

MANITOWOC INDUSTRIAL DEVELOPMENT CORPORATION – 4/4/2013

Plan Commission Offices  
Manitowoc City Hall

Regular Meeting  
Manitowoc Industrial Development  
Corporation (IDC)  
Thursday  
April 4, 2013  
3:30 P.M.

I. CALL TO ORDER

The meeting of the IDC was called to order by Chairman Jim Hamann at 3:30 P.M.

II. ROLL CALL

Members Present

Greg Dufek  
Dennis Tienor  
John Zimmer  
Ted Vallis  
Jim Hamann  
Jim Brey  
Wayne Mertens

Members Excused

Carl Laveck  
David Soeldner  
Bob Kaufman  
Myron Halla

Staff Present

David Less  
Paul Braun

Others Present

See Attached Sign In Sheet

III. APPROVAL OF MINUTES of the December 8, 2011 Meeting.

Motion by: Mr. Zimmer

Moved that: the minutes be approved as presented.

Seconded by: Mr. Vallis

Upon Vote: the motion was approved unanimously.

IV. REFERRALS FROM COMMON COUNCIL

A. None

V. NEW BUSINESS

A. Jagemann Stamping Company – Proposed Revolving Loan (#IREV2013-1)

Mr. Less explained the proposed loan, land sale, site plan and easement issues related to the planned Jagemann Stamping Company (JSC) project. Mr. Less provided a historical overview of the company, and the City's relationship with them. Mr. Less then reviewed the "Project Narrative" for the project, noting that that the \$18mm project was centered on JSC growing both its ammunition casing business, along with its core automotive business. Mr. Less noted that the company anticipated doubling their business size by the end of 2014.

Mr. Less stated that he had met with Mr. Tienor and Mr. Laveck, along with Martha VandeLeest, CFO at JSC on April 2<sup>nd</sup> to review the credit, and noted that the meeting ended with everyone having comfort with the project and the proposed funding participation by the City. Mr. Less noted that this project included several layers of financing, and that JSC had just completed a refinancing of its old debt with the SBA. Mr. Less added that JSC's lead lenders on the expansion project were Johnson Bank and BMO Harris, with the latter anticipating collaborating with SBA for the funding of the new debt. Mr. Less noted that the WEDC would also be providing a tax credit package to the company as part of the public investment in the expansion. Mr. Less explained that the City loan would be collateralized by a securing a purchase money security interest in M/E, and that while the "Project Narrative" identified 60 new jobs for purposes of the City loan, the company expected job creation to be in excess of 120 for this expansion project. Mr. Less noted that JSC currently employed a total of 201 people in Manitowoc.

Mr. Less noted that the ammunition casing business was a new core component focused on small sized, specialty lots, and represented a diversification from, and a complement to JSC's core automotive business. Mr. Less noted that since 2009, the company's concentration of business in the auto industry has declined, which he stated was a positive trend. Mr. Less complimented Ms. VandeLeest in bringing the financial players to the project.

Mr. Less reviewed the details of the proposed City loan at \$1,200,000, and added that in terms of the amount of collateral, he had advised Ms. VandeLeest that he wanted M/E totaling at least \$1.5mm to cover the City's \$1.2mm loan. Mr. Less added that when the details of the various lender commitments were known (which he anticipated having soon), he'd have a clearer picture regarding how all the lending pieces fit together. Mr. Less asked Mr. Tienor for his comments on the credit.

Mr. Tienor commented that the company was enhancing its product mix and that the diversification of multiple products to multiple clients was positive. Mr. Tienor added that it would be up to Mr. Less to make sure that the City's loan fit and was protected within the covenants and payment structure that would be put into place for the banks participating in this project. Mr. Tienor liked the usage of the SBA to refinance the old debt, and added that this was an exciting project, and that in addition to the brass casing growth, there was also growth in JSC's core auto business as well. Mr. Tienor closed by stating that this was a good time to do this expansion, rather than piecemealing the project, and added that the concern was probably with being able to find enough of the right skilled labor pool to fill positions. Mr. Tienor added that JSC's margin improvements over the past few years was another positive, and that the company has good practices in place. Mr. Tienor stated that he and Mr. Laveck were very positive regarding the project, knowing that Mr. Less would make sure the pieces all fit together.

