

MEMORANDUM

TO: CITY OF RACINE CITY COUNCIL
RCEDC EXECUTIVE COMMITTEE

FROM: GORDON KACALA, EXECUTIVE DIRECTOR
RACINE COUNTY ECONOMIC DEVELOPMENT CORPORATION (RCEDC)
ELLEN DUGOSH, PRESENTING STAFF

DATE: NOVEMBER 29, 2010

SUBJECT: CITY OF RACINE INDUSTRIAL/COMMERCIAL BUILDING REVOLVING
LOAN FUND (I/CB-RLF) PLAN CERTIFICATIONS

THE REQUEST

The purpose of this memorandum is to request that the City of Racine approve the March 31, 2010 semi-annual Plan Certification (attached) and the September 30, 2010 semi-annual Plan Certification (attached). Historically, RCEDC has prepared the RLF Plan Certification report for City of Racine approval to certify to the Economic Development Administration (EDA), on an annual basis, that the City's Revolving Loan Fund (RLF) program is consistent with:

- 1) Racine County's Economic Development Plan (EDP); and
- 2) The policies and procedures within the RLF Manual.

Beginning in 2010, RCEDC will now be required to seek approval on a **semi-annual** basis. Due to the change in regulations occurring in 2010, RCEDC is requesting approval of both the March 31, 2010 and the September 30, 2010 semi-annual Plan Certifications at this time. In the future, these certifications will require approval subsequent to each semi-annual reporting period.

NOTABLE REPORT CHANGES

Overall, the RLF program is performing within the standards of the RLF plan or exceeding those goals set for the program. Exceptions are noted below along with notable changes between the March 31, 2010 and September 30, 2010 reports:

- 1) On page 2, item #1, the job cost ratio improved for the total portfolio from March 31, 2010 to September 30, 2010 (\$22,033 RLF dollars lent per job to \$19,500 RLF dollars lent per job) and marginally increased for the active loans on the portfolio (\$27,966/job to \$30,582/job). Both reporting periods exceed the RLF goal of creating one job for every \$35,000 RLF dollars lent;
- 2) On page 3, item #5, the September 30, 2010 report shows that there are two fewer active loans than in March 2010. This represents two loans which were written off by the RCEDC Loan Committee and Executive Committee. It is important to note that while these loans were written off for accounting purposes, RCEDC staff will continue to monitor the companies should an opportunity arise to recoup the loses; and
- 3) On page 6, item #23, the Capital Utilization Standard is not being met. The Capital Utilization Standard refers to the total dollars lent from the RLF funds compared to funding availability. EDA requires 75% of RLF dollars be lent. If this requirement is not met, excess funds must be sequestered into a separate account but remain available for future lending. For the September 30, 2010 report, a total of \$203,262 have been

sequestered into a separate interest bearing account. It is important to note, however, that two loans in the total amount of \$325,000 were approved for funding in October 2010. Once these loans are disbursed, the RLF will be back within the program guidelines.

The one certification the RLF program is not meeting and has struggled to meet historically is:

- 1) On page 4, item #6, a minimum of 15% of the loan fund should provide financing to minority owned firms. As of September 30, 2010 no funds have been used for this purpose. Please see page 4 of the enclosed Plan Certification for further explanation.

MEMORANDUM

TO: CITY OF RACINE ECONOMIC DEVELOPMENT COMMITTEE
CITY OF RACINE CITY COUNCIL
RCEDC EXECUTIVE COMMITTEE

FROM: GORDON KACALA, EXECUTIVE DIRECTOR
RACINE COUNTY ECONOMIC DEVELOPMENT CORPORATION (RCEDC)
ELLEN DUGOSH, PRESENTING STAFF

DATE: NOVEMBER 30, 2010

SUBJECT: CITY OF RACINE INDUSTRIAL/COMMERCIAL BUILDING REVOLVING
LOAN FUND (I/CB-RLF) PLAN CERTIFICATION FOR PERIOD ENDING
MARCH 31, 2010

Introduction

Beginning in 2010, the City of Racine will now be required to certify to the Economic Development Administration (EDA) on a semi-annual basis that:

1. The Industrial/Commercial Building Revolving Loan Fund (I/CB-RLF) Plan is consistent with and supportive of the area's current economic adjustment strategy;
2. The I/CB-RLF is being operated in accordance with the policies and procedures contained in the I/CB-RLF plan, and the loan portfolio meets the standards contained therein.

The RCEDC maintains a service contract with the City of Racine to administer the City's RLF and therefore prepares the report for consideration by the City of Racine. The RLF provides secondary mortgage low-interest loans to businesses in the City of Racine. The remainder of this report is intended to meet these federal requirements.

I/CB-RLF Plan is Consistent with the Racine County Economic Development Plan

Only those Challenges and Strategies that are applicable to the I/CB-RLF Program have been included below:

Challenge One – To cultivate an entrepreneurial culture in Racine County

Strategies:

- Ensure a comprehensive system of entrepreneurial services for both value-added and neighborhood businesses.

