JSOnline Journal sentinel

Original URL: <u>http://www.jsonline.com/news/metro/sep05/355618.asp</u> Urban loan plan advances Barrett wants 'dead assets' to help minority businesses

By JOHN SCHMID jschmid@journalsentinel.com Milwaukee Journal-Sentinel, September 14, 2005

In a move that would put Milwaukee in the forefront of urban economic innovation, Mayor Tom Barrett met with lawyers and financiers Tuesday to design a program that would use an array of assets - which could include vacant lots - as collateral to back loans for minority-owned businesses.

Quotable

This is something that I want to see happen.

- Milwaukee Mayor Tom Barrett, talking about a plan to pool public and private assets to back loans to minority-owned businesses

If they got this program off the ground, the pent-up demand would emerge. - Margaret Henningsen, vice president of Legacy Bank

"This is something that I want to see happen," Barrett said after a three-hour meeting at the downtown Milwaukee Club.

Milwaukee is one of only five U.S. cities that are pursuing creation of a "collateral loan fund," said Greg Stanton, a former Wall Street investment banker who is advising Milwaukee, Washington, D.C., and other cities about how to leverage market-driven financial tools to bankroll urban development projects.

The loan fund is aimed at the growing number of urban entrepreneurs who have solid management and credit histories but lack the assets and collateral to meet state and federal bank lending requirements.

Barrett vowed to take the leading role in establishing the fund, which would include appeals to public and private sources to pledge assets that could be used as collateral.

Participants at Tuesday's meeting said it was too early to discuss what those assets would include. But similar efforts in other cities suggest that it could be anything from abandoned federal properties and unused university land to vacant city lots and the depreciated inventory of local manufacturers. Stanton in the past has referred to the effort as a "dead asset fund."

The financiers and lawyers who emerged from the meeting also declined to comment on the structure of the fund, how many millions of dollars it would lend, or who would manage it. They did, however, promise to move quickly to get it off the ground.

And they emphasized that it wouldn't back risky loans. Cory Nettles, a politically connected Milwaukee attorney who attended the meeting, said the fund would work exclusively with bankable and creditworthy businesses with feasible expansion plans that are thwarted only by their inability to qualify for conventional bank loans.

A vision born of necessity

Tuesday's meeting, which had representatives from New York, Washington and Chicago, reflects the national attention that recently has centered on Milwaukee's efforts to remake itself as an urban laboratory.

Those efforts are motivated as much by dire necessity as by a sense of vision among the city's civic leaders. More than half of working-age black men here have no job. Milwaukee has one of the densest concentrations of poverty in America. The city's poverty rate exceeded that of New Orleans, according to studies for 2004 that were released before Hurricane Katrina ravaged the Gulf Coast.

Indeed, Milwaukee represents an emerging economic paradigm in America's urban centers. As cities fight harder for a shrinking share of federal aid, they turn increasingly to market-driven tools of capitalism to breathe new life into urban economies that haven't responded to decades of conventional economic strategies. It also means that urban activists need to hone sophisticated and unconventional strategies to get investment into the city.

Several urban economic initiatives already are under way. Nettles and other civic leaders are assembling a venture capital fund meant to capitalize growing businesses in Milwaukee's deindustrialized urban core. The Greater Milwaukee Committee, a civic group, has done feasibility studies of the inner-city economy to predict what sort of private-sector companies it can support. The White House in recent months has informed city leaders that it's considering Milwaukee as the next candidate for its Urban Entrepreneur Partnership, an effort to catalyze minority business ownership.

"These are all creative and innovative market-based economic development tools," said Nettles, who was the state's secretary of commerce from 2002 to 2004. He called the efforts "new solutions to old problems."

If Barrett and his financial advisers are successful with the "New Milwaukee" model, it could inspire similar efforts in New Orleans and other cities, Stanton predicted. "They may find this an applicable model" in New Orleans when it's time to begin the efforts to rebuild that city, he said.

Washington, D.C., is the furthest along in its effort to launch a collateral loan fund, Stanton said. He didn't name the other three cities because they are still in the conceptual stages of their plans.

Stanton, who worked at several New York investment firms during the 1980s and '90s, ended that stage of his career four years ago and established Wall Street Without Walls. The name was inspired by the international aid group Doctors Without Borders. But rather than send physicians into the developing world, Wall Street Without Walls sends investment bankers into poor American communities as unpaid financial consultants. Stanton has made three visits to Milwaukee so far this year in the effort to design the fund.

The commitment by Barrett adds to a sense of economic momentum. On Monday, political leaders unveiled an ambitious plan to unite the seven-county region that includes Milwaukee and its suburbs into a cohesive \$63 billion economic bloc, one with enough heft that economic planners can market it to the rest of the world.

Demand for loans is growing

Several years ago, Milwaukee's shattered urban economy had one of the lowest levels of minority-owned business in the country.

But that is changing, said James Connelly, another Milwaukee attorney who attended Tuesday's planning session. Connelly said five banks with offices in Milwaukee attended the meeting, and they concurred that a demand exists for loans to under-collateralized urban entrepreneurs. Some of those businesses, if they could expand, could serve as suppliers to larger companies in the area, Connelly said.

"The tone in that room was positive," said Connelly, who has close ties to local industry and the national Republican Party. "Their feeling was that we have to make this happen because the demand is right there and available today."

Margaret Henningsen, vice president of Legacy Bank, concurred.

"If they got this program off the ground, the pent-up demand would emerge," Henningsen said. Legacy Bank, which participated in the meeting, is located in the heart of black Milwaukee on the north side. It's the nation's only commercial bank founded by African-American women.

"It's a marvelous idea," Henningsen said. "Oftentimes, people are trying to start their own business. They even have money. But they don't have enough collateral."

Businesses that fit the profile exist across the board, in many sectors of the economy. Most notable are small construction firms that need to expand before they can bid for work on the reconstruction of the city's downtown freeway interchange.

"This isn't theoretical," said Connelly.