Mr. Less introduced Martha VandeLeest, CFO, JSC, and asked her to comment on the project.

Ms. VandeLeest explained that their brass casing business had started approximately 2 years ago, and their product selection had been refined by a large investment in research and development. Ms. VandeLeest noted that this expanding product line was complex and required substantial engineering, and today focused on a narrow band of approximately 9 casings, for which there was a substantial demand. Ms. VandeLeest noted that regarding the new business, approximately 20% was related to law enforcement, 15% of the demand was in the area of government/special forces, and the remainder was from commercial sources, and added that there was substantial demand and a shortage of this product at this time. Ms. VandeLeest continued that JSC had orders in place, and were currently declining additional customer orders until their production capabilities expanded. Ms. VandeLeest added that JSC had already shipped during the first 3 months of 2013, what they shipped in all of 2012. Ms. VandeLeest noted that their biggest challenge was in finding the level of skilled employees needed, and that they were partnering with Lakeshore Technical College towards that end with training manuals and the like. Ms. VandeLeest added that in addition to the brass casing opportunities, their auto core business was also growing, noting that JSC's focus continued to be on small lots, and more complex product orders. Ms. VandeLeest commented on the role of the City in the plan of financing, which was integral to attracting other lenders to the project, and added that she hoped to have additional clarity from WEDC tomorrow regarding their role in the project.

Mr. Less explained that he anticipated having an Offer to Purchase on his desk Friday, with a land sale closing on or before May 1<sup>st</sup>. Mr. Less stated that the Offer would give the company the right to utilize the City-owned property to the south upon acceptance of the Offer, and with the understanding that if the land sale didn't close, JSC would have to restore the City-owned property to its condition that existed prior to the date of the Offer. Mr. Less added that once the land sale closed and those 2 parcels were combined, the City would rebate JSC the full land sale price based upon their expansion and job creation prospects.

Mr. Less recommended that the IDC approve the loan as detailed in the "Project Narrative" up to maximum of \$1,200,000, with the City Planner authorized to negotiate final terms and conditions of loan and collateral arrangements, to prepare loan documents and to proceed to close the transaction, with the President and Planner/Secretary authorized to sign documents.

Mr. Less explained that Mr. Kaufman, who was in Florida, was supportive of the project funding request, and added that the same was true of Mr. Laveck, whom he had met with a few days prior to discuss this credit, along with Mr. Tienor and Ms. VandeLeest.

Motion by: Mr. Brey  
Moved that: the IDC approve the recommendation of the City Planner as stated above.

Seconded by: Mr. Zimmer  
Upon Vote: the motion was unanimously approved.

B. Jagemann Stamping Company – Review and Approval of Site Plan in I-43 Industrial Park

Mr. Less explained the proposed site plan for the Jagemann Stamping Company (JSC) expansion project, noting the planned building addition of 44,647sf, and the associated changes to the parking lot and future storm water pond. Mr. Less then recommended that the IDC approve the JSC site plan, as submitted, subject to requirements by the City pursuant to the City's site plan requirements under Section 15.370(2) of the municipal code, and compliance with the I-43 Industrial Park "Protective Covenants", as may be amended from time to time.

Motion by: Mr. Brey  
Moved that: the IDC approve the recommendation of the City Planner as stated above.

Seconded by: Mr. Zimmer  
Upon Vote: the motion was unanimously approved.

C. Jagemann Stamping Company – Proposed Land Sale in I-43 Industrial Park – TR1.2 of CSM Rec. V. 18, P. 129

Mr. Less explained that in his preliminary discussions with the Jagemann Stamping Company (JSC), it became apparent that their 2013 expansion extended nearly to their south property line, and that to protect their ability to expand further south in the future, he recommended that they consider purchasing the City's 8.19-acre parcel to the south. Mr. Less explained that this sale would be subject to the City's current land rebate policy, with the plan being that upon closing of the sale to JSC, the existing 21-acre tract to the north and the new 8.19-acre tract to the south would be combined, prior to completion of the expansion project. Mr. Less stated that the company would likely be rebated 100% of the land sale cost based on the size of the expansion and the job creation planned.

