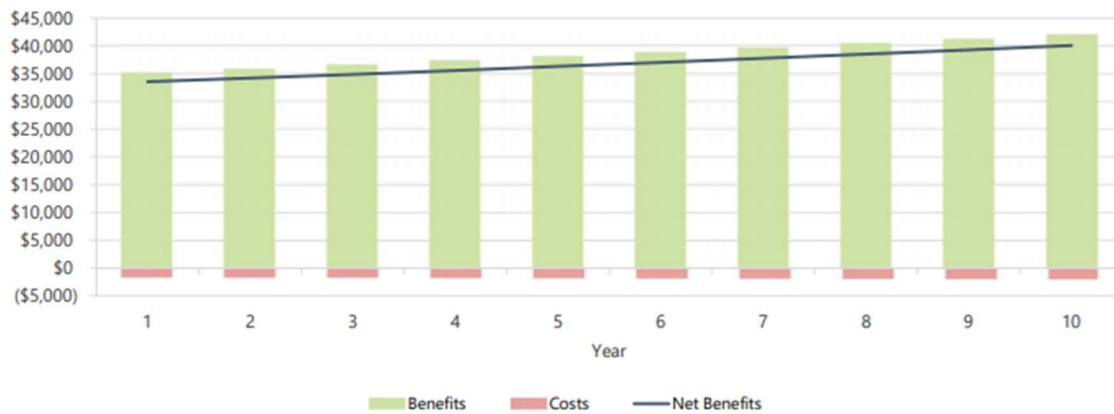
## Albuquerque

The table below displays the estimated additional benefits, costs, and net benefits to be received by the City over the next 10 years of the Project. Appendix C contains the year-by-year calculations.

Table 7. Albuquerque: Benefits, Costs, and Net Benefits Over the Next 10 Years

	Amount
Gross Receipts Taxes	\$364,324
Real Property Taxes - Project	\$0
FF&E Property Taxes - Project	\$0
Property Taxes - New Residential	\$0
Utility Revenue	\$17,700
Utility Franchise Fees	\$3,320
Building Permits and Fees	\$0
Lodgers Taxes	\$0
Miscellaneous Taxes & User Fees	\$0
<b>Subtotal Benefits</b>	<b>\$385,344</b>
Cost of Providing Municipal Services	\$0
Cost of Providing Utility Services	(\$18,231)
<b>Subtotal Costs</b>	<b>(\$18,231)</b>
<b>Net Benefits</b>	<b>\$367,113</b>
<i>Present Value (6.75% discount rate)</i>	<i>\$258,095</i>

Figure 3. Annual Fiscal Net Benefits for the Albuquerque



**LOCAL ECONOMIC DEVELOPMENT PROJECT PARTICIPATION LOAN  
AGREEMENT**

**CITY OF ALBUQUERQUE AND OBTC WAREHOUSE**

**LOCAL ECONOMIC DEVELOPMENT ACT PROJECT 20-3**

**THIS LOCAL ECONOMIC DEVELOPMENT PROJECT PARTICIPATION LOAN AGREEMENT** (the “Agreement”) is entered into as of the 30 day of April 2020, by and between the CITY OF ALBUQUERQUE (the “City”), a political subdivision of the State of New Mexico (the “State”), and OBTC WAREHOUSE, LLC. (the “Company”) located at 5600 McLeod Road Suite K, Albuquerque, New Mexico. Together the City and the Company are called the “Parties,” and individually each a “Party.”

**WHEREAS**, the purpose of the Local Economic Development Act (“LEDA”), NMSA 1978, §§ 5-10-1, et. seq. (the “Act”), is to provide public support for economic development to foster, promote and enhance local economic development efforts;

**WHEREAS**, the City anticipates receiving an appropriation of funds (the “Appropriation”) allocated from the State to convey these funds to the benefit of the Company;

**WHEREAS**, the City will act as fiscal agent for the State’s appropriation supporting the Project (the State’s “contribution”) and will use the funds appropriated by the State, pursuant to §5-10-3 of the Act, to convey the funds to the Company, for eligible lease and/or mortgage costs.

**NOW THEREFORE**, the parties agree as follows:

12. Goals and Objectives. The objective is to create and support an economic development project that fosters, promotes and enhances local economic development efforts. The goal is that the project will provide jobs and career opportunities that will benefit the community and contribute to its long-term economic growth and sustainability.
13. The Company Contribution. The Company agrees for its contribution to this economic development project to maintain four (4) positions and a minimum of seven thousand seven hundred dollars (\$7,700.00) in monthly payroll. A position will represent an employment position for a person for at least one pay period consisting of at least 32 hours of work per week. Positions filled by contract, part-time and temporary workers will not be considered positions.

