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Record Group/Collection: George H.W. Bush Presidential Records
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Series: Speech File Backup Files
Subseries: Chron File, 1989-1993

OA/ID Number: 13803
Folder ID Number: 13803-010

Folder Title:
Steeltech--Milwaukee, WI 3/16/92 [OA 7570]

Stack:	Row:	Section:	Shelf:	Position:
G	26	22	3	7

To be fact-checked

(Hinchliffe/Nix)
March 13, 1992 9 a.m.
STEEL Draft One

PRESIDENTIAL REMARKS: STEELTECH
MILWAUKEE, WISCONSIN
MONDAY, MARCH 16, 1992 11:05 A.M.

You know, Governor Thompson is fond of saying there are only two seasons in Wisconsin: Winter and Road Construction. I'm here to tell you there's only one weather condition in Washington -- it's a permanent hot air front, stationed over Capitol Hill. \\

I'm proud to be with you today, and I want the media here to carry your message into each living room of this nation -- because we're waging a battle today in America: a battle for jobs and for our economic future. Steeltech is the kind of success story that points the way forward. This company has risen from the ruins, in a part of town many had written off as hopeless. It was a dream its supporters refused to call "impossible": a dream of a start-up, minority-owned firm that recruits its workers from the unskilled unemployed in its own neighborhood.

Steeltech grew out of extraordinary, bi-partisan, public-private cooperation: Gov. Thompson on the state level -- Mayor Norquist on the city level. Jack Kemp, who helped you win a HUD grant. Pat Saiki, who qualified this company as a Small Disadvantaged Business Concern. I've heard about the private sector's involvement from Fred Luber, especially about Roger Pierce and the great folks over at Super Steel. **This is precedent-setting teamwork that brought about what I'm told is the largest manufacturing Minority Business Enterprise in this nation's history.** \\

But one of the most impressive things about Steeltech is its

Administrator, S.B.A.

vision for its workers. David Guerrero and Jan Crosby and others go to the hardest-hit parts of the minority community for their recruits. Some have been imprisoned -- some are long-term unemployed. I like what David says about these new beginnings: "Forget about the past. Look to the future."

After intensive training with partner schools, these men and women become part of the high-quality, self-confident, drug-free Steeltech team. And what a great team it is, with players like Chester Gandy who learned to weld at 47. Larry Holliman, honored by Mayor Norquist for perfect attendance. Father and son workers Gilbert Buenrostro II and III. They're part of the team that last year produced $1.8 million in sales -- and that this year expects to top $10 million. And it's not even your 2nd anniversary yet.

Soon, you'll move into your new state-of-the-art plant with the largest automated E-coat painting line in the United States. And there you'll help contribute to our national defense -- working with Gene Goodson of Oshkosh making high-quality steel components for the PLS, the new military cargo truck. We're proud to have you working for America under a federal government contract -- and I'm proud to be here today to salute you all. \\\

You should know: I'm working for a better economic climate for you and millions like you. You've heard me talk about the economic growth plan I asked Congress to pass by March 20: this Friday. My plan offers new incentives to get this economy moving. It's critical to get Congressional approval immediately.

I'd also like to let you in on an exciting new idea. It's

going to be called a "cash for clunker" proposal, but let me tell you what it's really going to mean for this country -- cleaner air and jobs. It's very simple. Cash incentives will help us get older cars retired earlier -- sending these heavy polluters off to the junkyards. We'll all breathe easier over that. But think how this will also help the auto industry -- the number of new-car sales will rise. These are the kind of innovative ideas we're going to keep introducing to bolster up our economy. \\

But I'd like to talk with you about another battle for the health of the economy -- the struggle against excessive regulation. American workers have shown to foreign competitors that, given a level playing field, we can outthink, outperform and outproduce anyone, anyplace, anytime. Well, a level playing field outside the United States is all well and good, but **you'll never reach it if you have to run yourselves to exhaustion right here at home on a treadmill of overzealous regulation**.

In my State of the Union Message, I instituted a 90-day freeze on all proposed and existing federal regulations that could affect economic growth. Now we're speeding up rules that help growth -- and halting rules that would harm the economy.

Over-regulation here in the United States can give foreign corporations an advantage over American firms. It also can drive U.S. businesses to move factories and jobs overseas. Let me assure you: **I will roll back the tide of over-regulation**.

After the 90-day freeze, I'll introduce reform legislation. And I'll fight Congressional liberals who try to impose new and

unreasonable regulatory burdens on Americans' livelihood. If Congress sends me any legislation with excessive regulation in it, **I'll veto it as soon as it hits my desk**. That's my guarantee to you -- and to the success of Steeltech's future.

I'm tremendously impressed by you, and I'll take your story with me: the story of a place where people still believe in hope, where they work together for their neighbors, where they succeed. I'll tell the story of Steeltech and I'll end by saying: **these men and women prove the American Dream can still come true**.

Thank you for showing me that -- thank you for sharing it with your nation. May God bless you all.

# # # # #

OFFICE OF
PRESIDENTIAL ADVANCE

COVER PAGE

TO: FAY

FROM: ANDY GARLIKOW

TOTAL NUMBER OF PAGES: 2
(including cover page)

DATE: _____

TIME: _____

MESSAGE:

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FAY

Gov. Tommy Thompson + Sue Ann
Sen Bob Kasten
Lt. Gov. Scott McCallum
John Norquist, Milwaukee Mayor
Dave ~~Schultz~~ Schultz, ~~Milwaukee~~ County Executive, Milwaukee County

Fred Luber, Chairman of Soper Steel *

on dais
David Guerrero, Steeltech Pres + CEO
Chuck Wallace, Chairman of Steeltech
Ms. Jan Crosby, ~~Dir~~ Mgr. of Human Resources
(introducing POTUS)

* note: Steeltech rents space from Soper Steel — the factory the event is in is really Soper Steels (i.e. Fred Luber's). In short, we ought to ack. him.

Brandon Presock, Tracy Schultz

OFFICE OF
PRESIDENTIAL ADVANCE

COVER PAGE

TO: Michelle Nix

FROM: Leah Fiscus

TOTAL NUMBER OF PAGES: 8
(including cover page)

DATE: 3-12-92

TIME:

MESSAGE:

More info for you!!
Shutdown of Steeltech
is temporary per
our Lead Track Presock.
Thanks

IF YOU HAVE ANY QUESTIONS OR PROBLEMS WITH THE TRANSMISSION PLEASE CALL.

TELEPHONE NUMBER: 414-273-8222 Rm 2202

THE MILWAUKEE JOURNAL

Page C6
Wednesday
January 29, 1992

Business

Manufacturing

President invited to Steeltech event

By JOHN FAUBER
of The Journal staff

State Republican officials have invited President Bush to make an appearance at Steeltech Manufacturing Inc. sometime between the end of February and the end of March.

