



Redevelopment Authority AGENDA BRIEFING MEMORANDUM

AGENDA DATE: June 6, 2019

SUBJECT:

City of Racine CDBG Small Business Development Revolving Loan Fund - Subordination Agreement

PREPARED BY:

Matthew Rejc, Manager of Neighborhood Services

EXECUTIVE SUMMARY:

Department of City Development - Division of Neighborhood Services has received a request for a subordination agreement related to a previously approved applicant of the City of Racine Small Business Development Revolving Loan Fund (SBD RLF).

PROJECT BACKGROUND AND ANALYSIS:

The Common Council of the City of Racine approved a loan of \$506,815 to R&B Grinding Company, Inc. as recommended by the Racine County Economic Development Corporation Business Lending Partners through Resolution No. 0320-16. With the CDBG loan, R&B was able to purchase computerized and modern pieces of machining equipment that help speed up processes and make products that are uniform and exact. Purchases included an automatic CNC Cold Saw, automatic MIG Welder, automatic conveyers, and CNC Universal Grinding Machine.

The CDBG funds successfully accomplished the U.S. Department of Housing and Urban Development (HUD) requirement to retain low- to moderate-income jobs, as the funds helped save all 100+ jobs at the company. The company has since reported new contracts made possible through the use of the new equipment and has stayed up-to-date on loan repayment to the City.

Biddle Enterprises, LLC is the owner of building in which R&B Grinding bases its operation. Biddle Enterprises has requested refinancing of the structure with BMO Harris Bank. This building is owned by Biddle Enterprises and is leased by R&B. This new financing is set to be consummated in the summer of 2019 and will replace the current financing provided by Nicolet Bank. The additional financing will be used to make repairs to the structure.

PROGRAM BACKGROUND:

In 2015, the City of Racine requested that the Redevelopment Authority of the City of Racine (RDA) establish the SBD RLF. Administered by the Division of Neighborhood Services, the SBD RLF is supported by CDBG funds as determined in the 2015-2019 Consolidated Plan and the Annual Action Plans. Racine Common Council has final approval of loan recommendations made by the RDA.

The goal of the SBD RLF is to create and retain jobs for the benefit of low-to-moderate income (LMI) households in the City of Racine. The SBD RLF program aims to further Racine's economic development goals, and requires creation and/or retention of one Full Time Equivalent job for every \$35,000 borrowed, with a minimum of 51% of said jobs made available to members of CDBG-qualifying LMI households.

BUDGETARY IMPACT:

Repairs to the structure will add to the value of the asset collateralized by the City, and permit R&B Grinding to continue operating in the space going forward. The City will retain its first position lien on the equipment collateralized in the loan.

RECOMMENDED ACTION:

Staff recommends that the Redevelopment Authority of Racine authorize the RDA Executive Director and RDA Chairman to sign and execute a subordination agreement related to a CDBG loan at 1900, 1909, and 1945 Clark Street owned by Biddle Enterprises, LLC.