Challenge Two – To focus on the importance of technology and innovation relative to the growth of existing businesses and the attraction of new businesses to the community

Strategies:

- Continue to implement an aggressive and targeted existing business growth and business attraction program for Racine County that is based on: 1) industries with a recent history of competitiveness and export orientation and 2) emerging industries that show a potential for future growth.
- Provide secondary financing to existing and new companies that are creating jobs, tax base and personal income to Racine County.

Challenge Four – To take advantage of the development opportunities that exist as a result of the Chicago-Milwaukee Corridor and to properly link land use with future business development county-wide.

Strategies:

- Continue to implement industrial and commercial redevelopment projects in communities throughout Racine County.
- Monitor the local economy to identify and retain employers that are considering relocation outside of Racine County.

Challenge Five – To link education and training in a manner that provides a competitive workforce to meet the present and future needs of local employers and to create opportunities for low-income, disadvantaged, and minority individuals to prepare for and obtain employment.

Strategies:

- Advocate for programs that will impact the high unemployment rates in low-income and minority communities.

I/CB-RLF is Being Operated in Accordance with the Policies and Procedures of the I/CB-RLF Plan and the Portfolio Meets the Projected Guidelines Contained Therein

The following provides the original I/CB-RLF guidelines, and the current status of the I/CB-RLF as of March 31, 2010.

1. Job Cost Ratio. An average of one full-time equivalent job will be created and/or retained for every \$35,000 of I/CB-RLF investment. Currently, the job cost ratio for the total portfolio is \$22,033 and \$27,966 for the active portfolio. **We are currently meeting this guideline.**
2. Low- and Moderate-Income Benefit. All loan recipients are required to sign an “Employment Memorandum of Agreement” which requires that the business work with a Workforce Development Center (WDC) Business Services Specialist in making at least 51% of new and

retained jobs available to low- and moderate- income persons. To date, all recipients have signed this memorandum. The Specialist is located at the Racine County Workforce Development Center that is the “one-stop” shop for meeting the needs of the unemployed. The Center serves persons involved in the welfare-to-work transition as a part of other activities. **We are meeting this guideline.**

3. Private Sector Leverage Ratio. An average ratio of two private sector dollars for each I/CB-RLF dollar is required of business participants. To date, total bank financing and equity participation in project costs is \$12,393,729, and total I/CB-RLF funds disbursed is \$2,732,074, for a leveraging ratio of 4.54 to 1.0. **We are exceeding this guideline.**
4. Types of Activities Eligible for Funding. All loans must be for real estate purchases, environmental remediation, building construction and renovation, equipment purchases, and tenant improvements. Working capital loans will not be allowed as a part of this program. All loans have been for eligible purposes and no working capital loans have been made. **We are meeting this guideline.**
5. Types of Businesses Eligible for Funding. The I/CB-RLF strategy is to target the retention and expansion of existing businesses and the development of new businesses in the City of Racine. The goal of the program will be to provide 20 percent of the loan portfolio to new businesses and 80 percent to existing businesses. Currently, 30 percent of the loans made have been to new businesses and 70 percent of the loans made have been to existing businesses. The distribution of the 12 loans in the active portfolio is: eight (8) loans have been to existing businesses and four (4) to new businesses. **We are meeting this guideline.**

A maximum of 20 percent of the loan portfolio can be loaned to retail/commercial firms. Currently, 17% of the active I/CB-RLF loans, or 2 of 12 loans, have been made to retail/commercial businesses. The distribution of the current twelve loans is: three loans were made to manufacturing companies, two loans were made to retail/commercial companies, and seven loans were made to service companies. **We are meeting this guideline.**

The I/CB-RLF Plan prohibits certain types of business financing. No loans or loan guarantees can be made to EDA Title II recipients. In addition, the I/CB-RLF may not finance any equity, subsidize interest payments on existing loans, refinance existing debt, or contribute equity required by other loan programs. **We are meeting this guideline.**

There are several restrictions with regard to the types of businesses that can receive I/CB-RLF loans:

- A. All loan recipients are located in the City of Racine.
- B. No loans have been made to businesses that have relocated jobs from outside the Racine labor market area to the City of Racine.
- C. No loans have been made that are not related to job creation or retention.
- D. No loans have been made that have created a conflict of interest for existing or former RCEDC Board members or staff.

- E. No loans have been made that would be used to invest in interest-bearing accounts, certificates of deposit, or other investments not related to the objectives of the I/CB-RLF portfolio.

All of the above guidelines have been met.

6. Standards to Achieve Economic Objectives and Benefits for the City of Racine. The new I/CB-RLF plan requires that all loans include an analysis of why other public sector loan programs were not used prior to using the I/CB-RLF funds. All loans subject to this EDA regulation have included this analysis in the loan write-up that is provided to the Loan Committee. **We are meeting this guideline.**

A minimum of 15 percent of the loan funds should provide financing for minority owned firms. Currently, no funds have been used for this purpose. **We are not meeting this guideline.**

The RCEDC experience has been that a significant number of minority entrepreneurs have sought funding for small loans for retail and commercial operations that are generally not permitted, or not cost effective, through the RLF program.