John MacIver, Bush's Wisconsin campaign chairman, said a cornerstone-setting ceremony likely would be held in Milwaukee at the Steeltech construction site near N. 27th St. and W. North Ave. if Bush decides to visit.

"They [Bush campaign officials] like the event and they certainly like Steeltech," MacIver said Wednesday.

Because of the scheduling of state primaries around the country, MacIver said there was less than a 50% chance Bush would appear at Steeltech before early March. However, he said there was a good chance of the president making an appearance here at the end of March, after the Illinois primary.

LUBER

MACIVER

The Wisconsin primary will be held April 7.

Steeltech is a start-up, minority-owned firm that is making components for the PLS, a new military cargo truck being built by Oshkosh Truck Corp.

Fred Luber, co-founder and an investor in Steeltech, said there even had been discussion about getting a PLS truck for the event.

MacIver said that if Bush visited Steeltech, he also would like to combine his trip to the state with a campaign fund-raising event.

John K. MacIver
100 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-4106
(414) 271-6560
January 13, 1992

Andy Foster
Assistant Director -
Political Affairs
Room 171
Old Executive Office Building
The White House
Washington D.C. 20500

RE: PROPOSED MILWAUKEE PRESIDENTIAL APPEARANCE COMBINING STEELTECH CORNERSTONE & FUNDRAISER

Dear Andy:

Enclosed is the background piece regarding Steeltech, the unique Minority Business Enterprise start-up. I'll send you more detail, including press clippings.

As you know, we are suggesting a mid-February appearance by the President at a Steeltech cornerstone ceremony along with a fundraiser to help meet our Wisconsin pre-convention quota.

Steeltech is a unique appearance opportunity for the following reasons:

1. It is the largest manufacturing MBE start-up we know of.

2. It will have a new, high quality facility located in Milwaukee's Inner City, with state-of-the-art welding and painting operations, among others.

3. It is the product of a true, bi-partisan, private/ public effort with Governor Thompson and the State, Mayor Norquist and the City, the federal government and the private sector cooperating and contributing.

4. The federal contribution is significant, coming through a HUD grant (Kemp has been here), DOD (Oshkosh Truck has provided a DOD start up contract) and SMBE advance certification.

5. Of course, the venture is owned, managed and controlled well over 50% by a team of minority investor/managers.

6. One of the principal movers and non-minority investors is Fred Luber (our Wisconsin Bush Finance Co-Chair).

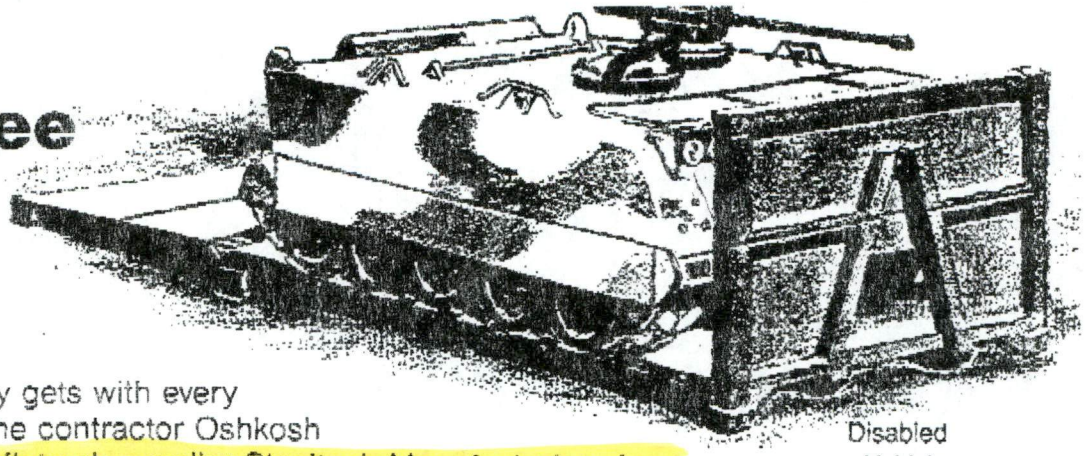
It goes without saying that an attendant fundraiser would be most beneficial to our Wisconsin Primary effort, which we weren't authorized to start organizing until last week. Because of the attendant time pressures, a prompt response (with all the normal caveats) is needed.

Best regards,

John K. MacIver

JKM:kp:B1h3921

Thirty-Three Tons Of Flexibility



Disabled Vehicle Recovery

That's what the U.S. Army gets with every PLS truck and trailer. Prime contractor Oshkosh Truck Corporation and its flatrack supplier Steeltech Manufacturing, Inc. are working to expand that flexibility even further with a whole range of potential PLS applications.

Applications like MLRS pods, fuel and water tanks, medical shelters, ribbon bridges. If you need to move it fast . . . and far . . . through rocks, mud or sand - PLS is the answer.

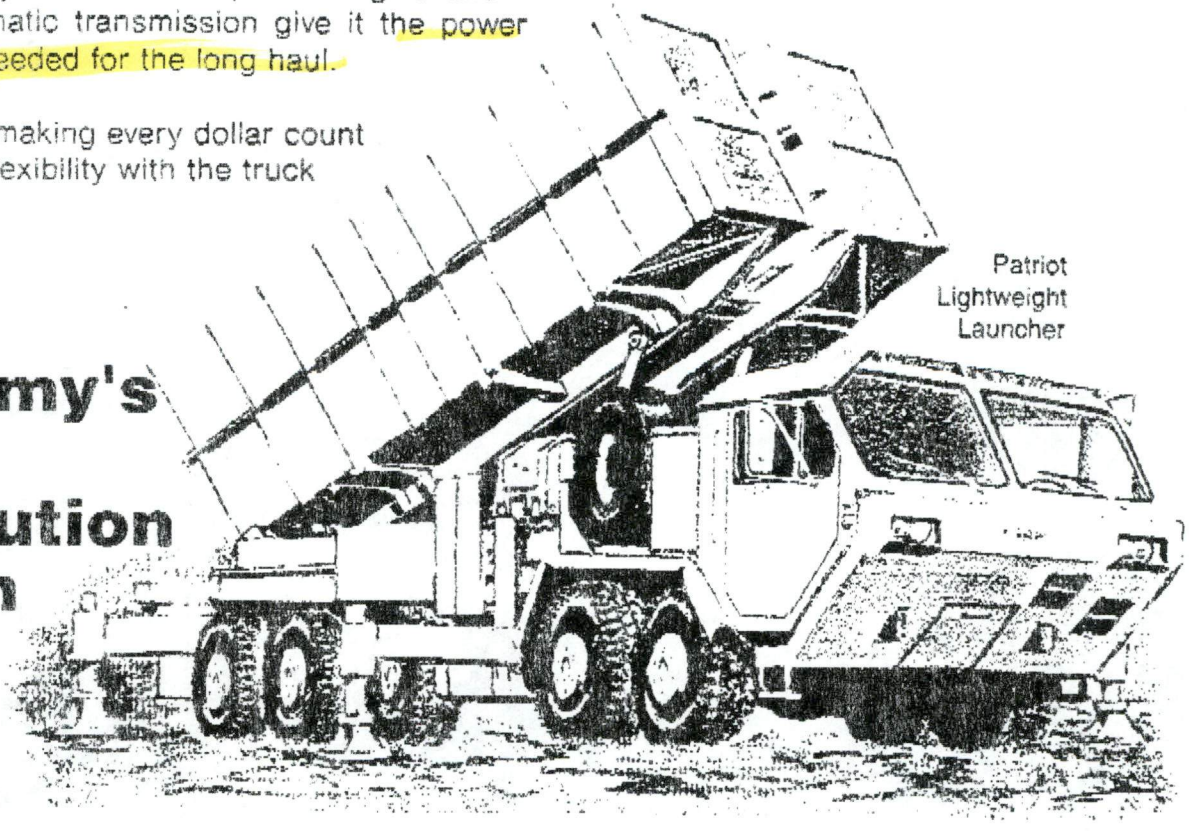
The PLS can replace a multitude of specialized transport vehicles. For the Improved Patriot Missile System, the PLS truck can serve as a launching platform while the trailer carries fresh supplies of missiles. When conditions demand, the PLS also can help recover disabled vehicles for outstanding battlefield versatility. Additional applications could include an ASL/PLL van, heavy dry support bridge transporter/launcher/retriever, and transporter for portable kitchens, command/control shelters, barrier material, and tank ammunition.

