

RESOLUTION NO. 2020-35

RESOLUTION BY THE FINANCE AND HUMAN RESOURCES COMMITTEE APPROVING THE REVOLVING LOAN FUND (RLF) PLAN AND ADDENDUM FOR THE ADMINISTRATION OF THE U.S. ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) BUSINESS LOAN PROGRAM

To the Honorable Members of the Racine County Board of Supervisors:

BE IT RESOLVED by the Racine County Board of Supervisors that Racine County hereby adopts and approves the Revolving Loan Fund (RLF) Plan and Addendum for the administration of the U.S. Economic Development Administration (EDA) business loan program, which has been prepared by the Racine County Economic Development Corporation and is attached hereto and incorporated as Exhibit A.

BE IT FURTHER RESOLVED by the Racine County Board of Supervisors that the Racine County Economic Development Corporation is hereby authorized and directed to submit the Revolving Loan Fund Plan and Addendum, to the Economic Development Administration of the United States Department of Commerce for approval. The County Clerk is directed to transmit two certified copies of this resolution to the Racine County Economic Development Corporation, 2320 Renaissance Boulevard, Sturtevant, WI 53177.

Respectfully submitted,

1st Reading _____

FINANCE AND HUMAN RESOURCES COMMITTEE

2nd Reading _____

BOARD ACTION

Robert N. Miller, Chairman

Adopted _____

For _____

Against _____

Absent _____

Q.A. Shakoor, II, Vice-Chairman

VOTE REQUIRED: Majority

Rusty Russell Clark, Secretary

Prepared by: Corporation Counsel

Nick Demske

John A. Wisch

Thomas Pringle

Donald J. Trottier

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4 **The foregoing legislation adopted by the County Board of Supervisors of**
5 **Racine County, Wisconsin, is hereby:**

6 **Approved: _____**

7 **Vetoed: _____**

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9 **Date: _____,**

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Jonathan Delagrave, County Executive

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INFORMATION ONLY

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WHEREAS, on a semi-annual basis, the Racine County Economic Development Corporation is required to certify to the United States Department of Commerce Economic Development Administration that:

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1. The Revolving Loan Fund is consistent with, and supportive of, the area's current economic adjustment strategy; and

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2. The Revolving Loan Fund is being operated in accordance with the policies and procedures contained in the Revolving Loan Fund, and the loan portfolio meets the standards contained therein.

MEMORANDUM

TO: RACINE COUNTY BOARD

FROM: CAROLYN ENGEL, BUSINESS FINANCE MANAGER

RE: RACINE COUNTY EDA RLF PLAN UPDATE

DATE: JUNE 9, 2020

INTRODUCTION

The purpose of this memorandum is to request Racine County approve of the attached Revolving Loan Fund (RLF) Plan and Addendum for the administration of the U.S. Economic Development Administration (EDA) business loan program. The RCEDC administers the RLF loan program on behalf of Racine County and its Board of Directors have approved these changes. Approval of the RLF Plan is subject to final approval from EDA.

There is not a redlined version of the updated RLF Plan due to the restructure of how it is outlined under current EDA guidance and regulations. Key changes are addressed within this memorandum most importantly addressing *an Addendum to the Plan which will allow for more flexible lending parameters to assist businesses impacted by the COVID 19 pandemic*. See below for a program summary.

PROGRAM SUMMARY

Date Established: 1991

Source of Funds: \$700,000 Federal Economic Development Administration (EDA)
\$400,000 Racine County

Purpose: Provide gap financing for business recruitment, retention, start-up and growth of Racine County businesses

Goals: Job Creation/Retention 1 job/\$35,000 RLF dollars loaned
Leverage RLF with private investments, specifically bank and borrower’s equity

Targets:

- Small to Medium sized businesses typically less than 200 employees
- Projects that meet job creation/retention requirements and/or other criteria of the County EDP
- Minority and women owned businesses
- 50% manufacturing; 50% commercial service; not more than 20% retail
- 90% retention/expansion; 10% start-ups
- Primarily used for fixed assets