At the most recent Racine County Finance Committee meeting (December 1, 2009) with regard to the previous EDA RLF report and minority lending, the RCEDC staff met with Supervisor Q.A. Shakoor II- to discuss potential changes to the entrepreneurial system in the City of Racine that could result in an increase in minority business lending. Supervisor Shakoor and representatives of the Community Economic Development Corporation (CEDCO), Wisconsin Women's Business Initiative Corporation (WWBIC), the UW-Parkside Small Business Development and City of Racine staff also met to discuss the problem of loans to minority businesses. As a result of these meetings, the City of Racine agreed to hire a consultant to evaluate the small business development services in the City. This report is expected to be released to the Racine City Council during the first quarter of 2011 and plans to implement the studies recommendations are currently being developed. Implementation is expected to begin immediately following the presentation to the City Council with the goal of increasing the number of minority small business loans.

7. Assurances for Maximum Private Sector Leverage. The I/CB-RLF program will maximize private sector leverage and private equity contributions and ensure that I/CB-RLF funds are not substituted for private financing. To this end, the I/CB-RLF program requires: 1) financial institutions participating in the project to submit a letter stating that the financial institution is providing the maximum amount available and that the loan is contingent upon the receipt of I/CB-RLF financing, and 2) equity contributions must be documented with a letter from contributing source that commits to the injection of the equity upon receipt of an I/CB-RLF loan. **This guideline has been met for each loan** and has been included in the loan write-up that is provided to the Loan Committee.
8. Total Number of Loans in Initial Funding Cycle. A total of 23 loans to 23 companies have been made from the original grant, the recapitalization, and loan program income. The number of loans required has been met. **We have met this guideline.**

9. RLF Loan Size. The anticipated average loan size is \$100,000, with a minimum loan size of \$50,000 (although can be lower) and a maximum loan size of \$200,000. Currently, the average active loan size is \$128,179 which is slightly more than anticipated. The largest loan was \$200,000 and the smallest loan was \$25,825. **We are meeting this guideline.**
10. Standard Terms and Rate of Interest. The terms and interest rates of the loans have not exceeded the standards included in the I/CB-RLF plan. The interest rates on all active loans are set at a fixed rate. The interest rate on the last loans made was fixed at 2.44 percent. **We are meeting this guideline.**
11. Special Loan Terms. Special financing techniques the I/CB-RLF program can offer to applicants include: 1) deferral of principal payments during the first year of an I/CB-RLF loan; 2) the subordination of the I/CB-RLF security position to private sector lenders that participate in the I/CB-RLF program; and, 3) the use of balloon payments. The RCEDC has deferred payments on the principal portion of loans, has subordinated its collateral to financial institutions, and typically offer balloon payments. **We are meeting this guideline.**
12. Equity Requirements. The equity requirements have remained within the standards included in the I/CB-RLF Plan. All but one loan recipient have provided a 10 percent or more equity injection. One loan recipient provided 0% equity injection due to other previous cash contributions to the Company. **We are meeting this guideline.**
13. Collateral Requirements. The current goal of the I/CB-RLF is to provide a 1:1 collateral coverage ratio on each loan. Personal guarantees and mortgages on non-project assets are often used to increase the collateral coverage when project assets are not sufficient. The goal of 1:1 collateral coverage is always sought but given the nature of the program is rarely achieved. In those cases, new project assets are often taken as additional collateral. Therefore, **we have met this guideline.**
14. Restructuring RLF Loans. I/CB-RLF loans may be restructured when restructuring will improve the borrower's ability to repay the loan. **No I/CB-RLF loans have needed to be restructured.**
15. Elements of a Loan Guarantee Program. The I/CB-RLF may establish a loan guarantee program with recycled or second-generation RLF funds to reduce the risk of private lenders and thereby persuade lenders to provide financing that otherwise would not have been available. **The I/CB-RLF has not provided any loan guarantees.**
16. Interest Payments on Recycled RLF Funds and Sales of RLF Loans and Loan Origination Fee. The I/CB-RLF program will utilize a maximum of 50 percent of any and all program income for expenses associated with the administration of the RLF and will not charge more than 1.5 percent loan origination fees on all I/CB-RLF loans. **This guideline has been met.**
17. RLF Program Coordination with SBA 504 and Other Programs. The I/CB-RLF program will utilize private sector financial institutions and the local SBA 504 Certified Development Company program, as well as other public sector financing programs, in packaging loans. **This guideline has been met** and has been included in the loan write-up that is provided to the Loan Committee.

18. Capital Utilization Standard. During the revolving phase, at least 75 percent of an RLF's capital should be in use. At any time subsequent to a second consecutive report showing that the applicable standard has not been met, EDA may require the grant recipient to deposit excess funds in an interest bearing account and EDA approval will be required to withdraw the sequestered funds. For the time period ending March 31, 2010, the RLF fund had 66.4 percent of capital in use. Given the current economic conditions facing small businesses, as well as more conservative bank financing throughout the City of Racine and the Country, there has been less demand for the RLF dollars in 2010. However, as the economy recovers, in conjunction with increased marketing efforts by RCEDC, demand has increased in 2010 and **we are currently not meeting this guideline, with an excess of \$147,980 RLF funds currently available which has been sequestered into a separate interest bearing account. It is important to note, however, that two loans in the total amount of \$325,000 were approved for funding in October 2010 which, once disbursed, will put the RLF back within the program guidelines.**