If payroll falls below 90% of the above payroll, the loan interest rate will escalate to 3% from the date of execution. If payroll falls below 80% of the above payroll, interest on the loan will be 6% from the date of execution. If payroll falls below 70% of the above payroll, the loan will become immediately due and payable.

14. The State Contribution; Procedure for Disbursement of the State Contribution. The City anticipates that the State Contribution of forty thousand dollars (\$40,000.00) will be



delivered to the City for subsequent disbursement to the Company, following enactment of the related LEDA ordinance and execution of this Agreement and an intergovernmental agreement between the State and the City. The City will submit an invoice to the State and request transfer of the State funds. Upon receipt, the City will place the State Contribution into a separate account established in connection with the Project, as required by law. If, and only if, the City receives the State Contribution, the City will disburse the State Contribution to the Company in the manner described in this Agreement. The State of New Mexico Economic Development Department has agreed to loan to the Company the funds for a period not to exceed two years from the date hereof to be used for lease costs and tenant improvements at the 5600 McLeod NE, Suite K, Albuquerque, NM 87110. Said loan shall be without interest, provided the terms of Section 2 are met, and will be repaid in whole at the end of this two (2) year agreement.

- B. Fourteen thousand seven hundred fifty dollars (\$14,750.00) will be disbursed upon the execution of all documentation, an amount equal to the remaining lease payments due from OBTC for the facility at 5600 McLeod Road NE, suite K for the next ten months until April 30, 2021. The remaining twenty five thousand two hundred fifty dollars (\$25,250.00) will be disbursed upon proof of execution of one or more of the following: (1) an extension of the lease at the Company's current location; (2) a lease at a new location; and/or (3) a mortgage at a different facility which would consume the remainder of the funds in the two years of this Agreement, all for eligible LEDA uses; and the execution of any amendment to this Agreement or other necessary documentation. The City may, from time to time, request proof that the lease or mortgage is current.
15. Security. As security for the faithful performance and payment of all of Company's obligations under this Agreement, the Company shall furnish to the City proof of, and maintain during the entire term of this Agreement, inventory worth in excess of eighty thousand dollars (\$80,000.00). The list shall be accompanied by a sworn and notarized affidavit from a company officer. The list of furniture/equipment/inventory is attached as Exhibit A. Security will be held in place until the loan is repaid in full. Security will be held in place until the loan is repaid in full.
16. Fees. Each party shall bear its own costs and expenses in connection with the negotiation, execution and delivery of this Agreement or any amendment of this Agreement.
17. Quarterly Requirements. The Company is required to submit to the City of Albuquerque's Economic Development Department copies of its unemployment insurance reports on a quarterly basis.
18. Effective Date. This Agreement will be effective as of execution and shall terminate now later than two years from that date.
19. Liability. No party shall be responsible for liability incurred as a result of the other party's acts or omissions. Nothing herein shall operate or be deemed to alter or expand any liabilities or obligations under the applicable provisions of the New Mexico Tort Claims Act (NMSA 1978 §§ 41-4-1, et seq.), or to waive any immunities, limitations or required

procedures thereunder. Nothing in this Agreement constitutes a waiver of any party's right to seek judicial relief.

20. Notice. All notices or other written communications, including requests for disbursement, that are required or permitted to be given pursuant to this Agreement must be in writing and delivered personally, by a recognized courier service, by recognized overnight delivery service, by electronic mail, or by registered or certified mail, postage prepaid, to the parties at the addresses shown in the signature block of this Agreement. If notice is mailed it will be deemed received on the earlier of actual receipt or on the third business day following the date of mailing. If a notice is hand-delivered or sent by overnight delivery service, it will be deemed received upon actual delivery. A party may change its notice address by written notice to the other party to this Agreement.
21. Amendments. This Agreement shall not be altered, changed or amended, except by instrument in writing executed by all of the Parties hereto.
22. Governing Law. This Agreement shall be governed by the laws of the State of New Mexico.