Together, truck and trailer carry 33 tons of payload. From inside the cab, a single operator loads or unloads at the push of a button - in less than one minute for the truck, less than five minutes for both truck and trailer.

The 10-wheel drive PLS has central tire inflation for superb off-road mobility. A 500 horsepower engine and five-speed automatic transmission give it the power and efficiency needed for the long haul.

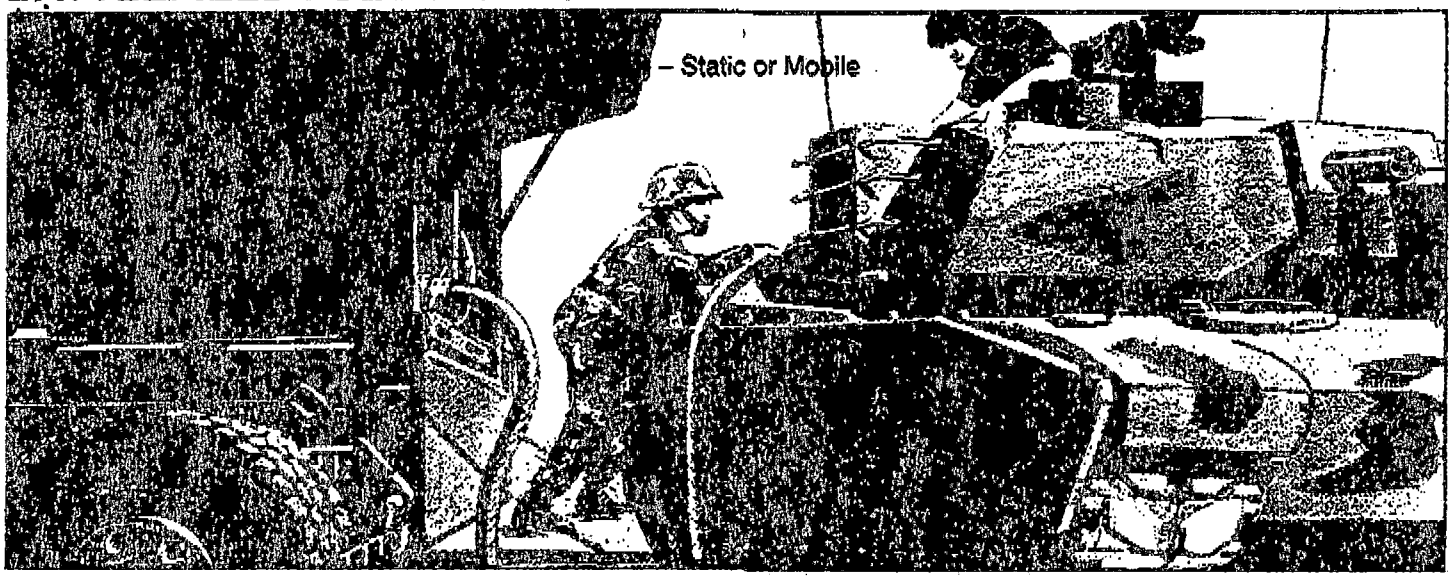
The Army that's making every dollar count gets 33 tons of flexibility with the truck that does it all.

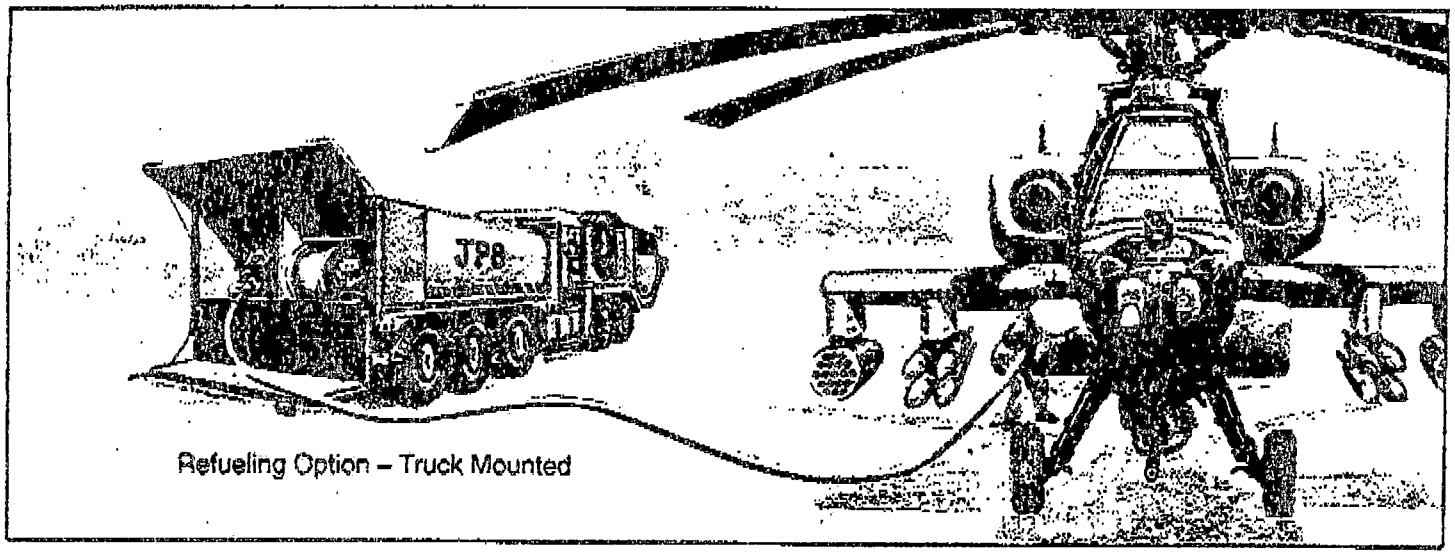
PLS The Army's Total Distribution System