MEMORANDUM

TO: CITY OF RACINE ECONOMIC DEVELOPMENT COMMITTEE
CITY OF RACINE CITY COUNCIL
RCEDC EXECUTIVE COMMITTEE

FROM: GORDON KACALA, EXECUTIVE DIRECTOR
RACINE COUNTY ECONOMIC DEVELOPMENT CORPORATION (RCEDC)
ELLEN DUGOSH, PRESENTING STAFF

DATE: NOVEMBER 1, 2010

SUBJECT: CITY OF RACINE INDUSTRIAL/COMMERCIAL BUILDING REVOLVING
LOAN FUND (I/CB-RLF) PLAN CERTIFICATION FOR PERIOD ENDING
SEPTEMBER 30, 2010

Introduction

Beginning in 2010, the City of Racine will now be required to certify to the Economic Development Administration (EDA) on a semi-annual basis that:

1. The Industrial/Commercial Building Revolving Loan Fund (I/CB-RLF) Plan is consistent with and supportive of the area's current economic adjustment strategy;
2. The I/CB-RLF is being operated in accordance with the policies and procedures contained in the I/CB-RLF plan, and the loan portfolio meets the standards contained therein.

The RCEDC maintains a service contract with the City of Racine to administer the City's RLF and therefore prepares the report for consideration by the City of Racine. The RLF provides secondary mortgage low-interest loans to businesses in the City of Racine. The remainder of this report is intended to meet these federal requirements.

I/CB-RLF Plan is Consistent with the Racine County Economic Development Plan

Only those Challenges and Strategies that are applicable to the I/CB-RLF Program have been included below:

Challenge One – To cultivate an entrepreneurial culture in Racine County

Strategies:

- Ensure a comprehensive system of entrepreneurial services for both value-added and neighborhood businesses.

Challenge Two – To focus on the importance of technology and innovation relative to the growth of existing businesses and the attraction of new businesses to the community

Strategies:

- Continue to implement an aggressive and targeted existing business growth and business attraction program for Racine County that is based on: 1) industries with a recent history of competitiveness and export orientation and 2) emerging industries that show a potential for future growth.
- Provide secondary financing to existing and new companies that are creating jobs, tax base and personal income to Racine County.

Challenge Four – To take advantage of the development opportunities that exist as a result of the Chicago-Milwaukee Corridor and to properly link land use with future business development county-wide.

Strategies:

- Continue to implement industrial and commercial redevelopment projects in communities throughout Racine County.
- Monitor the local economy to identify and retain employers that are considering relocation outside of Racine County.

Challenge Five – To link education and training in a manner that provides a competitive workforce to meet the present and future needs of local employers and to create opportunities for low-income, disadvantaged, and minority individuals to prepare for and obtain employment.

Strategies:

- Advocate for programs that will impact the high unemployment rates in low-income and minority communities.

I/CB-RLF is Being Operated in Accordance with the Policies and Procedures of the I/CB-RLF Plan and the Portfolio Meets the Projected Guidelines Contained Therein

The following provides the original I/CB-RLF guidelines, and the current status of the I/CB-RLF as of September 30, 2010.

1. Job Cost Ratio. An average of one full-time equivalent job will be created and/or retained for every \$35,000 of I/CB-RLF investment. Currently, the job cost ratio for the total portfolio is \$19,500 and \$30,582 for the active portfolio. **We are currently meeting this guideline.**
2. Low- and Moderate-Income Benefit. All loan recipients are required to sign an “Employment Memorandum of Agreement” which requires that the business work with a Workforce Development Center (WDC) Business Services Specialist in making at least 51% of new and

retained jobs available to low- and moderate- income persons. To date, all recipients have signed this memorandum. The Specialist is located at the Racine County Workforce Development Center that is the “one-stop” shop for meeting the needs of the unemployed. The Center serves persons involved in the welfare-to-work transition as a part of other activities. **We are meeting this guideline.**

3. Private Sector Leverage Ratio. An average ratio of two private sector dollars for each I/CB-RLF dollar is required of business participants. To date, total bank financing and equity participation in project costs is \$12,547,729, and total I/CB-RLF funds disbursed is \$2,808,075, for a leveraging ratio of 4.47 to 1.0. **We are exceeding this guideline.**
4. Types of Activities Eligible for Funding. All loans must be for real estate purchases, environmental remediation, building construction and renovation, equipment purchases, and tenant improvements. Working capital loans will not be allowed as a part of this program. All loans have been for eligible purposes and no working capital loans have been made. **We are meeting this guideline.**
5. Types of Businesses Eligible for Funding. The I/CB-RLF strategy is to target the retention and expansion of existing businesses and the development of new businesses in the City of Racine. The goal of the program will be to provide 20 percent of the loan portfolio to new businesses and 80 percent to existing businesses. Currently, 30 percent of the loans made have been to new businesses and 70 percent of the loans made have been to existing businesses. The distribution of the 10 loans in the active portfolio is: seven (7) loans have been to existing businesses and three (3) to new businesses. **We are meeting this guideline.**

