

WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY (WHEDA) PROGRAM NARRATIVES

Executive Director: Elmer Moore, Jr.

elmer.moore@wheda.com

Agency Contact: Keenan A. Fonner

keenan.fonner@wheda.com

Program

CHAPTER 234.65 – ECONOMIC DEVELOPMENT CONDUIT BOND ISSUE PROGRAM

Inception

Chapter 234

Expected outcomes

In FY23, no new originations are expected.

Program goal

WHEDA's Economic Development Conduit Bond Issue Program is intended to provide Wisconsin businesses financing that will create and retain jobs in the state of Wisconsin, and promote economic development in both rural and urban communities.

Incentives and available funding

The incentive to use this tax-exempt bond program is that it offers a lower cost of funds. Available funding is determined by an annual WEDC review of volume cap allocation.

Program description

WHEDA has the authority to issue up to \$150 million of economic development bonds in aggregate over the next four fiscal years. Sources of tax-exempt bond financing include Industrial Revenue Bonds.

Program activity

No bonds were issued for FY22.

Program

CHAPTER 234.65 – ECONOMIC DEVELOPMENT CONDUIT BOND ISSUE PROGRAM (CONTINUED)

Eligibility requirements

An economic development project will be eligible for the financing of land, plant or equipment for any of the following:

- Facilities for manufacturing or commercial real estate activities
- Facilities for the retail sale of goods or services
- Other eligible projects, including national or regional headquarters facilities; facilities for the storage or distribution of manufacturing products, materials, components or equipment; facilities for research and development; recreational and tourism facilities that attract visitors to this state; and facilities for the production, packaging, processing or distribution of raw agricultural commodities
- Activities of a long-term nature, such as research and development or long-term working capital, may also be eligible.

WHEDA may not issue bonds to finance an economic development loan unless all of the following apply:

- The economic development project is or will be located in the state of Wisconsin.
- At least one other financial institution participates in the economic development project.
- WHEDA shall not assume unsecured or uncollateralized risk for any economic development loan.
- The economic development loan will not be used to refinance existing debt unless it is in conjunction with an expansion of the business or job creation.
- The name of the person receiving the loan does not appear on the statewide support lien docket.

WHEDA may finance an economic development loan only after considering all of the following:

- The extent to which an economic development project will maintain or increase employment in this state
- Whether an economic development project will be located in an area of high unemployment or low average income
- The extent to which the activities constituting the economic development project otherwise would not occur

WHEDA shall also give preference to businesses:

- That are more than 50% owned or controlled by women or minorities
- That, together with all of their affiliates, subsidiaries and parent companies, have current gross annual sales of \$5 million or less or that employ 250 or fewer persons
- That have less than 50% of their ownership held or controlled by another business and have their principal operations in the state of Wisconsin

Recommended changes

On Jan. 1, 2013, the Midwest Disaster Area Relief Bond Program expired, eliminating the primary resource for federal tax-exempt bonding using this bond issuance capacity.

WHEDA does not expect to see much activity in this program until another tax-exempt program can be matched with it.

Program

WISCONSIN DEVELOPMENT RESERVE FUND (WDRF) – AGRIBUSINESS PROGRAM

Expected outcomes

No dollars were benchmarked for new originations and no dollars for guarantee payments. The jobs created and retained benchmark is one for every \$30,000 in guarantees.

Program goal

To provide loan guarantees to lenders to assist in the startup, acquisition or expansion of a business that develops products using Wisconsin's raw agricultural commodities.

Incentives and available funding

\$29.97 million in guarantee authority is available for all WDRF programs, including agribusiness guarantees.

Program description

Assist in the startup, acquisition or expansion of a business that develops products using Wisconsin's raw agricultural commodities. The term "raw agricultural commodity" refers to any agricultural, aquacultural, horticultural, viticultural, vegetable, poultry or livestock product produced in Wisconsin, including milk and milk products, bees and honey products, timber and wood products, or any class, variety or utilization of the products in their natural state.

Program activity

No applications were received and no guarantee payments were processed during the fiscal year.