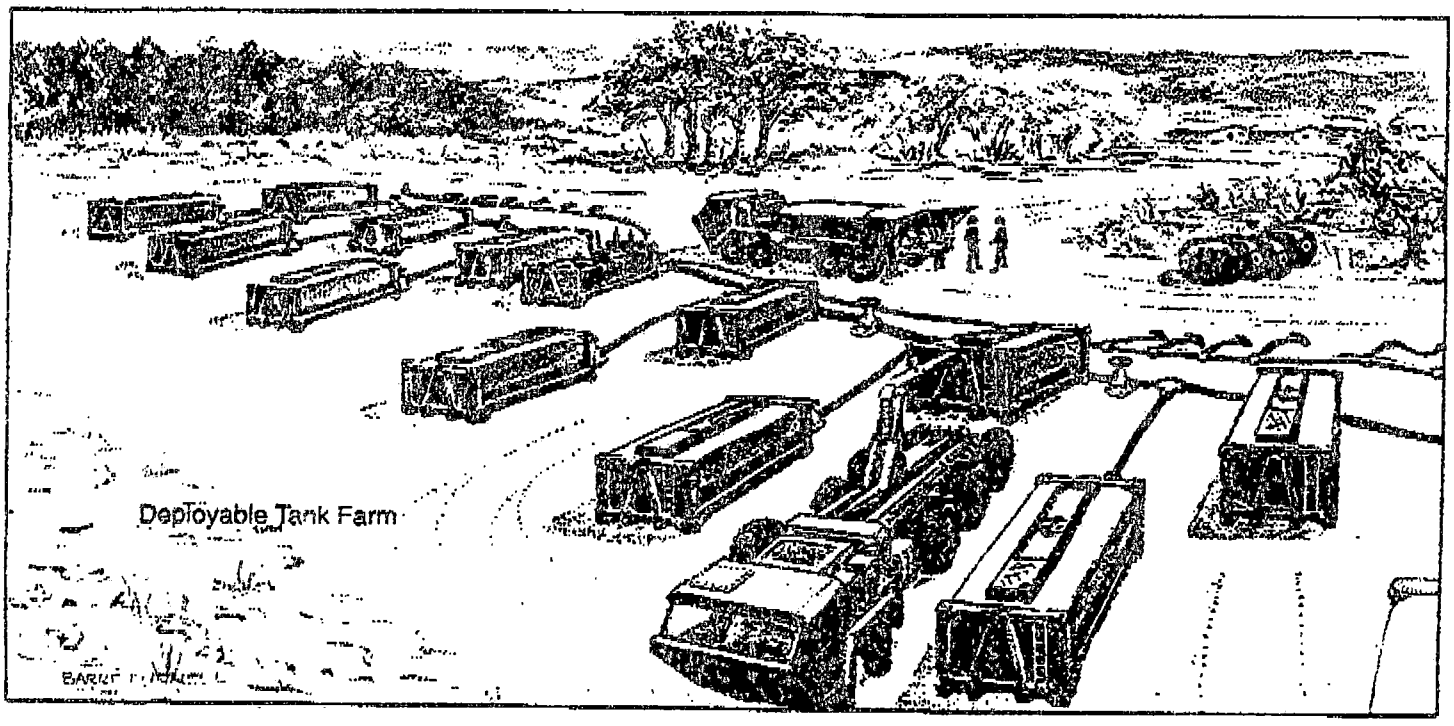


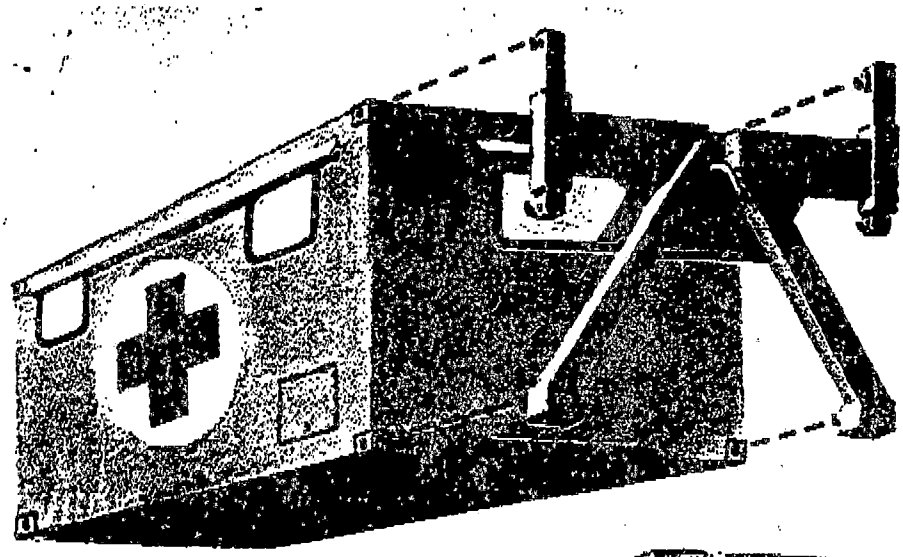
Patriot Lightweight Launcher

BATTLEFIELD FUEL DISTRIBUTION



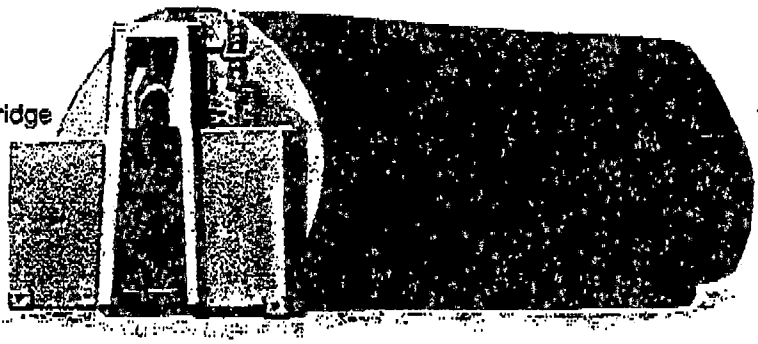


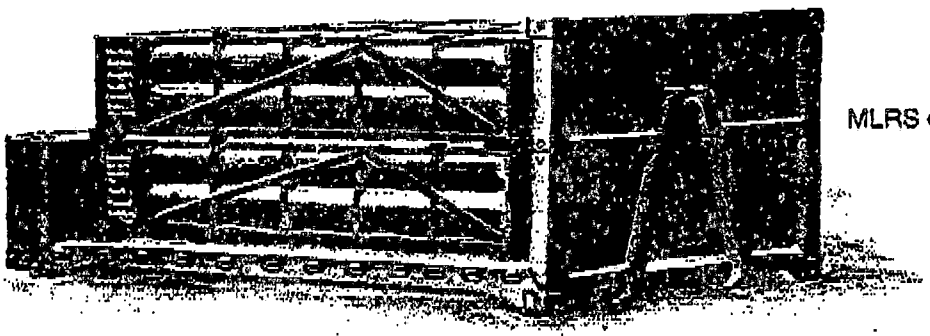




Depmed Shelter and H.I.K.

