

# STATE OF WISCONSIN

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## JOINT COMMITTEE ON FINANCE

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Howard Marklein  
Representative Mark Born

Date: September 19, 2023

Re: WHEDA Report to JFC

Attached is the Economic Development report from the Wisconsin Housing and Economic Development Authority, pursuant to s. 234.65, Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

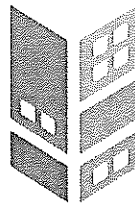
Attachments

HM:MB:jm

SEP 19 2023

*St. Finance*

# ECONOMIC DEVELOPMENT



# WHEDA

Chapter 234.65 Programs

Annual Activity Report

Fiscal Year July 1, 2022 to June 30, 2023

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## Chapter 234.65 Reporting Requirement

The Wisconsin Housing and Economic Development Authority (the "Authority"; "WHEDA") may issue bonds and notes to finance its economic development activities authorized or required under Chapter 234.65, including the financing of economic development loans.

The Authority currently has two Programs that fall under Chapter 234.65 requirements:

1. The Participation Loan Program ("PLP")
2. The Conduit Bond Issuance Program ("Bond")

These programs are intended to provide Wisconsin businesses financing to create and retain jobs in the State of Wisconsin, and to promote economic development in both rural and urban communities.

All programs have been implemented. Per Chapter 234.65 Section 4, the following reporting is required:

*"In respect to the loans issued under this section, the authority shall submit to the governor, the joint committee on finance and the chief clerk of each house of the legislature, for distribution to the appropriate standing committees under s. 13.172 (3), within 6 months after the close of its fiscal year an annual report including all of the following for the fiscal year:*

- a) A statement of the authority's operations, accomplishments, goals and objectives.*
- b) A financial statement showing income and expenses, assets and liabilities and a schedule of its bonds and notes outstanding and the amounts redeemed and issued.*
- c) The effects of lending under this section in the following areas:*
  - 1. Maintaining or increasing employment in this state.*
  - 2. Locating economic development projects in areas of high unemployment or low average income.*
  - 3. Obtaining the participation of a large number of financial institutions in the lending.*
  - 4. The geographical distribution of lending in this state."*

In compliance with Chapter 234.65(4), WHEDA would like to share the following regard to the above-mentioned programs:

- Program Activity
- Program Goals and Outcomes
- Program Financial Statements

#### **Economic Development Program Activity - 234.65(4)(c)**

The Authority's PLP participated on one (1) loan totaling \$3,529,000 for the period ending June 30, 2023. The Authority's participation was \$1,764,500. The project was not located in a distressed area.

Exhibit A provides a detailed listing of the Authority's program activity for fiscal year ended June 30, 2023.

#### **Program Goals and Outcomes - 234.65(4)(a)**

Based on the activity in the PLP, WHEDA's Board encumbered additional resources in its 2023 Dividends Plan. An additional \$1,051,269 was encumbered between 7/1/2022 and 6/30/2023, bringing the total funds that have been allocated in the program to \$40,504,641.

WHEDA will continue to look for opportunities to use the PLP.

The PLP provides funds as a participation in a lending transaction originated by a local financial institution. The intended recipient of the funds are Wisconsin businesses that could not otherwise fully utilize conventional financing. As part of the PLP, a financial institution can seek approval for SBA 504 bridge financing. The SBA 504 bridge financing provides a short-term need during the interim period while the sale of the SBA debenture is being completed. WHEDA's participation in a transaction could be the difference in a project being funded or not. Exhibit B provides a detailed description of the Authority's PLP and Bond Program.

#### **Program Financial Statements - 234.65(4)(b)**

Exhibit C provides a Balance Sheet as of June 30, 2023, and an Income Statement for the 12-month period ending June 30, 2023. Program income currently covers general and administrative expenses.

### Exhibit A: Program Activity

Fiscal Year ending June 30, 2023

#### Amounts

##### Participation Loan Program:

Project	Loan Amount	Participation Loan Amount	Disbursement Date	City
Paoli Cheese Factory Association LLC DBA Seven Acre Dairy Company	\$3,529,000	\$1,764,500	08/08/2022	Belleville
<b>Total</b>	<b>\$3,529,000</b>	<b>\$1,764,500</b>		

##### Economic Development Bonding:

Project	Bond Issuance Amount	Date Bond Closed	City
No economic development bond activity for this reporting period.	n/a	n/a	n/a
<b>Total</b>	<b>\$0</b>		

#### Census Data

##### Participation Loan Program:

Project	Census Tract	Unemployment Rate*	Median Family Income*
Paoli Cheese Factory Association LLC DBA Seven Acre Dairy Company	55025012600	2.40%	\$94,107

##### Economic Development Bonding:

Project	Census Tract	Unemployment Rate*	Median Family Income*
No economic development bond activity for this reporting period.	n/a	n/a	n/a

\*Source: US Department of Treasury CDFI Fund CIMS Mapping Tool (2020 CDFI Tract)