Program

WISCONSIN DEVELOPMENT RESERVE FUND (WDRF) – AGRIBUSINESS PROGRAM (CONTINUED)

Eligibility requirements

The business must start with a Wisconsin-grown, raw agricultural commodity and do one of the following:

- Create a product new to the business
- Expand production of an existing product that will increase the use of a raw agricultural commodity
- Enhance the efficiency of the business

The business must be unable to obtain conventional financing on reasonable terms.

The business must be located in Wisconsin in an area with a population of less than 50,000.

The business owner must be current in any child support payments and not in default on any WHEDA loans.

Loan proceeds can be used for any of these purposes:

- Purchase or improve land and buildings
- Purchase or improve machinery and equipment
- Purchase inventory
- Fund permanent and revolving working capital
- Fund initial marketing expenses associated with making the product available to consumers

The maximum guarantee is the lesser of 50% or \$600,000. The maximum guarantee terms are:

- Fixed assets, inventory and permanent working capital: Five years
- Amortization term may exceed the guarantee term but cannot exceed the useful life of the collateral
- Interest rate is set by the lending institution and is subject to WHEDA approval; variable rate loan may not exceed prime plus 2.75%
- Loan must be secured by assets being financed; additional collateral and personal guarantees may be required

The lender must first complete and submit an Agribusiness Guarantee Eligibility Form (Form 3). WHEDA will determine eligibility status and will issue a decision within one business day. If found eligible, the lender shall complete and submit a Loan Guarantee Application (Form 4) within 90 days. WHEDA will then review the complete application and render a decision when its underwriting process is complete.

Recommended changes

None

Program

WDRF – CREDIT RELIEF OUTREACH PROGRAM (CROP)

Inception

Chapter 234

Expected outcomes

Budgeted volume for FY22: \$1.7 million

Actual approved guarantees: \$1.05 million

Program goal

Provide loan guarantees to lenders to assist farmers in obtaining materials and supplies in the planting and harvesting of agricultural commodities and the purchase and feeding of livestock.

Incentives and available funding

\$28.4 million in guarantee authority is available for all WDRF programs, which include CROP guarantees.

Program description

The CROP guarantee is a financing resource for farmers that provides guarantees on agricultural production loans. The loans must be used for the purchase of services or consumable goods necessary for producing an agricultural commodity. The commodity must be planted and harvested for consumption within the loan term. This includes livestock, if purchased, fed and sold within the loan term. Eligible uses of loan proceeds include: fertilizer, seed, fuel, land rent, animal feed, hedging, UCC filing charges, equipment rental, tillage service, custom hire, crop insurance, equipment repair, pesticides/herbicides, feeder animals if purchased and sold within the loan term, utility bills related directly to the production of the agricultural commodity and labor costs related directly to planting and harvesting the agricultural commodity (excluding labor costs paid to the farmer and spouse).

Program activity

For FY22, there were 11 applications submitted and 11 applications approved.

Eligibility requirements

Eligibility requirements for farmers include:

- Inability to obtain conventional financing at reasonable terms
- Debt-to-asset ratio of at least 40% but less than 85%
- Positive projected cash flow budget for the term of the loan
- Sufficient collateral to cover the value of the CROP loan
- The farm is located in Wisconsin and the farmer resides in Wisconsin or is legally registered in Wisconsin in the case of a partnership or corporation.
- The farmer is currently engaged in the operation.
- The farmer is current in child support payments and not in default on any WHEDA loans.

Recommended changes

None

Program

WDRF – FARM ASSET REINVESTMENT MANAGEMENT (FARM) GUARANTEE PROGRAM

Inception

Chapter 234

Expected outcomes

\$800,000 was expected in new originations for FY22, with \$100,000 budgeted for guarantee payments.

Program goal

The FARM Guarantee Program provides loan guarantees to lenders to assist farmers in the expansion or modernization of an existing farming operation and to assist in the startup of new farms.

Incentives and available funding

\$29.97 million in guarantee authority is available for all WDRF programs, including FARM guarantees.

Program description

- Assist in the expansion or modernization of an existing farming operation.
- Assist in the startup of a new farming operation.

Program activity

No applications were received for FY22.