Borrower Benefits: Low interest rate – Minimum 75% of Prime
Lower equity requirement, 10% if appropriate

Use of Funds: Typically building and equipment purchases

Fund Growth: Monthly principal payments return to fund for future lending

Administrator: RCEDC promotes, processes, approves and services these loans

RLF Snapshot:

Description	Details
Active Loans in RLF	14
Principal Balances – RLF’s	\$1,421,396
Available to Lend	\$385,874

<i>Total RLF Loans Provided</i>	77
<i>Total RLF Dollars Loaned</i>	\$7,351,243
<i>Total Project Investments</i>	\$56,961,169
<i>Total loan write-offs</i>	3
<i>Total dollars written-off</i>	\$44,915
<i>Total Job Creation/Retention</i>	900

Highlights of RLF and Targets:

Description	Goal	Actual
Jobs Created/Retained	1/\$35,000	1/\$8,788 Total Portfolio 1/\$5,066 Active Portfolio
Private Dollars Leveraged	1:2	6.74 Total Portfolio
Small to Medium Size	Less than 200 employees	100% (1 now larger)
Minority and Women-owned	Target not specific	Active Portfolio: 0 Minorities (a); 29% women
Industry	50% Manufacturing; 50% Commercial; maximum 20% Retail	Active Portfolio: 29% manuf; 71% commercial
Business Stage	90% Retention/Expansion; 10% Start Up	Active Portfolio: expansion at 100%
Use of Funds	Primarily Fixed Assets	100%
Allowable Cash Percentage	34% Max. in cash	21%
RLF Rating	A – Best Rating	A

- (a) Applications would be given a priority consideration for qualified candidates but primarily are referred to other programs that are a fit such as SBA 504, WWBIC, County Matching Grant Program.

RLF Rating Comments:

EDA started risk rating RLF programs two years ago. Each year, the Racine County EDA RLF received the best rating possible as “A”.

Racine County EDA RLF Projects Recently Completed:

1. Larkman Construction – Loan closed successfully recruiting this company to Racine County from Franklin, which involved the consolidation of two locations into one in the Village of Raymond. RLF funds of \$200,000 used towards building purchase and expected to result in six (6) new jobs being created.
2. Beyond Reality – Loan closed for building purchase in Waterford to support expansion of this plumbing business. RLF funds of \$132,000 are expected to result in 2.5 jobs being created.

KEY CHANGES TO RLF PLAN – PERMANENT CHANGES

- Loan maximum dollar amount replaced with \$275,000 or 25% of capital base, whichever is less as allowed by federal regulations
- Loan assumptions allowed, i.e. if business is sold, buyer can assume the RLF loan subject to RCEDC Loan Advisory Committee and Board approval
- Private dollar leverage requirement can be less if RLF portfolio overall meets the requirement as allowed by federal regulations
- Allows for the delegation of loan approvals by the RCEDC Board of Directors to the Loan Advisory or RCEDC Management for applications that meet specific parameters. This is key to meeting the needs of current market conditions in making smaller loans under a more streamlined approval process, including “Small Business Relief Loans” needed as a result of the impact of the pandemic.

TEMPORARY CHANGES – ADDENDUM

The EDA is allowing addendums to existing Plans be adopted to provide flexibilities in lending to businesses given the impact of the pandemic to the local economy. Flexibilities include: 1) Interest rates as low as 0%; 2) No requirement for private dollar leverage on projects (meaning the RLF can be the sole lender on a project with no bank partner); 3) No requirement that the business demonstrate funds are not available elsewhere; and 4) Deferrals for principal and/or interest payments.

With the flexibilities above, businesses will have easier access to capital with beneficial rates and terms. RCEDC will be implementing an aggressive outreach program to ensure businesses are aware of this option to support them during this time.