### Jobs Data

#### Participation Loan Program:

Project	Jobs Data	Date Funds Disbursed
No loans were required to report during this period.	n/a	n/a

*After a review of WHEDA's internal procedures and statutory requirements, WHEDA feels it will be most effective to report jobs in the second year following the year in which the loan was disbursed, under the belief that a steady state of employment could be achieved and that this jobs number would best represent the accomplishments of the program.*

### Number of Additional Participants

#### Participation Loan Program:

Project	Private	Federal	State	Local
Paoli Cheese Factory Association LLC DBA Seven Acre Dairy Company	1	0	1	0

#### Economic Development Bonding:

Project	Private	Federal	State	Local
No economic development bond activity during this reporting period.	n/a	n/a	n/a	n/a

## Exhibit B: Program Goals and Outcomes

### Chapter 234.65 - Participation Loan Program ("PLP")

Status:	Funded and Active
Inception:	2012 – Dividend Plan (i.e., Internal Capital) funding
Program Goal:	To participate on loans for small business projects that would help provide credit enhancement to lenders, in order to help retain and create jobs in the State of Wisconsin

### Program Description - WHEDA® PARTICIPATION LOAN PROGRAM

#### *What is the purpose of this program?*

WHEDA's Participation Lending Program is intended to provide Wisconsin businesses with financing that could not otherwise be secured through traditional lending, to create and retain jobs in the State of Wisconsin, and to promote economic development in both rural and urban communities. An emphasis will be placed on participation lending with local and regional lending partners.

The program partners WHEDA with local community Participating Lenders, banks, credit unions, economic development corporations, community development financial institutions, small business investment corporations, and other entities that provide commercial loans in the state.

#### *What are the Features and Benefits of the Loan?*

To reduce risk for the participating lender and provide access to gap financing during construction for SBA 504 construction loans.

#### *What are eligible uses of loan proceeds?*

An economic development project will be eligible for the financing of land purchase, facility purchase or construction (office, plant, production facilities, etc.), equipment, long-term (permanent) working capital, equipment, materials and labor employed in improvements to commercial facilities that result in energy conservation, and facilities for the production, packaging, processing or distribution of raw agricultural commodities.

- Facilities for manufacturing or commercial real estate activities.
- National or regional headquarters facilities.
- Facilities for the storage or distribution of products of manufacturing activities, materials, components or equipment.
- Facilities for the retail sale of goods or services.
- Facilities for research and development activities.
- Recreational and tourism facilities serving to attract visitors to this state.



- Facilities for the production, packaging, processing or distribution of raw agricultural commodities.
- Facilities for engaging in the business of operating a railroad.
- Facilities for recycling.
- Businesses where the principals do not owe past-due child support.
- Activities of a long-term nature, such as research and development, or long-term working capital may also be eligible. In addition, equipment, materials or labor used to make an energy-conserving improvement to a commercial or industrial facility would also be eligible.

#### ***Required Criteria***

WHEDA may not 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.
- 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.

#### ***Priority Considerations***

WHEDA will give priority to economic development projects which:

- Maintain or increase employment in Wisconsin.
- Will be located in an area of high unemployment or low average income.
- Provide services or activities that would otherwise not be available in the community or in Wisconsin.
- Are more than 50% owned by women or minorities.
- Have current gross annual sales of \$5,000,000 or less or that employ 250 or fewer people.
- For new businesses, have less than 50% of their ownership held or controlled by another business and have their principal business operations in this state.
- Have multiple financial institutions or other financing sources participating in the economic development project.

## **Chapter 234.65 – Economic Development Conduit Bond Issue Program**

Status:	Funded and Active
Inception:	Chapter 234
Program Goal:	WHEDA's Economic Development Conduit Bond Issuance 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.

### **Program Description - WHEDA® Economic Development Conduit Bond Issue Program**

Economic Development Bonding Authority expired on June 30, 2023.

#### ***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 include 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 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.

#### ***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 the State of 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:

- Which 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 the State of Wisconsin.