Mr. Less then explained the presence of a utility and drainage easement centered on the common lot line between TR1.1 and 1.2, and that this easement was being proposed to be released. Mr. Less stated that the easement did not have any utilities located in it, and its elimination would remove an unnecessary encumbrance from the property when the 2 tracts would be combined.

Mr. Less then recommended that the IDC approve the land sale of 8.19 acres as presented to JSC at \$20,000/acre, and subject to current land sale and rebate policies; with the Planner authorized to negotiate all final terms and conditions of sale, to execute an Offer to Purchase with buyer, and to act as the City's agent to close the real estate transaction; and that at the instruction of the Planner, the Mayor and Clerk be authorized to sign any documents necessary to complete the transaction.

Regarding the release of the easement, Mr. Less then recommended that the IDC recommend to Council that it release the easement as described, with the Planning Department to prepare the necessary release or termination document, with the Mayor and Clerk authorized to sign the release on behalf of the City, and for the Planner to record said document with costs to be paid by JSC.

Motion by: Mr. Brey

Moved that: the IDC approve the recommendations of the City Planner as stated above.

Seconded by: Mr. Zimmer

Upon Vote: the motion was unanimously approved.

D. Review of New HUD Requirements for Revolving Loan Program

Mr. Less explained that he wanted the IDC to be aware of the new HUD requirements including a new employer requirement to certify the LMI status for employment interviewees. Mr. Less added that at least 51% of the interviewees would have to be classified as LMI, but added that this was not a hiring requirement.

Mr. Brey commented that he was not sure how this would be done by an employer, and added that this requirement seemed problematic, and wasn't sure how the question of household income would be asked.

Mr. Less explained that he would provide JSC with current LMI income guidelines as part of the City's loan agreement, but was not sure how a company would ascertain that information from an interviewee. Mr. Less added that the company would need to maintain these completed certification forms in their files, regardless of whether they decided to give someone an offer for employment or not.

Mr. Brey felt that the HUD requirement bordered on being discriminatory.

No action was taken.

E. Room Tax Marketing and Ordinance Changes

Mr. Less provided the IDC with an update regarding room tax marketing, noting that the tourism agreement with Two Rivers and the Manitowoc Area Visitor and Convention Bureau had been amended on July 30, 2012 to increase room taxes from 6% to 8% effective January 1, 2013, and to detail the City's intent to coordinate area marketing through an ad hoc marketing committee comprised of the Mayor and area tourism facilities such as the Chamber and Mainly Manitowoc.

Mr. Less continued that the room tax marketing that he had done previously was, as of January 1, 2013, now the responsibility of the Mayor and a new marketing committee. Mr. Less noted that he would continue to issue billboard rent payments for the active billboard leases that he had put into place, but that after those leases terminated, it would be up to the Mayor and the committee to determine how they wanted to market the City.

Mr. Hamann asked if the City ever reaped any benefit from the marketing?

Mr. Less cited Zenith Sintered Products as an example of a company that learned about Manitowoc from its billboard marketing program, and which subsequently building a production facility in the I-43 Industrial Park. Mr. Less noted that Zenith subsequently sold its business to GKN Sinter Metals in the I-43 Industrial Park.

Additional discussion was held. No action was taken.

F. Lake Michigan Carferry

Mr. Less explained that the Lake Michigan Carferry (LMC) would be operating in 2013, and discussed the March 22, 2013 “Consent Decree” that had just been released between the US EPA and the LMC, noting the following:

1. LMC would operate in 2013 and 2013 under the Decree.
2. LMC, on or before June 1, 2013, had to provide EPA with design, construction and scheduling information for installation of new technology.
3. The Decree contained penalties for non-performance, and thresholds for decreasing discharge limits over the next 2 years for coal ash and slurry, and coal sulfur content.

Mr. Less noted that there was a public comment period currently in place regarding the proposed “Consent Decree” which ran from March 27, - April 26, 2013.

Mr. Tienor stated that he thought the issue was establishing an on-board storage facility for the coal ash, and asked about the reference to new technology?

Mr. Less responded that the Consent Decree contained specific language regarding the new technology deadline.