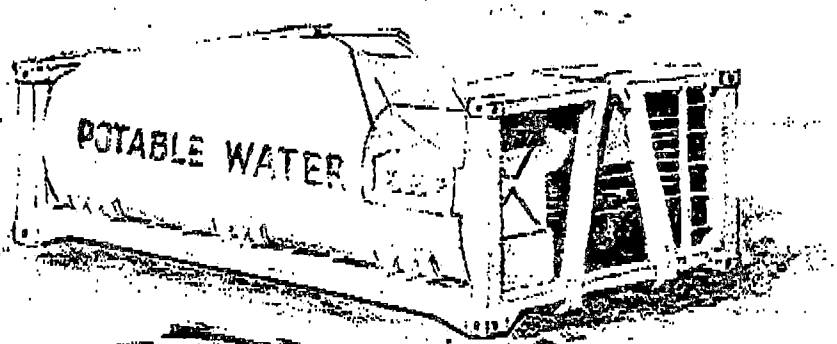
Improved Ribbon Bridge

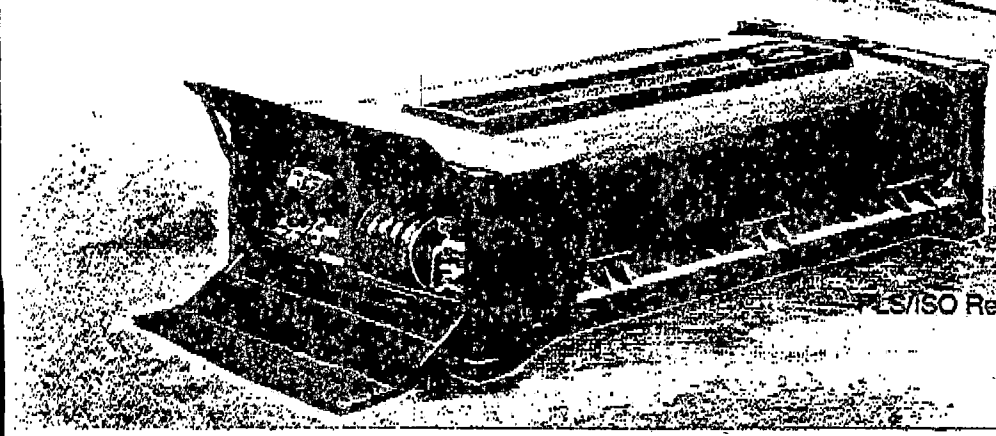




MLRS on Enhanced PLS/ISO Flatrack

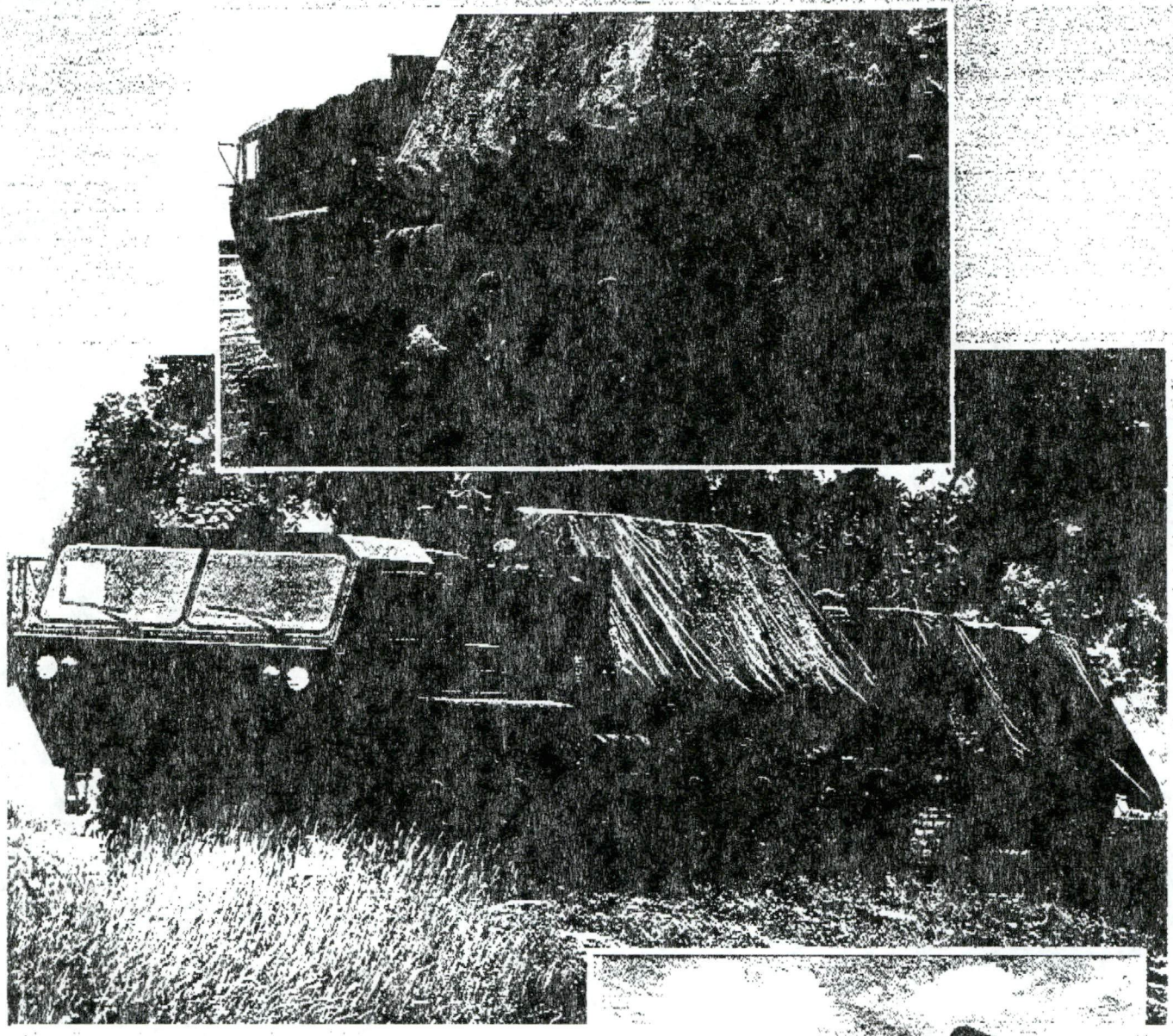
PLS/ISO Cooled Potable Water Tank – 3,500 Gallons