A maximum of 20 percent of the loan portfolio can be loaned to retail/commercial firms. Currently, 10% of the active I/CB-RLF loans, or 1 of 10 loans, have been made to retail/commercial businesses. The distribution of the current ten loans is: two loans were made to manufacturing companies, one loan was made to retail/commercial companies, and seven loans were made to service companies. **We are meeting this guideline.**

The I/CB-RLF Plan prohibits certain types of business financing. No loans or loan guarantees can be made to EDA Title II recipients. In addition, the I/CB-RLF may not finance any equity, subsidize interest payments on existing loans, refinance existing debt, or contribute equity required by other loan programs. **We are meeting this guideline.**

There are several restrictions with regard to the types of businesses that can receive I/CB-RLF loans:

- A. All loan recipients are located in the City of Racine.
- B. No loans have been made to businesses that have relocated jobs from outside the Racine labor market area to the City of Racine.
- C. No loans have been made that are not related to job creation or retention.
- D. No loans have been made that have created a conflict of interest for existing or former RCEDC Board members or staff.

- E. No loans have been made that would be used to invest in interest-bearing accounts, certificates of deposit, or other investments not related to the objectives of the I/CB-RLF portfolio.

All of the above guidelines have been met.

6. Standards to Achieve Economic Objectives and Benefits for the City of Racine. The new I/CB-RLF plan requires that all loans include an analysis of why other public sector loan programs were not used prior to using the I/CB-RLF funds. All loans subject to this EDA regulation have included this analysis in the loan write-up that is provided to the Loan Committee. **We are meeting this guideline.**

A minimum of 15 percent of the loan funds should provide financing for minority owned firms. Currently, no funds have been used for this purpose. **We are not meeting this guideline.**

The RCEDC experience has been that a significant number of minority entrepreneurs have sought funding for small loans for retail and commercial operations that are generally not permitted, or not cost effective, through the RLF program.

At the most recent Racine County Finance Committee meeting (December 1, 2009) with regard to the previous EDA RLF report and minority lending, the RCEDC staff met with Supervisor Q.A. Shakoor II- to discuss potential changes to the entrepreneurial system in the City of Racine that could result in an increase in minority business lending. Supervisor Shakoor and representatives of the Community Economic Development Corporation (CEDCO), Wisconsin Women's Business Initiative Corporation (WWBIC), the UW-Parkside Small Business Development and City of Racine staff also met to discuss the problem of loans to minority businesses. As a result of these meetings, the City of Racine agreed to hire a consultant to evaluate the small business development services in the City. This report is expected to be released to the Racine City Council during the first quarter of 2011 and plans to implement the studies recommendations are currently being developed. Implementation is expected to begin immediately following the presentation to the City Council with the goal of increasing the number of minority small business loans.

7. Assurances for Maximum Private Sector Leverage. The I/CB-RLF program will maximize private sector leverage and private equity contributions and ensure that I/CB-RLF funds are not substituted for private financing. To this end, the I/CB-RLF program requires: 1) financial institutions participating in the project to submit a letter stating that the financial institution is providing the maximum amount available and that the loan is contingent upon the receipt of I/CB-RLF financing, and 2) equity contributions must be documented with a letter from contributing source that commits to the injection of the equity upon receipt of an I/CB-RLF loan. **This guideline has been met for each loan** and has been included in the loan write-up that is provided to the Loan Committee.
8. Total Number of Loans in Initial Funding Cycle. A total of 23 loans to 23 companies have been made from the original grant, the recapitalization, and loan program income. The number of loans required has been met. **We have met this guideline.**

9. RLF Loan Size. The anticipated average loan size is \$100,000, with a minimum loan size of \$50,000 (although can be lower) and a maximum loan size of \$200,000. Currently, the average active loan size is \$124,185 which is slightly more than anticipated. The largest loan was \$200,000 and the smallest loan was \$25,825. **We are meeting this guideline.**
10. Standard Terms and Rate of Interest. The terms and interest rates of the loans have not exceeded the standards included in the I/CB-RLF plan. The interest rates on all active loans are set at a fixed rate. The interest rate on the last loans made was fixed at 2.44 percent. **We are meeting this guideline.**
11. Special Loan Terms. Special financing techniques the I/CB-RLF program can offer to applicants include: 1) deferral of principal payments during the first year of an I/CB-RLF loan; 2) the subordination of the I/CB-RLF security position to private sector lenders that participate in the I/CB-RLF program; and, 3) the use of balloon payments. The RCEDC has deferred payments on the principal portion of loans, has subordinated its collateral to financial institutions, and typically offer balloon payments. **We are meeting this guideline.**
12. Equity Requirements. The equity requirements have remained within the standards included in the I/CB-RLF Plan. All but one loan recipient have provided a 10 percent or more equity injection. One loan recipient provided 0% equity injection due to other previous cash contributions to the Company. **We are meeting this guideline.**
13. Collateral Requirements. The current goal of the I/CB-RLF is to provide a 1:1 collateral coverage ratio on each loan. Personal guarantees and mortgages on non-project assets are often used to increase the collateral coverage when project assets are not sufficient. The goal of 1:1 collateral coverage is always sought but given the nature of the program is rarely achieved. In those cases, new project assets are often taken as additional collateral. Therefore, **we have met this guideline.**
14. Restructuring RLF Loans. I/CB-RLF loans may be restructured when restructuring will improve the borrower's ability to repay the loan. **No I/CB-RLF loans have needed to be restructured.**
15. Elements of a Loan Guarantee Program. The I/CB-RLF may establish a loan guarantee program with recycled or second-generation RLF funds to reduce the risk of private lenders and thereby persuade lenders to provide financing that otherwise would not have been available. **The I/CB-RLF has not provided any loan guarantees.**
16. Interest Payments on Recycled RLF Funds and Sales of RLF Loans and Loan Origination Fee. The I/CB-RLF program will utilize a maximum of 50 percent of any and all program income for expenses associated with the administration of the RLF and will not charge more than 1.5 percent loan origination fees on all I/CB-RLF loans. **This guideline has been met.**
17. RLF Program Coordination with SBA 504 and Other Programs. The I/CB-RLF program will utilize private sector financial institutions and the local SBA 504 Certified Development Company program, as well as other public sector financing programs, in packaging loans. **This guideline has been met** and has been included in the loan write-up that is provided to the Loan Committee.

