

COUNTY OF MILWAUKEE

INTEROFFICE COMMUNICATION

DATE: June 5, 2020

TO: Supervisor Felesia Martin, Chair, Economic and Community Development Committee

FROM: Aaron Hertzberg, Director, DAS Economic Development

SUBJECT: An informational report regarding loan activity from the Milwaukee County Revolving Loan Fund managed by Milwaukee Economic Development Corporation

REQUEST

This report is for informational purposes, there is no request at this time.

REPORT

The following report was requested by staff from the Milwaukee Economic Development Corporation (MEDC) regarding loan activity from the Milwaukee County Revolving Loan Fund. With on-going economic challenges and recent discussions about available resources for businesses, it is important to highlight the availability of funds and provide the report to the County Board.

Through prior legislation (File 12-985), Milwaukee County granted \$1,000,000 to MEDC to be held in trust for the purposes of operating a revolving loan fund to support economic development. An Administrative Agreement was approved and completed in 2013. MEDC has continued to operate the fund under the conditions outlined in the agreement (File 13-231).

BACKGROUND

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

RECOMMENDATION

This report is for informational purposes, there is no request at this time.

Aaron Hertzberg
Economic Development Director

cc: David Crowley, County Executive
Julie Landry, Director, Department of Administrative Services
Economic and Community Development Committee Members
Mary Jo Meyers, Chief of Staff, Office of the County Executive
Scott Manske, Comptroller
Steve Cady, Research & Policy Director
Allyson Smith, Committee Coordinator

Current Loans Outstanding:

- (1) Platt Construction, Inc.: \$164,185 - current balance.
\$250,000 loan utilized for recapitalization of balance sheet with long term working capital. The outcome, balanced with long term bank financing, allowed the company to obtain higher and better bonding support to bid on upcoming construction jobs. Platt, located at 7407 S. 27th Street in Franklin, has been in business for over 30 years and is in the concrete structure and tunneling business. Platt is an MBE/DBE contractor and employs 30 FTE office staff and up to 100 seasonal union laborers.

- (2) Ivancevic RE, LLC: \$166,400 - current balance.
\$200,000 loan utilized to renovate a commercial tenant building at 6070 N Flint Road, Glendale. Nik Ivancevic owns Midwest Fiber Networks and CableCom. The businesses were forced out of a rented facility on Milwaukee's south side near Miller Parkway by sale of the property. The Glendale facility was owned by Otis Elevator and was being vacated as Ivancevic moved his companies in. The related companies employ over 50 FTE.

Total current portfolio outstanding at 6/30/2020: \$330,585

Prior Loan Activity:

2920 W Vera Avenue LLC / 6505-6519 W North Avenue LLC / King Ventures, LLC / Tree of Life Assisted Living were loans funded in between 2014 2019 in the Milwaukee County RLF. All of these loans have successfully repaid the RLF by way of refinance, cash flow payoff or sale of property. Since the inception of this RLF, MEDC has fully disbursed the entire \$1,000,000 that have been allocated. There have been no losses in the County RLF since inception.

Ongoing Funding Opportunities:

MEDC continues to look for appropriate loan activity to fit the desired size and profile that Milwaukee County has outlined. Between July 2018 and December 2019, MEDC reviewed seven prospective borrower opportunities for the County RLF. Of those, two were funded using Bank loans and SBA 504 2nd mortgages, one was closed and then under unusual circumstances the property owner was approached and quickly agreed to a sale of the property financed, one received sufficient funds from Wauwatosa municipal loan funds, two are closed but still drawing funds for project costs and will likely be transferred to the County RLF once fully disbursed and one was closed and remains with MEDC funding due to a higher risk profile than the County prefers. The total loan requests of the prospects were \$1,570,000 with approximately \$400,000 soon to be funded. This

would take up a majority of the approximate \$670,000 of funds that remain available to lend.

By way of processing reminder, MEDC defers to Bank underwriting with use of SBA 504 first, then looks to exhaust any community funds available before deploying the County RLF and to date banks, SBA and community funding have covered the majority of the needs of qualifying loan projects. MEDC will continue to market the RLF with banks and community leaders in economic development to make sure the fund is part of the discussion for new projects, particularly where new job growth is a key component.