# Exhibit C: Program Financial Statements

## WHEDA 234.65 Economic Development Program Financial Statements

WHEDA PROGRAM 19 Balance Sheet Friday, June 30, 2023 Reported in Whole US Dollars			
Description	Current Year	Last Year	
<b>ASSETS</b>			
CASH			
CASH EQUIVALENTS			
INVESTMENTS			
INVEST-ADJ FOR UNREALZD			
SECURITY LENDING CASH COLLATERAL			
SECURITY LENDING - ADJ FOR UNRLZD G/L			
MBS INVESTMENTS, NET*			
MBS - ADJ FOR UNRLZD G/L			
MORTGAGE LOANS RECEIVABLE, NET*	9,188,287.92	10,308,256.10	
REAL ESTATE HELD			
INVESTMENT INTEREST RECEIVABLE			
MBS INVESTMENT INTEREST RECEIVABLE			
MORTGAGE INTEREST RECEIVABLE			
BOND DISCOUNT			
UNAMORTIZED SERV & RELEASE FEE			
CURRENT RECEIVABLES			
PREPAID EXPENSE			
INVESTMENT IN WAHA, LLC			
FIXED AND OTHER ASSETS			
DEFD OUTFLOW OF RESOURCES - HEDGING			
DERIVATIVES			
NET PENSION ASSET			
DEFD OUTFLOW OF RESOURCES - PENSION			
NET OPEB ASSET			
DEFD OUTFLOW OF RESOURCES - OPEB			
INTERFUNDS	(2,215,953.61)	(2,124,661.97)	
<b>TOTAL ASSETS</b>	<b>6,972,334.31</b>	<b>8,183,594.13</b>	
<b>LIABILITIES</b>			
BONDS PAYABLE			
BOND PREMIUM			
BOND INTEREST PAYABLE			
BOND INTEREST PAYABLE-CABS			
NOTES PAYABLE			
NOTE INTEREST PAYABLE			
UNEARNED INCOME			
ESCROW DEPOSITS			
ESCROW-ADJ FOR UNRLZD G/L			
ESCROW-ADJ FOR UNREALIZED G/L			
OTHER LIABILITIES			
SECURITY LENDING LIABILITY			
DERIVATIVE INSTRUMENT-INTEREST RATE			
SWAPS			
NET PENSION LIABILITY			
DEFD INFLOW OF RESOURCES - PENSION			
NET OPEB LIABILITY			
DEFD INFLOW OF RESOURCES - OPEB			
<b>TOTAL LIABILITIES</b>			
<b>FUND BALANCE</b>	<b>6,972,334.31</b>	<b>8,183,594.13</b>	
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>6,972,334.31</b>	<b>8,183,594.13</b>	

\*Deferred Origination Fees

\*Deferred Commitment Fee Inc

\*Deferred Amount on Refunding

\*Deferred Origination on MBS

WHEDA  
 PROGRAM 19  
 Income Statement  
 For the Twelve Months Ending Friday, June 30, 2023  
 Reported in Whole US Dollars

Actual	Period to Date Budget	Fav/(Unfav)	Description	Actual	Year to Date Budget	Fav/(Unfav)
			INCOME			
			INTEREST INCOME			
			INVESTMENT INCOME			
			REALIZED GAINS (LOSSES)			
79,535.72		79,535.72	MBS INVESTMENT INCOME			
			MORTGAGE LOAN INCOME*	1,075,316.86		1,075,316.86
			SERVICE FEES			
			OTHER FEE INCOME			
			GAIN/LOSS ON WAHA INVESTMENT			
			OTHER INCOME			
			LEASE INCOME			
			GRANT INCOME			
79,535.72		79,535.72	TOTAL INCOME	1,075,316.86		1,075,316.86
			EXPENSES			
			BOND INTEREST EXPENSE			
			NOTE INTEREST EXPENSE			
			AMORTIZED DEBT FINANCING COSTS			
			MORTGAGE LOAN SERVICE FEES			
			MORTGAGE INSURANCE			
			BORROWER ASSISTANCE			
			PROVISION FOR LOAN LOSS			
			INTEREST SUBSIDY			
			LETTER OF CREDIT			
			GRANTS AND SERVICES			
			TRUSTEE FEES EXPENSE			
			ORIGINATION FEE EXPENSE			
			OTHER EXPENSE			
			LEASE EXPENSE			
			CAPITALIZED IT EXPENSE			
7,526.46		(7,526.46)	DEFERRED G&A EXPENSE			
			GENERAL & ADMINISTRATIVE EXPENSE	91,291.64		(91,291.64)
7,526.46		(7,526.46)	TOTAL EXPENSES	91,291.64		(91,291.64)
72,009.26		72,009.26	RESULTS BEFORE CHANGE IN FAIR VALUE OF INVESTMENTS & EXTRAORDINARY ITEMS	984,025.22		984,025.22
			UNRLZD G/L ON INVESTMENTS			
			UNRLZD G/L ON INTEREST RATE SWAP AGREEMENTS			
			UNRLZD G/L ESCROW ALLOC			
			UNRLZD G/L ON SECURITY LENDING			
			UNRLZD G/L ON MBS SECURITIES			
			TOTAL CHANGE IN FAIR VALUE OF INVESTMENTS			
			EXTRAORDINARY -- COST OF ISSUANCE			
			EXTRAORDINARY -- BOND DISCOUNT			
			EXTRAORDINARY -- BOND PREMIUM			
			EXTRAORDINARY -- OTHER			
72,009.26		72,009.26	NET INCOME (LOSS) AFTER CHANGE IN FAIR VALUE OF INVESTMENTS & EXTRAORDINARY ITEMS	984,025.22		984,025.22
			*Origination Fee Income	23,645.00		23,645.00
			*Commitment Fee Expense			