18. Capital Utilization Standard. During the revolving phase, at least 75 percent of an RLF's capital should be in use. At any time subsequent to a second consecutive report showing that the applicable standard has not been met, EDA may require the grant recipient to deposit excess funds in an interest bearing account and EDA approval will be required to withdraw the sequestered funds. For the time period ending September 30, 2010, the RLF fund had 61.7 percent of capital in use. Given the current economic conditions facing small businesses, as well as more conservative bank financing throughout the City of Racine and the Country, there has been less demand for the RLF dollars. RCEDC has worked diligently over the past year to promote the RLF to the City of Racine and adjusting loan terms to better meet current economic conditions. Also, RCEDC has increased marketing efforts in 2010 to make the public more aware of the RLF dollars and further assist in the expansion of small businesses in the City of Racine. Finally, four (4) applications were received in 2010, and four (4) loans were approved for financing. **We are currently not meeting this guideline, with an excess of \$203,262 RLF funds currently available which has been sequestered into a separate interest bearing account. It is important to note, however, that two loans in the total amount of \$325,000 were approved for funding in October 2010 which, once disbursed, will put the RLF back within the program guidelines.**



November 5, 2010

John Dickert, Mayor
Members of the Common Council
City of Racine
730 Washington Avenue
Racine, WI 53403

Dear Mayor Dickert and Members of the Common Council:

This letter is intended to serve as an agreement between the City of Racine, hereinafter the "City," and the Racine County Economic Development Corporation, hereinafter the "RCEDC." In accordance with this agreement, the RCEDC agrees to continue to provide economic development technical assistance to the City and to coordinate this assistance with the Mayor, Department of City Development, Common Council, and City Economic Development Committee and to implement the activities set forth herein.

PURPOSE

The purpose of the agreement is to further the overall goals of economic development that include job creation and retention, the growth of personal income and the generation of new and retention of existing tax base by businesses through the services provided by the RCEDC.

AGREEMENT

The RCEDC agrees to provide direct economic development technical assistance to the City in accordance with the adopted Racine County Economic Development Plan and City of Racine Economic Development Plan, as well as objectives promulgated by the City's Economic Development Committee and approved by the Mayor and Common Council. The RCEDC will assign a lead economic development staff person to the City. This staff person will act as the City's economic development advocate and the lead staff person for assistance being provided to the City who together with other RCEDC staff members will expend his/her best efforts to promote economic development including the recruitment of new companies and the growth and retention of existing companies.

The economic development services to be provided by the RCEDC will consist of the following:

Organizational Development Assistance

1. Provide access to economic development services to the City through RCEDC staff specialists in business recruitment, growth and retention of existing companies, business finance and workforce development.

2. Provide economic development technical assistance through attendance at all City Economic Development Committee meetings. The RCEDC staff will also attend other City committee meetings and City Council meetings that are related to economic development, as requested, as well as economic development related staff meetings and meetings with the Mayor of the City.
3. Implementation of appropriate strategies to address economic development issues and concerns that are identified throughout the contract period.
4. Provide staff assistance to the City Economic Development Committee. This activity includes:
 - Coordination of economic development activities between the Committee Chairman, Mayor, City Council and City staff.
 - Staff assistance in the design and implementation of economic development goals, objectives and activities, as deemed necessary by the Committee.
 - Attendance at all Committee meetings.
 - Reporting of economic development activities carried out in conjunction with this agreement.
 - Draft Committee agendas and minutes.
5. Coordinate the City's economic development program with the following economic development organizations:
 - Community Economic Development Corporation (CEDCO)
 - Downtown Racine Corporation
 - Gateway Technical College
 - Racine Area Manufacturers & Commerce, Inc. (RAMAC)
 - Real Racine
 - Racine Department of City Development
 - Racine Department of Public Works
 - Southeastern Wisconsin Regional Planning Commission
 - Milwaukee 7
 - U.S. Economic Development Administration
 - U.S. Small Business Administration
 - UW-Parkside - Racine County Small Business Development Center
 - Wisconsin Department of Commerce
 - We Energies
 - Wisconsin Procurement Institute
6. Provide written semi-annual and annual activity reports to the Mayor, Director of City Development, Economic Development Committee and City Council. This activity will include a summary of the economic development activities conducted during the reporting period.
7. Participate, through staff, private sector Board members or representatives, on the Board of Directors of CEDCO.