PLS/ISO Refueler Tank – 3,500 Gallons

One More Axle - Much More Truck



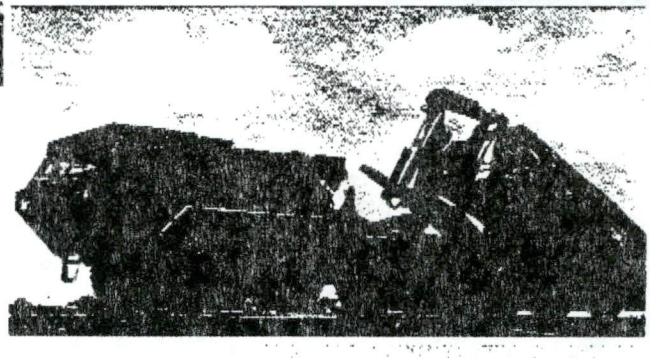
The Oshkosh five axle advantage delivers maximum Palletized Load System payload without sacrificing mobility.

Only Oshkosh offers five axles and ten wheel drive to assure delivery of critical supplies to the front lines — exactly where needed, when needed.

And the rear axle is steerable, providing excellent maneuverability and control to reach tough-to-get-to destinations, and once there, to load or accurately place pallets.

There's more. An extra axle means superior weight distribution and reduced power train stress. The result is greater dependability and longer life.

The Oshkosh truck is designed specifically for the PLS mission and built in the tradition of the HEMTT — the truck with over 93% field availability. The PLS will

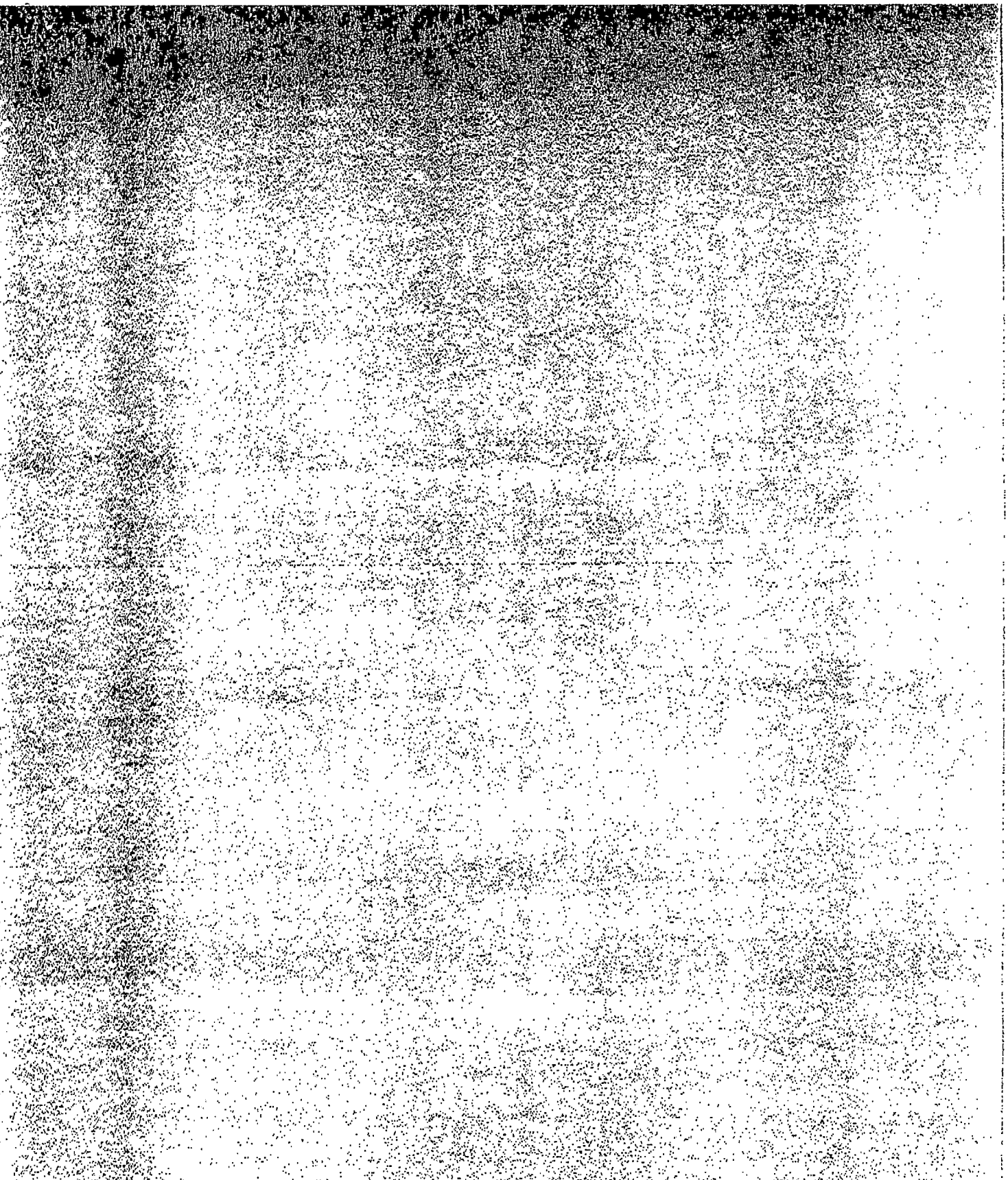


be built by the same people, and with much the same, proven HEMTT componentry.

The Oshkosh PLS advantage. More axles. More mobility and more delivered payload. The higher performing, best value PLS truck for the U.S. Army.

OSHKOSH

Oshkosh Truck Corporation
P.O. Box 2566, Oshkosh, WI USA 54903-2566
Telephone (414) 235-9150



Made from Recycled Paper

Oshkosh Truck Corporation
Post Office Box 2566, Oshkosh, WI, 54903-2566, U.S.A.
Telephone 414-235-9100, Telex 260197, TWX 910-263-1060.

Specifications, descriptions and illustrations in this literature are as accurate as known at the time of publication, but are subject to change without notice. Illustrations may include optional equipment and accessories and may not include all standard equipment.

