

COUNTY OF MILWAUKEE

INTEROFFICE COMMUNICATION

DATE: August 16, 2024

TO: Marcelia Nicholson, Chairwoman, County Board of Supervisors

FROM: Celia Benton, Economic Development Director, Department of Administrative Services

SUBJECT: An informational report providing an update on the Milwaukee County Revolving Loan Fund managed by Milwaukee Economic Development Corporation.

REQUEST

This report is for informational purposes only.

POLICY

File 12-985 – authorization to enter a trust agreement with MEDC and enter negotiations to develop an administrative agreement for the Milwaukee County Economic Development Fund

File 13-231 – authorization to enter an administrative agreement with MEDC for administration and operation of the Milwaukee County Economic Development Fund

File 18-646 – an informational report regarding loan activity from the Milwaukee County Revolving Loan Fund managed by the Milwaukee Economic Development Corporation

File 20-483 – an informational report regarding loan activity from the Milwaukee County Revolving Loan Fund managed by the Milwaukee Economic Development Corporation

BACKGROUND

In 2013, Milwaukee County entered into a Portfolio Management Agreement with the Milwaukee Economic Development Corporation (MEDC) for a \$1,000,000 trust for the purposes of operating a revolving loan fund to “spur economic development throughout Milwaukee County.”

MEDC was formed in 1971 as the Milwaukee Model Cities Development Corporation. It is a non-stock, not-for-profit 501©3 self-supporting lender that works to support the Milwaukee 7 region. Their mission is to provide below market, flexible gap financing that results in job creation and retention, investments in disinvested areas and that supports the export of goods and services and the import of capital.

The Portfolio Management Agreement, effective on May 1, 2013, automatically renews for a one-year period starting January 1st of each year if mutually agreeable to the Parties and unless terminated by either Party by written notice 30 days prior to the expiration of the term. Under this agreement, the scope of MEDC services includes:

- Loan servicing and administration
- Loan structuring, restructuring, and closing
- Portfolio Status reports
- Audit

Per the agreement, Milwaukee County Revolving Loan Funds (MCRLF) are available to businesses located in Milwaukee County. MEDC focuses efforts to provide loans in

municipalities that do not offer their own revolving loan fund. Uses of funds includes real estate and improvements, equipment, long term capital and more. MEDC receives a lead participant fee of 1% on the loan balance per month.

Under the Portfolio Management Service Agreement, MEDC may not loan to businesses that are:

- Not for profit
- Religious based or affiliated businesses
- Businesses located outside of Milwaukee County

Beyond these restrictions, MEDC has full authority to loan within their guidelines. MEDC's general lending guidelines have additional restrictions on project eligibility based on restrictions under programs through the United States Treasury Departments Community Development Financial Institutions Fund. These include residential rental property, golf courses, country clubs, racetracks, massage parlors, hot tub facilities, gambling facilities, suntan facilities, certain farming businesses and stores where the principal business is the sale of alcoholic beverages for consumption off premises. Other considerations, such as the project eligibility guidelines for City of Milwaukee programming, are determined on a case-by-base basis for the MCRLF.

Current fund availability of the RLF is estimated at \$1.3 million. There are 8 loans in the portfolio totaling \$1,046,000 in loans. MEDC notes the Milwaukee County funding source to the client once the loan is closed. Some of the current clients in the loan portfolio include:

- Grover Corporation, a manufacturer of gaskets and piston rings in Glendale. Grover Corporation received \$500,000 in MCRLF funds to purchase a vacant manufacturing facility. In addition to relocating staff from the original site, this loan has helped Grover Corporation create 45 new full-time jobs. The loan is expected to close in 2024.
- Custom Fabricating & Supply, a manufacturer and distributor in Franklin. Custom received a \$1,367,000 loan to double the size of their manufacturing space and retain the operations at the current location. Job growth is also expected as a result of this project.

An estimated \$200,000 is currently available to lend. Economic Development supports MEDC marketing efforts through highlighting the fund with local municipalities.

RECOMMENDATION

This report is for informational purposes.

ALIGNMENT TO STRATEGIC PLAN

3C: Dismantle barriers to diverse and inclusive communities

FISCAL EFFECT

N/A

VIRTUAL MEETING INVITES

Celia Benton, Economic Development Director, Department of Administrative Services:

celia.benton@milwaukeecountywi.gov

David Latona: david.latona@medconline.com

John Miller: john.miller@medconline.com

PREPARED BY:

Celia Benton

Celia Benton

Economic Development Director, Department of Administrative Services

ATTACHMENTS:

MEDC Lending Guidelines

MEDC PowerPoint Presentation

Portfolio Management Agreement

cc:

David Crowley, County Executive

MaryJo Meyers, Chief of Staff, Office of the County Executive

Liz Sumner, Comptroller

Economic and Community Development Committee Members

Aaron Hertzberg, Director, Department of Administrative Services

Kelly Bablitch, Chief of Staff, County Board of Supervisors

Allyson Smith, Committee Coordinator

Clarence Kinnard, Committee Coordinator

Steve Cady, Director of Research and Policy