Growth of Existing Business

8. Conduct an on-going business expansion and retention program that consists of the following:
 - Comprehensive business outreach program with an emphasis on manufacturing firms utilizing the Synchronist Business Retention Software System that will include a comprehensive interview with Racine manufacturers. Results will assist in providing direct assistance to these companies, as well as a guide in developing new, and refining existing, programs for all businesses.
 - Identify and work with 2nd stage companies or those companies that include approximately 100 employees and \$50 million in sales through the Peerspectives program as well as one-on-one technical assistance.
 - Web-Based Business Matchmaking: The purchase and implementation of a business-matchmaking software that will enable local businesses to indentify both suppliers and customers, as well as market their products throughout the Chicago-Milwaukee Corridor.
 - A proactive Government Procurement program designed to assist local companies in selling products and services to the local, State and federal government through technical assistance provided by the RCEDC and the Wisconsin Procurement Institute.
 - Next Generation Manufacturing (NGM) workshops and direct assistance through the Wisconsin Manufacturing and Extension Partnership and Gateway Technical College with regard to customer-focused innovation, advanced talent management, systemic continuous improvement, extended enterprise management, sustainable product and process development and global engagement.
9. Assist existing businesses per direct contact or referral from the Mayor and Director of City Development and report findings and resolution to the respective party. When meeting with local companies, the RCEDC staff will provide information on existing State and federal economic development assistance programs that provide funding that help meet the need of local businesses. These programs include low-interest loans, tax credit programs and workforce development assistance.
10. Evaluation and determination of new objectives, strategies and action items related to the City's economic development plan.
11. Continue to work with the City to determine an appropriate strategy for meeting the needs of existing and new businesses regarding new lands for industrial development, including brownfield sites and existing Greenfield properties. This activity is based on the limited availability of industrial lands in the Southside, Young and Olsen Industrial Parks.

Business Recruitment Activities

12. Implement a targeted business recruitment program that includes emphasis on the following:
 - The Chicago-Milwaukee Corridor, with emphasis on advanced manufacturing, green industries, logistics and distribution.
 - Second stage companies or those companies that include approximately 100 employees and \$50 million in sales, through the identification of these companies in the Chicago-Milwaukee Corridor

and working to recruit the companies to Racine.

- Foreign direct investment or companies locating North American headquarters in the Chicago-Milwaukee Corridor.
- Milwaukee 7 or regional industry targets to include: water industries, advanced manufacturing and food processing.

13. Provide assistance through the development of customized letter proposals to businesses interested in establishing a location within the City per direct contact or referral from the Mayor or members of the City's Staff, or other reliable sources. This activity includes providing copies of such proposals, when requested, to the Director of City Development, as well as a status report on such businesses as part of this agreement's semi-annual and annual reports, coordinating regular meetings with the Director of City Development, and maintaining a periodic business follow-up procedure.

Business Finance Activities

14. Through existing business growth and business recruitment activities, provide existing and new businesses with information and assistance relative to available State, federal and local business development financing programs. This activity includes the referral of businesses to appropriate RCEDC business finance staff to further develop loan applications.
15. RCEDC finance staff, doing business as Business Lending Partners (BLP), will administer the Industrial/Commercial Building Revolving Loan Fund (I/CB-RLF) which is regulated by the U.S. Economic Development Administration (EDA). The grant, approved in 1998, and re-capitalized in 2001, together with \$400,000 of matching funds from the City of Racine, establishes a \$1,466,000 loan fund for the re-cycling of older vacant commercial and industrial buildings in the City of Racine. In addition, BLP, in collaboration with the Director of City Development will continue to explore future options of re-capitalizing this fund.
16. Business Lending Partners will continue to service any loans made through the I/CB-RLF. The servicing of loans is an extensive process that includes ensuring monthly payments are made, periodic changes in collateral, ensuring and substituting collateral, ensuring job requirements are met and providing periodic reports to the federal EDA, the original source of capital.
17. Provide staff support to the Racine Development Group (RDG), the City of Racine's multi-bank community development corporation, in the provision of business financing to small businesses, housing redevelopment and real estate development with a focus on Census Tracts 1-5.
18. Business Lending Partners will administer the City of Racine Brownfield Clean Up Revolving Loan Fund (BC-RLF) under a separate contract with the City of Racine. However, it should be noted that the initial and on-going marketing of this loan fund is provided through this contract.

Marketing Activities

19. Continue to develop and implement the county-wide Jobs for Racine County (JRC) initiative. This program includes: a proactive business recruitment strategy, business retention and expansion (BRE) strategy, community engagement strategy and marketing activities to include the following:
- Attend trade show events
 - Conduct a broker/developer visitation program
 - Provide e-newsletters
 - Conduct periodic business information and networking events and
 - Participate in Milwaukee 7 marketing activities
20. Community Engagement – Work with the following partners to provide an infrastructure for economic development in the City of Racine:
- International Opportunities: Leveraging Sister City relationships with the City
 - Entrepreneurship: UW-Parkside SBDC, Wisconsin Women’s Business Initiative Corporation, the Community Economic Development Corporation and Gateway Technical College
 - Green Initiatives/Sustainability: Green community and private business initiatives
 - Workforce Development: Racine County Workforce Development Board’s strategic plan
 - Appropriate Land Use: City of Racine Planning and Development Department
 - Image/Quality of Life: Promoting our quality of life through Real Racine
21. RCEDC will continue to broaden its marketing efforts of the Southside Industrial Park, Walker Manufacturing Redevelopment Area, and the Racine Steel Castings Redevelopment Area, and explore multiple options of recruiting new and existing businesses, as well as developers to that location.

