



WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

Elmer Moore, Jr.
Executive Director
elmer.moore@wheda.com

AUTHORITY CONTACT:

Keenan Fonner
Risk Program Manager
keenan.fonner@wheda.com

ECONOMIC DEVELOPMENT CONDUIT BOND ISSUE PROGRAM - CHAPTER 234.65

WEBSITE

www.wheda.com

INCEPTION

Chapter 234

PROGRAM GOAL

The Wisconsin Housing and Economic Development Authority's (WHEDA's) Economic Development Conduit Bond Issuance Program is intended to provide Wisconsin businesses financing that will create and retain jobs in Wisconsin and promote economic development in both rural and urban communities.

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

ELIGIBILITY REQUIREMENTS

What are eligible uses of bond proceeds?

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 products of manufacturing activities, materials, components, or equipment; facilities for research and development activities; recreational and tourism facilities serving to attract visitors to Wisconsin; 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.

Required Criteria

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 Wisconsin.
- One or more other financial institutions participate 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.

Considerations

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

Preferences

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 \$5,000,000 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 Wisconsin

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.

EXPECTED OUTCOMES

In FY25, no new originations are expected.

PROGRAM ACTIVITY

No bonds were issued for FY25.

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.

WDRF - AGRIBUSINESS PROGRAM

WEBSITE

www.wheda.com

INCEPTION

Chapter 234

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. WHEDA administers the Wisconsin Development Reserve Fund (WDRF) to provide loan guarantees to farmers, other agribusinesses, and small businesses.

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.

ELIGIBILITY REQUIREMENTS

What is required to be eligible?

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

- 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 under 50,000.
- The business owner must be current in any child support payments and not in default on any WHEDA loans.

What are eligible uses of loan proceeds?

- 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

What are the terms and conditions of this guarantee?

Maximum guarantee is the lesser of 50% or \$600,000

Maximum guarantee terms:

- 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 the prime rate plus 2.75%.
- Loan must be secured by assets being financed; additional collateral and personal guarantees may be required.

How does the application process work?

- The lender must first complete and submit an agribusiness guarantee eligibility form (Form 3).
- WHEDA determines business and project eligibility and will render that decision within one business day.
- Upon eligibility approval, the lender shall complete and submit a loan guarantee application (Form 4) within 90 days of eligibility determination.
- WHEDA reviews the complete application and renders a decision upon completion of its underwriting process.

INCENTIVES AND AVAILABLE FUNDING

\$34.8 million in guarantee authority is available for all Wisconsin Development Reserve Fund (WDRF) programs, including agribusiness guarantees.

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 ACTIVITY

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

RECOMMENDED CHANGES

None

WDRF – CREDIT RELIEF OUTREACH PROGRAM

WEBSITE

www.wheda.com

INCEPTION

Chapter 234

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.

PROGRAM DESCRIPTION

The Credit Relief Outreach Program (CROP) Guarantee is a financing resource for farmers that provides guarantees on agricultural production loans. The loan 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).

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.

INCENTIVES AND AVAILABLE FUNDING

\$34.8 million in guarantee authority is available for all Wisconsin Development Reserve Fund programs, which includes CROP Guarantees.

EXPECTED OUTCOMES

Budgeted volume for FY25: \$783,000

PROGRAM ACTIVITY

For FY25, one application was submitted and approved for \$60,000.

No payouts.

RECOMMENDED CHANGES

None

WDRF – FARM ASSET REINVESTMENT MANAGEMENT GUARANTEE PROGRAM

WEBSITE

www.wheda.com

INCEPTION

Chapter 234

PROGRAM GOAL

The Farm Asset Reinvestment Management (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.

PROGRAM DESCRIPTION

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

ELIGIBILITY REQUIREMENTS

What is required in order to be eligible?

- 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 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 a startup operation, the farmer must have no less than three years of farming experience (including managing day-to-day farm operations).

What are eligible uses of loan proceeds?

- Acquisition of agricultural assets
- Machinery
- Equipment
- Buildings
- Land
- Livestock to be kept 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

What are the terms and conditions of this guarantee?

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
- \$100,000 if any other state or federal credit assistance program is utilized and tied to the same note

Maximum guarantee term:

- Land and buildings: 10 years
- Equipment, machinery, and livestock: five years

How does the application work?

- The lender completes a farm guarantee application (Form 2) and the borrower signs the farmer's affidavit (Form 3).
- Submit complete application package to WHEDA, including application fees.
- WHEDA reviews and renders a decision within one business day.

INCENTIVES AND AVAILABLE FUNDING

\$34.8 million in guarantee authority is available for all WDRF programs, including FARM guarantees.

EXPECTED OUTCOMES

\$500,000 was expected in new originations for FY25 with \$0 budgeted for guarantee payments.

PROGRAM ACTIVITY

There were no FARM guarantees approved for FY25 for \$0 and no guarantee payments.

RECOMMENDED CHANGES

The program continues to evolve. There are no other current recommended changes.

WDRF – SMALL BUSINESS GUARANTEE PROGRAM

WEBSITE

www.wheda.com

INCEPTION

Chapter 234

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.

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.

ELIGIBILITY REQUIREMENTS

What is required in order to be eligible?

- The business must be unable to obtain conventional financing at reasonable terms.
- The business must employ 250 or fewer full-time equivalent employees at 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.

What are eligible uses of loan proceeds?

- Purchase or improve land and buildings, including mixed-use properties (properties that contain both commercial and residential components)
- Businesses can occupy as little as 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)

What are the terms and conditions of this guarantee?

- 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.

Maximum guarantee term:

- Fixed assets, inventory, and permanent working capital: Five years
- Revolving working capital: Two years
- 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 loan may not exceed prime plus 2.75%.
- The loan must be secured by assets being financed, and personal guarantees may be required.

How does the application work?

- 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.

EXPECTED OUTCOMES

\$1,000,000 is budgeted for new originations and no dollars in guarantee payments. The jobs created and retained benchmark is one for every \$30,000 in guarantees.

PROGRAM ACTIVITY

\$34.8 million in guarantee authority is available for all WDRF programs, including Small Business Guarantees. One guarantee was approved for the fiscal year and there were no guarantees paid out.

RECOMMENDED CHANGES

None