**IN WITNESS WHEREOF**, the Parties have executed this Agreement effective as of the last date of signature below.

CITY OF ALBUQUERQUE  
NEW MEXICO

OBTC WAREHOUSE, LLC

\_\_\_\_\_  
Name: Sarita Nair JD, MCRP  
Chief Administrative Officer  
City of Albuquerque

\_\_\_\_\_  
Paola Huffmon, Owner

Address for Notice:  
City of Albuquerque  
One Civic Plaza NW  
Albuquerque, NM 87102  
Attn: Economic Development Department

Address for Notice:  
OBTC Warehouse, LLC  
5600 McLeod Rd., Ste. K  
Albuquerque, NM 87109

With a copy to:  
City Attorney  
One Civic Plaza NW  
Albuquerque, NM 87102

Mailing Address:  
P.O. Box 1293  
Albuquerque, NM 87103

## LEDA COVID-19 Application

Applicant	Paola Huffmon
Applicant ID	APP-013263
Company Name	OBTC Warehouse, LLC
Phone	(575) 545-9445
Email	paola@oldbarreltea.com
Status	Submitted
LEDA Starting Job Count	0
LEDA PPA Job Count Target	0

## Contact Information

**Question:** Legal Company Name

OBTC Warehouse, LLC

**Question:** Trade Name (dba)

Old Barrel Tea Company

**Question:** Project Name

Not Answered

**Question:** Company Street Address

5600 Mcleod NE Suite K

**Question:** Company City

Albuquerque

**Question:** Company State

New Mexico

**Question:** Company Zip

87110

**Question:** Phone

(575) 545-9445

**Question:** Fax

Not Answered

**Question:** Primary Contact Person First Name

Paola

**Question:** Primary Contact Person Last Name

Huffman

**Question:** Federal Tax ID #

824727958

**Question:** NM State Tax and Revenue (CRS) #

03401024006

**Question:** City/County Business License #

COM-2018-349100

**Question:** NAICS Code(s)

311920

**Question:** DUNS #

081262827

**Question:** This Business is organized as a:

- ☐ C-Corporation
- ☐ S-Corporation
- ☐ LLC
- ☒ Partnership
- ☐ Sole Proprietorship

## Project Information

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Please include detailed information such as:

- Executive Summary; Business description and history

**Question:** Description of the emergency situation that requires funding.

Our company would have hired 2 more employees in March 2020 at an average salary of \$35,000 but due to COVID 19, our wholesale sales have drastically decreased about 95%. Without getting this help, we will have to let go of 2-4 more employees. Two weeks ago we laid off our main production employee because wholesale sales are down and therefore production is also significantly down. Production is now spread between a few of the other employees. Last week we also laid off our marketing employee. We are trying to use all of our resources for online sales which is the part of our business that is doing the best right now. Without this loan, the company is expecting to lose another 3-4 employees in the short term constituting a \$90,000-\$120,000 loss to the NM economy. This loan will not only allow the company to maintain its current employee rate, it will help to immediately bring back at least one of the employees that was laid off at the beginning of the COVID 19 economic collapse.

Without this funding it will be very difficult for our business to recuperate from the COVID 19 economic crisis and we won't have enough money to spend on supporting our growth that we were experiencing before COVID19. Before COVID 19 we were looking at expanding to a larger warehouse with more electrical output, more hot water to clean our large tea blending barrels and also to have a larger more efficient warehouse layout that will fit more employees which will allow us to have several production employees working at once. Our current warehouse doesn't allow for that so we are very limited on the amount of employees that we can hire.

**Question:** Provide a detailed scope of work that is specific to the funding request/award and what the funds will be used for.

Before the COVID 19 economic collapse we were looking into expansion to accommodate for our rapid growth. We were planning on getting a new warehouse with improved electrical output, a larger water heater for our increased heated water usage. We were also planning on getting a good ventilation system in the new warehouse to vent the strong smelling flavors of our tea in the building during blending.

This LEDA loan will free up money around internally to use those funds to be able to keep our current staff and hire an additional 2-4 employees toward the end of 2020 for an additional payroll of up to \$120,000 just in time for the Oct-Dec super busy holiday season. Our company is currently aggressively ramping up its online footprint while being able to improve our establishment. In spite of having to close our retail establishments (which make up most of our wholesale business) our online sales have picked up but during this crisis, and while our current business model has shifted to focus on our online sales, we need the \$40,000 loan to support our future growth in our other aspects of our business while still being able to hold on to our employees during this COVID 19 economic collapse.

**Question:** Supporting Documentation

No Attachments



## Financial Information

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**Question:** Provide financial statements (balance sheet, profit and loss and cash flow) or tax returns for the past three years.