OFFICE OF
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COVER PAGE

TO: Michelle Nix

FROM: ~~Andy~~ Garlikov

TOTAL NUMBER OF PAGES: 4
(including cover page)

DATE: 12 Mar

TIME: 1:35

MESSAGE:

If you need more info you know where to reach us

A

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TELEPHONE NUMBER: _____

Our Fax # is: 414-273-6856

Executive Summary
Steeltech Manufacturing, Inc.

Steeltech Mission

The Steeltech founders believe that it is possible to run a profitable company and to also meet a number of social needs. Accordingly, the Company was designed and is managed to be profitable; Steeltech has a social conscience without being a charitable organization.

As a minority owned and managed corporation, Steeltech is making a determined effort to provide not only basic jobs to minority groups but also to provide opportunity for ownership and wealth creation within the Black and Hispanic communities. Most management positions are being filled with qualified minority individuals with ample opportunity for growth and development.

Steeltech's plan is to locate in the inner city of Milwaukee and to draw the work force from the vicinity of the plant, located at 27th and North Avenue. It is not surprising that the skills required at Steeltech are not readily available in the area, so the Company has undertaken a major program of personnel selection and intensive training in a number of areas to enable the hiring of unemployed workers from the inner city.

The Company

Steeltech Manufacturing, Inc. is a development stage enterprise founded on May 15, 1990 with the intention that a majority of the Shares be owned by "minority" individuals as defined by the Small Business Act and the Federal Acquisition Regulations. The Company is a "small disadvantaged business concern", or SDBC, thereby qualifying for certain small and/or minority-owned business set-aside contracts and preferences.

The Company was founded to capitalize on two business opportunities: (1) the need for a cost effective producer of large steel weldments finished with a top quality corrosion-resistant paint system; and (2) the availability of government-mandated programs to assist SDBC's. The Company entered into a subcontract with Oshkosh Truck Corporation for 11,030 flatracks for $52 million as part of a Prime Contract the Department of Defense has with OTC. By the end of 1991 Steeltech will have produced 300 flatracks.

Ownership

The Company was founded by Frederick G. Luber, Chairman of the Board of Super Steel Products Corp. and George H. Johnson and Lorenzo N. Alexander, both welding "lead men" at Super Steel. G. David Guerrero, an experienced entrepreneur, was appointed President and CEO.

Upon completion of a private placement currently being offered by the Company, approximately 60% of the company's shares will be owned by "minority" individuals. The remaining shares in the approximate amount of 40% will be held by various corporate and institutional investors.

Business

Steeltech will bring two major products to the market: welding and fabrication capabilities, and E-Coat painting. Extensive capital investments in state-of-the-art equipment will allow the Company to provide these specific services to the marketplace.

Welding And Fabrication. Steeltech plans to invest large amounts of capital in welding and fabrication equipment. The Company will market its welding and fabrication capabilities to procure contracts requiring large volumes of medium-sized products of moderate welding and fabrication complexity. Such contracts also require exacting quality and painting standards.

E-Coat Painting. The Company's E-coat paint line will be leased. It will represent a large capital investment in equipment and will provide the Company with a more defined market niche because of the technology available and the fact that it is environmentally sound. It would be the largest non-dedicated E-Coat paint line in the country. it is also the first to meet the specifications for new military contracts.

The term "E-Coat" describes the process in which paint is applied to a weldment, which is negatively charged, while the primer is positively charged. The E-Coat process is superior to conventional spray or simple dipping processes in that the primer fills all small openings, blind pockets and open holes while controlling the thickness of the primer coat. It provides superior corrosion protection, and the military has recently introduced a new specification (Mil-P-53084) which requires the E-Coat process in all new work.

The Company plans to actively market its ability to fabricate and paint products as a combined service, and to solicit business for the E-Coat paint line as a stand-alone service. The benefits to the customer are:

* Avoidance of extensive capital investment in painting equipment
* Environment Protection Agency and Department of Natural Resources controls are handled by Steeltech
* Disposal waste expenses are avoided
* Steeltech is cost effective

Steeltech Labor Force

Steeltech currently employs ~~39~~ 50 people in the shop ~~and 15~~ (20 in support staff.) Most welders are recent graduates of the training program at MATC. This formal, intensive training program is later supplemented by on the job training over a period of several weeks.

Steeltech engaged the assistance of the Wisconsin Job Service to help select candidates for 6 weeks of intensive training in welding at MATC. The candidates were to be from the inner city, unemployed minority individuals willing to commit to four principles:

- A commitment to self improvement
- A commitment to be on time, everyday
- A commitment to be drug free (we test)
- A commitment to produce quality products

Steeltech chose to ignore the traditional selection criteria of previous job history (or lack of it), and concentrated on people willing to make a better life for themselves from now on. It has worked. Attendance is excellent, motivation is high and people understand the importance of meeting the Company's goals. They associate their future with Steeltech's future.

Many, if not all of the graduates from the intensive training program, were considered unemployable before, had been out of work for a long time and very likely their self esteem was low. Today they are confident in themselves, they have reached a number of milestones, have welding certificates approved by the American Welding Society, have been earning a steady paycheck, have already experienced a 25% pay increase and have a full medical coverage plan for themselves and their families. They understand the team concept. They help each other. They care for each other. They look out for and monitor each other.

Steeltech management understands that a social conscience is also good business. Equipment alone is not enough. They need good people. They need loyal, dedicated, highly trained individuals that can function well as a team. The employees need a decent wage they and their families can live with. The Company's needs and the employees' needs are being met. This is truly a win-win arrangement. This is good business!

OFFICE OF
PRESIDENTIAL ADVANCE

COVER PAGE

TO: Michelle Nix

FROM: Leah Fiscus

TOTAL NUMBER OF PAGES: 5
(including cover page)

DATE: 3-12-92

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MESSAGE:

