



Legislation Details (With Text)

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Title: Substitute resolution relative to a proposal from Steeltech Manufacturing, Inc. regarding its second mortgage loan from the City of Milwaukee and assigning the loan to the Redevelopment Authority of the City of Milwaukee for final disposition.

Sponsors: ALD. HENNINGSEN, Fredrick Gordon

Indexes: ECONOMIC DEVELOPMENT, HOUSING AUTHORITY, INDUSTRIAL DEVELOPMENT

Attachments:

Date	Ver.	Action By	Action	Result	Tally
4/20/1999	0	COMMON COUNCIL	ASSIGNED TO		
4/23/1999	1	CITY CLERK	DRAFT SUBMITTED		
4/23/1999	0	ECONOMIC DEVELOPMENT COMMITTEE	HEARING NOTICES SENT		
4/28/1999	2	CITY CLERK	DRAFT SUBMITTED		
5/3/1999	2	ECONOMIC DEVELOPMENT COMMITTEE	RECOMMENDED FOR ADOPTION	Pass	5:0
5/11/1999	2	COMMON COUNCIL	ADOPTED	Pass	15:1
5/20/1999	2	MAYOR	SIGNED		

990088
SUBSTITUTE 2

ALD. HENNINGSEN AND GORDON

Substitute resolution relative to a proposal from Steeltech Manufacturing, Inc. regarding its second mortgage loan from the City of Milwaukee and assigning the loan to the Redevelopment Authority of the City of Milwaukee for final disposition.

- Analysis -

Using federal funds, the City made a \$1.4 million loan to Steeltech in 1992. This loan is substantially past due, as are all of Steeltech's other debts totaling \$27.7 million. Steeltech has proposed to satisfy these obligations with a partial cash payment plus stock in a newly capitalized and reorganized company. The alternative is likely to be an involuntary bankruptcy action. The City's loan is secured by a second mortgage on its plant and equipment. The first mortgage is held by the Redevelopment Authority, which is backing \$5.9 million of bonds issued to build the plant. A liquidation would not likely generate enough funds to pay both the Redevelopment Authority bonds and the City loan. This substitute resolution assigns the City loan to the Redevelopment Authority and authorizes the Executive Director of the Redevelopment Authority, in consultation with the City Attorney and the City Comptroller, to negotiate any final terms of Steeltech's proposal and accept or reject it based on the outcome of those negotiations. Funds received by the Redevelopment Authority from this payment are to be transferred, by the Authority, to the Neighborhood Improvement Development Corporation and used for community development projects in accordance with HUD regulations. Whereas, As of April 1, 1992, the City of Milwaukee ("City") and the Milwaukee Economic Development Corporation ("MEDC") entered into a Cooperation Agreement for the Steeltech Manufacturing, Inc. Urban Development Action Grant ("UDAG") from the U. S. Department of Housing and Urban Development ("HUD"); and

Whereas, Pursuant to said Agreement, the City provided to MEDC \$1.4 million which it received from HUD, and MEDC loaned the funds to Steeltech to partially finance the construction of its facility at 2700 West North Avenue in the City (the "UDAG Loan"); the UDAG Loan is secured by a second mortgage on the facility; and

Whereas, As of March 9, 1993, at the request of HUD, the City and MEDC entered into Amendment No. 1 to the Cooperation Agreement, which Amendment provided for the assignment of the UDAG Loan to the City; and

Whereas, Steeltech is substantially past due on the UDAG Loan, and it is substantially past due on secured and unsecured loans and claims from all of its creditors in the total amount of \$27.7 million; and

Whereas, Steeltech is proposing to its creditors that in full satisfaction of their claims, the creditors accept a specified payout in cash and/or stock in a newly capitalized company (the "Proposal"); and

Whereas, The UDAG Loan is subordinated to a first mortgage securing \$5,905,000 of currently outstanding bonds (plus approximately \$1.2 million of past due payments and interest thereon) issued by the Redevelopment Authority of the City of Milwaukee ("Authority") under the Job Opportunity Bond Program; these bonds are backed by certain reserves of that Program and ultimately by the moral obligation of the City; and

Whereas, Steeltech has offered the City \$280,000 in cash plus stock in a newly capitalized company in exchange for the satisfaction of the UDAG Loan; and

Whereas, This amount is in proportion with the proposal made to, and accepted by, substantially all other secured subordinated creditors with respect to their loans, a summary of which is attached to this Common Council File; and

Whereas, In the absence of some form of debt restructuring, Steeltech's assets are likely to be liquidated pursuant to an involuntary bankruptcy action; and, given the subordinated collateral held by the City and the probable liquidation value of that collateral, it is unlikely that the City will receive any tangible payment if a bankruptcy takes place; now, therefore, be it

Resolved, By the Common Council of the City of Milwaukee that in the interest of coordinating matters relative to the City and the Authority's interests in debts due from Steeltech, the UDAG Loan is assigned to the Authority and the Executive Director of the Authority, in consultation with the City Attorney and the City Comptroller, is authorized to negotiate any terms and conditions related to the satisfaction of the UDAG Loan and to take action with respect to the proposal; and, be it

Further Resolved, That the cash proceeds received in satisfaction of the UDAG Loan shall be transferred, by the Authority, to the Neighborhood Improvement Development Corporation and utilized for community development projects in accordance with HUD regulations.

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04/27/99