IDC members discussed the importance of the LMC to the community. Mr. Tienor commented that based on his retail clients, the carferry was very important for their business. Mr. Less stated that the carferry did not share their financial information with the City, and added that the movement of industrial cartage across the lake was very important.

Additional discussion was held. No action was taken.

VI. OLD BUSINESS

A. Americollect, Inc. – Review and Approval of Site Plan in I-43 Industrial Park

Mr. Less explained that he wanted to have formal approval for a previously approved site plan in the minutes. Mr. Less reviewed a January 6, 2012 communication to the IDC regarding a planned 9,352sf expansion for Americollect in the I-43 Industrial Park. Mr. Less recommended confirmation of the previous approval of the site plan.

Motion by: Mr. Zimmer  
Moved that: the IDC approve the recommendation of the City Planner as stated above.

Seconded by: Mr. Hamann  
Upon Vote: the motion was unanimously approved.

B. Hennessey Development, LLC/Baileigh Industrial – Review and Approval of Site Plan in I-43 Industrial Park

Mr. Less explained that he wanted to have formal approval of a previously approved site plan in the minutes. Mr. Less reviewed the 40,000sf expansion for Baileigh Industrial in the I-43 Industrial Park, which further involved a transfer of approximately 5-acres of land from Apex Leasing to Hennessey Development. Mr. Less recommended confirmation of the previous approval of the site plan.

Motion by: Mr. Mertens  
Moved that: the IDC approve the recommendation of the City Planner as stated above.

Seconded by: Mr. Zimmer  
Upon Vote: the motion was unanimously approved.

C. Mortgage Subordination Request – Project #IREV08-3

Mr. Less updated IDC members on a December, 2012 communication he had sent to them regarding a proposed mortgage subordination for the benefit of David Wage. Mr. Less explained the highlights of the proposed subordination, noting that it was related only to his personal residence on Hawthorne Terrace, and that the subordination did not disturb the balance of the City’s collateral arrangements for its revolving loan to Mr. Wage. Mr. Less noted that in response to his December, 2012 outreach, a majority of the IDC members did not have any problem with the subordination. Mr. Less added that he did not think the new first mortgage transaction had closed at this time, and was not sure what was going on with the refinancing at this time. Mr. Less recommended that the IDC confirm its previous action to approve the subordination that it had previously authorized back in December, 2012.

Motion by: Mr. Tienor  
Moved that: the IDC approve the recommendation of the City Planner as stated above.

Seconded by: Mr. Brey  
Upon Vote: the motion was unanimously approved.

D. Regional Revolving Loan Funds – Update

Mr. Less provided an update regarding discussions on regionalizing Community Development Block Grant (CDBG) revolving loan funds. Mr. Less explained the financial status of the downtown and balance of City loan programs, noting that they had been well run programs. Mr. Less elaborated on efforts encouraged around the State by the Wisconsin Economic Development Corporation (WEDC) to regionalize local RLF programs into single programs at a regional level, and that as per his emails over the past year, the effort was currently being explored within the Bay-Lake Regional Planning Commission service area. Mr. Less noted that if approved, the City would ultimately assign all of its loans and collateral documents over to a regional entity, and once the regional entity lent out those monies, the principal and interest payments would no longer carry the burden of federal requirements such as prevailing wage rates. Mr. Less stated that there were 22 RLF's within the Bay-Lake region, and within Manitowoc County, the cities of Manitowoc and Two Rivers, along with Manitowoc County, had CDBG RLF's. Mr. Less added that the current plan was to partition the Bay-Lake region into 2 subareas, and noted that participation would require ultimate Council approval to participate.

Mr. Hamann asked if the regional entity had our monies at this time?

Mr. Less stated "no", and explained that the current thought, as reflected in the most recent draft of the policy manual, was that at the local level, loans up to \$250,000 could be approved, without any franking rights afforded to the subregional or regional entity; loans between \$250,000 - \$500,000 could be approved at the subregional level, based upon the recommendation of the local loan committee; and that loans above \$500,000 would require approval at the regional level based upon the recommendation of the local loan committee.

Mr. Zimmer commented that \$250,000 was not that much.