[2018 obtc warehouse.pdf](#) (4/10/2020 10:58 AM)

[2019 OBTC Warehouse.pdf](#) (4/10/2020 10:56 AM)

**Question:** What is the collateral/security to be pledged to the funds awarded?

- ☐ Security Interest/Lien
- ☐ Letter of Credit
- ☐ Mortgage Security
- ☐ Security Agreement/Escrow
- ☐ Security Agreement/Lien
- ☐ Security Interest/Equipment
- ☒ TBD

**Question:** What is the method of appraisal for stated security?

TBD- We are a young company and we have an established relationship with the state.

We have the following to guarantee:

-We have equipment worth \$50,000-\$60,000

-We have inventory worth \$110,000

-Owners can also provide personal guarantees and letters of credit from financial institutions.

**Question:** What is the equity investment from the applicant?

\$0.00

**Question:** External Equity Investment Sources

For question 21: These statements are for our manufacturing plant we can also share our retail

**Question:** External Equity Investment Amount

\$0.00

**Question:** Bank Loan Source (financial institution names), type (commercial, USDA, SBA)

504, etc.), and stage (applied or approved)

0

**Question:** Bank Loans Amount Total

\$0.00

**Question:** Other Loans Source

APPLIED FOR PPP LOAN

**Question:** Other Loans Amount

\$0.00

**Question:** Other Sources

REGARDING QUESTION'S 24-28 THIS IS NOT A GRANT IT'S THE LEDA 0% INTEREST COVID-19 LOAN

**Question:** Other Sources Amount

\$0.00

**Question:** Total Loan Requested

\$40,000.00

**Question:** Requested Loan Duration (Months)

24.00

## Company History and Background

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**Question:** How long has the company been in operation, as of the date of application?

2 years for Ol Barrel Tea CO manufacturing, 5 years for our Old Barrel Tea Co retail locations

**Question:** At the time of this application, how many full-time employees do you currently employ? Please provide the most recent Department of Workforce Solutions report below. If no employees, disregard report. Enter 0.

1.00

**Question:** List owners with more than 20% ownership stake in the company. Additionally, please list principal directors and/or officers.

Nenada Maslovacic 25%  
Bailey Huffmon 25%  
Dana Huffmon 25%  
Paola Huffmon 25%

**Question:** Are owners and/or officers current with financial obligations/payments to the State of New Mexico or any other Federal or State entity? If no, please explain.

yes

**Question:** Does the applicant have any loans or other financial obligations on which payments are not current?

no

**Question:** Please identify any financially affiliated/associated companies in which any of the applicant's owners have a 20% stake.

T a Tea Co LLC, Old Barrel Tea Company LLC, Old Barrel Tea Company Cloudcroft LLC, OBTC Go LLC

## Community Aspects

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**Question:** What will be the impact to the community if you don't receive this loan?

Jobs will be lost and we will be very limited with our hiring in the future. We will not be able to hire more employees.

## Job Retention / Performance

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Please download the job retention worksheet to work up the required information for this section.

- [Job Retention Worksheet](#)

**Question:** Outline the number and types of jobs to be retained.

Production assistant (1)  
Warehouse supervisor (1)  
sales (1)  
branding and marketing (1)

**Question:** Outline the existing pay scale and payroll.

All of our employees make between \$12-\$16 an hour. We pay our employees biweekly.



**Question:** Outline the benefits offered to the employees, including but not limited to health care and retirement.

Right now we don't offer our employees any benefits other than an employee discounts at our retail stores. Now that our company is growing a bit more, we have plans to offer a health insurance to our full-time employees and pay for their cellphone bills. Once the economic crisis with COVID-19 ends and we recuperate, we will look toward implementing these benefits in the near future.

**Question:** Total number of Jobs to be retained for loan duration period.

4.00

## Attachments

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Please download the authorization for examination and release of information template and the example employer quarterly wage and contribution report.

- [Authorization for examination and release of information form](#)
- [Employer quarterly wage and contribution report example](#)

Please download the LEDA Application Affirmation Template here:

[LEDA Application Affirmation Template](#)

[Click here](#) to view a filled out sample.

**Question:** New Mexico Economic Development Department authorization for examination and release of information.

[2020-04-10 12-51.pdf](#) (4/10/2020 1:05 PM)

**Question:** Latest New Mexico employer's quarterly wage and contribution report submitted to the Department of Workforce Solutions.

[Warehouse UI Qtr 4 2019.pdf](#) (4/10/2020 1:14 PM)

**Question:** Officer Application Affirmation Attestation

[2020-04-10 11-37.pdf](#) (4/10/2020 11:43 AM)