Program

WDRF – FARM ASSET REINVESTMENT MANAGEMENT (FARM) GUARANTEE PROGRAM (CONTINUED)

Eligibility requirements

- The farmer must be unable to obtain conventional financing on reasonable terms.
- The farmer's debt-to-asset ratio must be 85% or less.
- The farmer must have sufficient collateral to cover the value of the FARM loan.
- The farm must be located in, and the farmer must reside in, Wisconsin (or be legally registered in Wisconsin if it is a partnership or corporation).
- The farmer must be actively engaged in the operation.
- The farmer must be current on child support payments and must not be in default on any WHEDA loans.
- If it is a startup operation, the farmer must have no less than three years of farming experience, including managing day-to-day farm operations.

The loan can be used for:

- Acquisition of agricultural assets
- Machinery
- Equipment
- Buildings
- Land
- Livestock to be kept for more than one year
- Improvements to buildings or land for agricultural purposes
- Refinancing existing debt (not to exceed 75% of WHEDA's guaranteed loan) if expanding an existing farm operation

The maximum guarantee is the lesser of: 25% of the FARM loan; the farmer's net worth including the FARM loan; \$200,000 if no other state or federal credit assistance program is utilized; or \$100,000 if any other state or federal credit assistance program is utilized and tied to the same note.

The maximum guarantee term is 10 years for land and buildings and five years for equipment, machinery and livestock.

The lender completes a Farm Guarantee Application (Form 2) and the borrower signs the Farmer's Affidavit (Form 3). Applications and fees are submitted to WHEDA and a decision is issued within one business day.

Recommended changes

None

Program

WDRF - SMALL BUSINESS GUARANTEE PROGRAM

Inception

Chapter 234

Expected outcomes

\$2.5 million is budgeted for new originations and \$0 in guarantee payments. The jobs created and retained benchmark is one for every \$30,000 in guarantees.

Program goal

Help create and retain jobs by providing loan guarantees to lenders for small business projects that would not otherwise receive financing, if not for the credit enhancement provided by this program.

Incentives and available funding

\$29.97 in guarantee authority is available for all WDRF programs, including small business guarantees.

Program description

Assist with the expansion or acquisition of an existing small business that has been in operation for at least 12 months.

An expansion may involve a new line complementary to the existing business, such as a landscaping business expanding into retail floral or a lodging facility adding a restaurant. Assist in the startup of a day-care business for adults or children.

Assist in the startup of a small business located in a vacant storefront in the traditional downtown area of a community.

Program activity

No guarantees were approved for the fiscal year and there was one guarantee payout of \$65,500.

Program

WDRF - SMALL BUSINESS GUARANTEE PROGRAM

Eligibility requirements

- The business must be unable to obtain conventional financing at reasonable terms.
- The business must employ 250 or fewer full-time-equivalent employees at the time of application.
- The business must be located in Wisconsin.
- The business owner must be current in child support payments and not in default on any WHEDA loans.
- The project must create or retain jobs.

The loan can be used to

- Purchase or improve land and buildings, including mixed-use properties that contain both commercial and residential components, as long as the business occupies at least 25% of the total building space
- Purchase or improve machinery and equipment
- Purchase inventory
- Fund permanent and revolving working capital
- Finance soft costs, not to exceed 5% of eligible project costs
- Refinance existing debt, not to exceed 75% of the WHEDA guaranteed loan and/or demonstration of business expansion

The maximum guarantee is the lesser of 50% or \$750,000 for all uses of proceeds except revolving working capital whose maximum guarantee is the lesser of 50% or \$200,000.

The maximum guarantee for businesses in the Transform Milwaukee area is the lesser of 80% or \$750,000 for all uses of proceeds.

The maximum guarantee term is five years for fixed assets, inventory and permanent working capital and two years for revolving working capital. The amortization term may exceed the guarantee term but cannot exceed the useful life of the collateral. The interest rate is set by the lending institution and is subject to WHEDA approval; variable rate loans may not exceed prime plus 2.75%. The loan must be secured by assets being financed, and personal guarantees may be required.

To apply for a loan, the borrower and lender must complete and submit a Loan Guarantee Application (Form 4). WHEDA reviews the complete application and renders a decision upon completion of its underwriting.

Recommended changes

None