

## Revolving loans keep stirring economy

Written by MARK JAEGER

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### County, local programs supply flow of cash during challenging financial times

From the perspective of Kathleen Cady Schilling, executive director of Ozaukee Economic Development, the revolving loan programs offered through the county and a host of local communities could be characterized as perpetual development machines.

“The revolving loan (RLF) programs start with federal grants that have been loaned and repaid at least once, in some cases several times since the program began,” Cady Schilling said.

“Whenever you are talking about business loans, there is always the risk of default, but the success rate is very high.”

Since 2009, which Cady Schilling said roughly marked the beginning of the nation’s economic downturn, local revolving-loan programs have provided financial assistance to 17 businesses.

Those loans created 155 new jobs and helped retain 250 others, she said.

RLFs have been used to give large and small businesses infusions of capital, which have proven especially beneficial during this time of tight money in the private financial sector.

Cady Schilling said last year alone she met with officials from 81 businesses to explain what loan programs are available.

In addition to the county’s loan program, she said, she works with the cities of Port Washington, Cedarburg and Mequon, and the villages of Grafton and Saukville on their local development funds.

“Due to the economic crisis and credit crunch, there has been significant activity and meetings regarding the RLF program. However, many of the projects have stalled or failed to move forward,” Cady Schilling said.

The requirement to provide matching financing and other program restrictions convince some business owners the program is not for them.

Still, there have been a number of successful loan matches during the past year, she said.

They include:

A \$340,000 Village of Grafton loan made in conjunction with a \$385,000 state loan that permitted local management to purchase the manufacturing company SKF, which has been renamed Gilman USA.

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Another collaborative loan involving county and state programs provided \$240,000 in working capital for Advanced Manufacturing Technologies, also in Grafton.

A \$150,000 loan was approved through the City of Mequon that was used by new management to purchase MSI Data, keeping the company from relocating to Milwaukee.

Another \$150,000 Mequon loan was approved to help pay for the construction of a new headquarters for Spectrum Investments.

That list does not include a \$1.5 million state working capital loan that was approved for Allen Edmonds Shoe Co. in Port Washington. Company officials touted the expansion, which is expected to bring more than 200 jobs to the county.

Cady Schilling said the availability of local loan programs has proven especially beneficial for smaller companies that stand little chance of qualifying for state loan programs.

"I think of a business like Messina restaurant in Saukville, which received a local loan from the village for kitchen equipment," she said.

"The state would never have considered a working-capital loan for them because they are so small, but at the local level we were aware of how much they mean to the community and what they bring to the county, so the loan was approved."

Randy Tetzlaff, Port Washington's director of planning and development, said the ability to tailor loans to community needs is what makes the city's program successful.

Tetzlaff said the city's loan program has helped keep jobs in the community, whether in the manufacturing sector or as part of downtown redevelopment.

Port loans have gone to such companies as Custom Wire Technologies, Modern Equipment and Prism Manufacturing Group, as well as such downtown interests as Franklin Energy, which occupies the second floor of the former Smith Bros. restaurant, and Blue Heron Artisans Gallery, which is moving into the former firehouse.

Like Cady Schilling, Tetzlaff attributes the high interest in the loan program to the challenges of securing commercial loans.

"There is definitely more interest today. When we started our program in 2001, we had a surplus in the fund because money was readily available in the private market," he said.

"We took some steps to make the terms of our loan program more attractive to borrowers and the financial sector has undergone changes, and now I fear we are in danger of running out of funding. Money keeps coming back into the program, so it is hard to say how much is available for loans, but I would guess it is around \$100,000."

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Tetzlaff said some loans have been made to businesses that eventually failed, such as Kasha's Cafe and Dairy Queen, but recovered collateral made up for those losses.

The former owners of the Country Inn & Suites also defaulted on a revolving loan, but Tetzlaff said a decade of room tax collections and the wages of the people who worked there more than made up for the money lost.

"The rule of thumb for our loans is one new job for each \$20,000 we lend," he said.

For the county loan program, money is currently being lent at interest rates as low as one-half of the prime rate — which Cady Schilling said puts the lowest interest rate at 1.7%. At the highest, the county assesses a fixed interest rate based on the prime rate, which is currently at 3.7%.

Cady Schilling said her office serves as a clearinghouse for all of the RLF programs in the county.

Details are available at the OED website, [www.ozaukeebusiness.org](http://www.ozaukeebusiness.org) or by calling 238-7730.