

**LEGISLATIVE REFERENCE BUREAU FISCAL ANALYSIS**

**COMMUNITY & ECONOMIC DEVELOPMENT COMMITTEE**

**DECEMBER 8, 2008**

**Item 5, File #081079**

File Number 081079 is a resolution authorizing the expenditure of \$200,000 from the Development Fund for a forgivable loan to Super Steel Products Corporation to fund mechanical and electrical upgrades, equipment purchases and employee training costs to increase production and employment at Super Steel's two Milwaukee manufacturing facilities.

**Background**

1. Super Steel Products Corp. is a Milwaukee-based corporation that performs engineering, metal fabrication and complex assembly functions for the manufacturing of various metal products, including industrial, agricultural and construction equipment, passenger rail cars and freight locomotives. It operates two facilities in Milwaukee, at 7900 West Tower Avenue and 7100 West Calumet Road.
2. Super Steel plans to complete mechanical and electrical upgrades of its Milwaukee facilities, purchase additional equipment and train employees to increase production capacity at these locations. In conjunction with this facility upgrade and expansion project, Super Steel proposes to add 150 new welding and assembly jobs, with an average wage of \$18.00 per hour.
3. The Development Fund is a Department of City Development-administered capital account that provides financial assistance for development projects that do not qualify for tax incremental district designation. The Fund has been used to support façade-improvement grants and loans, brownfield cleanups, business improvement district activities, new home incentives and neighborhood street improvements.
4. The 2008 and 2009 Adopted Budgets each provide \$1.8 million for the Development Fund.

**Discussion**

1. This resolution appropriates \$200,000 from the 2008 Development Fund parent account in the form of a \$200,000 forgivable loan to Super Steel Products Corporation to fund mechanical and electrical upgrades at Super Steel's two Milwaukee facilities, the purchase of new equipment for these locations, and employee-training costs related to additional production capacity and the creation of 150 new positions.
2. This resolution further directs the proper City officials to enter into a cooperation agreement with the Redevelopment Authority of the City of Milwaukee for the purpose of making a loan to Super Steel in accordance with the terms and conditions set forth in the Term Sheet which is attached to File Number 081079.

3. The Term Sheet for the proposed loan to Super Steel includes the following provisions:
  - Interest rate of 5.00%
  - Term of 5 years
  - Annual loan payments of principal (\$40,000 per year) and accrued interest
  - Annual loan payments shall be forgiven each year that Super Steel meets or exceeds the specified employment levels, rising from 350 positions on December 31, 2008, to 425 positions on December 31, 2009, and 500 positions on each subsequent December 31 through December 31, 2013.
  - If Super Steel leaves either of its Milwaukee facilities prior to the expiration of the loan, any unpaid balance and accrued interest shall come due.

**Fiscal Impact**

1. The impact of this resolution will be a reduction of the balance in the Development Fund by \$200,000.
2. The current unencumbered balance in the Development Fund is \$1,358,637.

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