Workforce Development Services

22. RCEDC will provide the services of our Workforce Development Representatives to assist recipients of City loans and related assistance to employ unemployed and underemployed City residents.
23. RCEDC will continue to be an advocate for the City in working with the Racine County Workforce Development Center (WDC) to implement the WDC’s workforce development plan “Higher Expectations” that, in part, will address high unemployment in the City. Specifically, the RCEDC Executive Director represents the City through:
- Participation in the Plan’s Management Team;
 - Chairing the Challenge III group of the Plan working to bring jobs to the City;
 - Chairing the Workforce Development Board Planning Committee;
 - Participating on the Racine County and Tri-County Workforce Development Boards.

Special Program Assistance

24. RCEDC will continue to represent the interests of the City relative to the ongoing operations of the Center for Advanced Technology and Innovation (CATI). CATI is designed to provide a range of activities related to improving the workforce, technology transfer among business, and creation of a technology incubator. It should be noted that on January 1, 2011, CATI will cease operations as a separate entity and become a part of Gateway Technical College.
25. RCEDC staff will participate on the Advisory Committee of the Johnson Bank Community Development Corporation, M & I Community Development Corporation, First-Ring Industrial Redevelopment Enterprises, Inc. and Delta Institute relative to the New Markets Tax Credit initiative in the State of Wisconsin.
26. RCEDC will maintain information on the City's industrial parks for the purpose of assisting those interested in purchasing the remaining lots in the parks. RCEDC staff will assist purchasers with the completion of applications of land purchase, and reviewing these applications with City staff, appropriate City Committees, and the City Council. This service will also be extended to vacant redeveloped lands through the brownfield initiative.
27. RCEDC will provide assistance to commercial corridors not funded under separate CDBG contracts.

Support Activities

28. RCEDC will maintain, together with other appropriate agencies, demographic and socio-economic data and community facilities and services information necessary to support the City economic development program. In 2011, the RCEDC will be investigating new software that enables more comprehensive data availability to City businesses.
29. RCEDC will maintain an inventory of significant, marketable industrial and commercial buildings and land sites in the City and a system for providing this information to interested parties. In 2010, the RCEDC purchased a new software system, Xceligent that provides a more comprehensive listing of land and buildings available for purchase and lease.

TIME PERIOD FOR THIS AGREEMENT AND COMPENSATION

The above-referenced assistance will be provided by the RCEDC staff during the time period beginning February 1, 2011 to January 31, 2012. The cost to the City of Racine for this assistance is \$67,000. Payments will be made during the first week of each quarter, upon the receipt of an invoice from the RCEDC. The cost of developing any additional materials and significant printing and mailing of items necessary to implement these services are outside the scope of the Agreement and will be negotiated on an as necessary basis.

INDEPENDENT CONTRACTOR

RCEDC shall be an independent contractor of the City. Neither RCEDC nor any of its officers, employees, or agents shall be considered to be an employee of the City as a result of the obligations undertaken pursuant to this agreement. RCEDC's officers, employees and agents shall make no commitments or representations to third parties without prior approval of the City. In addition, RCEDC hereby holds harmless the City and its departments, officers, employees and agents from and against all claims, demands and liability for damages to third persons of any type whatever arising solely out of the actions of RCEDC under this agreement.

TERMINATION

This agreement may be terminated by either party upon thirty (30) days written notice in the event of default by the other party of any material provision hereof which remains unremedied for thirty (30) days following written notice of such default.

NOTICES

Notices under this agreement shall be mailed by registered mail to the City Clerk, 730 Washington Avenue, Racine, WI 53403, for the City, and to Gordon Kacala, Executive Director, 2320 Renaissance Blvd., Sturtevant, WI 53177, for RCEDC, or shall be personally served on either said person or the person in charge of either respective office.

ASSIGNMENT:

RCEDC agrees that it will not assign this agreement or any portion thereof, or any of its responsibilities hereunder, to any other party without first obtaining the written permission of the City.

If the terms and conditions of this proposal are satisfactory, please sign the two original documents where indicated on Page Eight and return to the RCEDC for RCEDC final signature.

Sincerely,

Gordon Kacala
Executive Director

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the ____ day of _____, 2011.

CITY OF RACINE

By: _____

Title: _____

ATTEST:

By: _____

Title: _____

**RACINE COUNTY ECONOMIC
DEVELOPMENT CORPORATION**

By: _____

Title: _____

Gordon M. Kacala, Executive Director

Approved as to form:

Robert Weber,
City Attorney

Provisions have been made to pay the liability that will accrue hereunder.

David Brown,
Finance Director