Mr. Less noted that the just approved Jagemann loan would have required approval at the regional level.

Mr. Zimmer commented that the community knew and understood its needs better than at a regional level, and had a much better understanding of local lenders and other players.

Mr. Less noted that for those not RLF's choosing to not participate, they would still have to comply with all HUD and other federal regulations, making the local programs potentially difficult to operate due to burdensome regulation vs. a less burdened regional fund. Mr. Less added that the other issue to consider was with the RLF program operators in each community and their personal longevity, and suggested that it might be time to pass the RLF baton to another agency. Mr. Less continued that for the past 25 years, the State's philosophy regarding these programs was to encourage local control and self sufficiency so that communities could fund their own projects, and not always have their hand out to the State. Mr. Less noted that this approach has changed with the inception of the WEDC, which now seemed to be reversing that trend. Mr. Less noted that many parties meeting to discuss the regional RLF idea were not sold on this regionalization process. Mr. Less added that he didn't know where this was all going, but wanted to make sure everyone was informed.

Mr. Zimmer asked who would serve on this regional board, and if it would include someone from Manitowoc?

Mr. Less replied that as one of the largest potential investors into this regional fund, he certainly hoped that to be the case, and added that his current feeling was that if the State was going to push RLF communities in this direction, it might be more important to cooperate at this time, to make sure that the City had a seat at that table. Mr. Less explained that each community had a different risk appetite, and trying to meld that diversity into a regional model with a single set of uniform policies was difficult. Mr. Less noted that the programs for the City had been very successful and well run, and that was why the City was in its current position with the program and its funding level.

Mr. Brey commented that as the Chair of the County's Finance Committee, he was not presently supportive of turning money over to a regional entity. Mr. Brey felt that a shared tax plan for the region was needed.

Mr. Less noted that there was no discussion of that topic to date, nor any conversation regarding how to equalize a community's contribution into the regional fund with some kind of guaranteed level of regional loan dollars being spent in the same community. Mr. Less added that it was also learned at the most recent meeting that it was

the WEDC's policy the a County would first have to agree to participate in the regional program, before a community within that same county could decide whether to participate or not. Mr. Less continued that based on what the WEDC had told them at their last meeting, if the County decided to not participate regionally, then the underlying cities would not be able to join either.

Connie Loden, EDCMC, commented that her recollection was that WEDC appeared to be ready to accept smaller subregions.

Mr. Less stated that originally WEDC's position was that they would not accept a subregional approach.

Ms. Loden commented that at some of the early meetings, representatives of the WEDC had made comments suggesting the potential for WEDC to clawback funds, and didn't find that clear or defined presently.

Mr. Less agreed, but added that the discussion of these types of issues had not been clarified to date. Mr. Less added that the WEDC's ability to change the rules in the future, and to clawback funds was a major concern to date. Mr. Less added that WEDC representatives working with our regional group continued to change, which was also a concern.

Ms. Loden added that the WEDC's claim to be able to de-federalize funds was still not clear, and added that she had not seen any statements from HUD formalizing that position.

Mr. Less noted that the group had also been asking the WEDC for several legal opinions on various topics, and still had not received clarity on those points to date. Mr. Less continued that the feeling amongst many in the region was that the WEDC did not want to be left out of the funding discussion for a larger project, but didn't seem to be concerned with the funding of smaller projects.

Ms. Loden stated that WEDC had commented at various meetings that for projects with loans in excess of \$500,000 they wanted to be automatically at the table to be considered for financing support. Ms. Loden added that WEDC seemed to be doing more direct lending with non-CDBG monies so as to not have the job requirements tied to their funding, which begged the question of where they were getting these non-federal monies, and that de-federalizing RLF monies might be another source of funding for the WEDC in the future.

Mr. Less noted that increasing the tendency that he'd observed was for WEDC to not deal directly with the municipality, and instead, was just communicating with companies directly. Mr. Less added that this concern had been a recurring theme in our regional discussions.

Additional discussion was held. No action was taken.

VII. NEXT MEETING

VIII. ADJOURNMENT

The meeting was adjourned at 4:20 P.M.

Respectfully Submitted,

David Less  
Secretary