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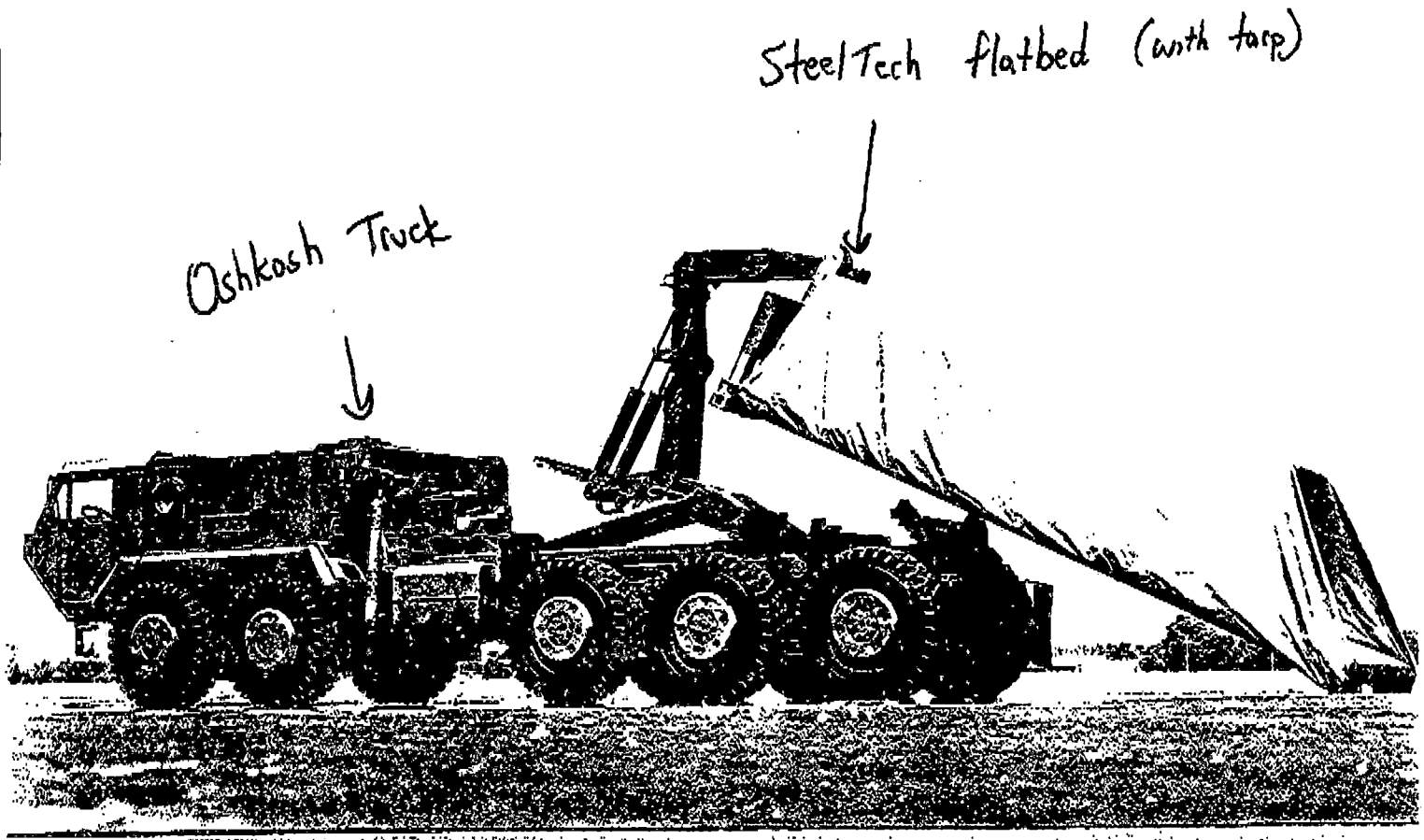
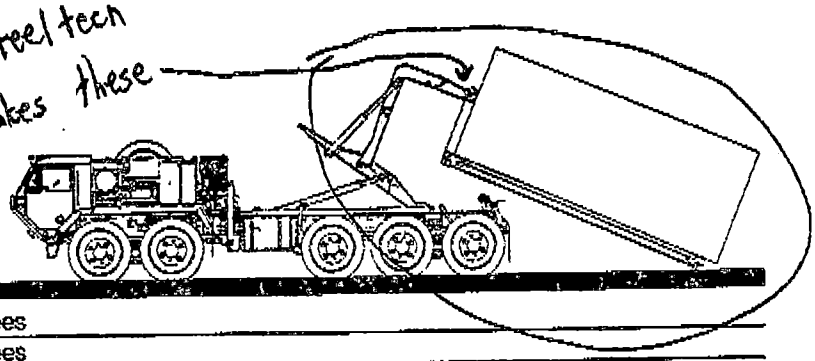
A Good Thing Gets A Lot Better



Palletized Load System Potential Applications

OSHKOSH

steel tech makes these



OSHKOSH TRUCK CORPORATION PALLETIZED LOAD SYSTEM (PLS) SPECIFICATIONS

Angle Of Approach	42 Degrees
Angle Of Departure	62 Degrees
Axle Configuration	10 X 10 (5-Axles) Full Time All Wheel Drive (1,2,5 Steering)
Axles	Rockwell Model SVI 5MR/Planetary Hub Reduction/Diff Lock
Brakes	Rockwell Wedge Drum Brakes
Cab Seating	2 Man
Central Tire Inflation System	CTIS Has 4 Preset Selections — Highway, Cross Country, Mud-Sand-Snow and Emergency
Crane	Grove, 3,900 lbs. (1,769 kg) at 22.5 ft. (12.1 m)
Cruising Range (GCW Road)	336 mi. (540.7 km)
Deck Height (Truck)	68 in. (1,727 mm) — Fully Loaded — GVW
Dimensions (Trailer)	289"L (7,340 mm) (Retracted) 327"L (8,306 mm) (Extended) x 96"W (2,438 mm) x 63"H (1,600 mm) (Loaded)
Dimensions (Truck — w/o Flatrack)	431"L (10,947 mm) x 96"W (2,438 mm) x 113.6"H (2,885 mm)
Dimensions (Truck/Trailer Combination)	707.8"L (17,978 mm) (Retracted) 745.8"L (18,943 mm) (Extended) x 96"W (2,438 mm) x 113.6"H (2,885 mm)
Engine	DDC Model 8V92TA 500 hp, 12.1 Liter, DDECII (Peak Torque 1,470 ft. lbs. at 1,200 rpm)
Flatrack Weight	3,100 lbs. (1,407 kg) Unloaded, Load Capacity 33,000 lbs. (14,969 kg)
Fording	48 in. (1,219 mm)
Frame	Straight Framerail
Fuel Capacity	100 Gallons (378.6 l)
Gross Combination Weight (GCW)	136,970 lbs. (62,135 kg) Truck and Trailer Fully Loaded With All Kits, Basic Issue Items and Crew
Gross Vehicle Weight (GVW)	86,595 lbs. (39,290 kg) With All Kits, Basic Issue Items, and Crew
Ground Clearance (Under Axle Bowl)	15.5 in. (394 mm)
Load Handling System	Multilift, Mark V
Maximum Speed (GCW Road)	55 mph (90.1 km/h)
Number of Tires	10 +1 Spare
Payload	Truck and Trailer Each 33,000 lbs. (14,969 kg)
Steering	3 Axle Steering (Front Tandem Plus Rear Axle Steering)
Suspension, Front Tandem	Hendrickson RT-340, Walking Beam
Suspension, Rear Tridem,	Hendrickson RT-400, Walking Beam (4,5) Hendrickson-Turner, Air Ride (3)
Tires	16.00R20 XZLT Compatible with 24R21 Widebase
Track	75.8 in. (1,925 mm)
Trailer	3 Axle, 33,000 lbs. (14,969 kg) capacity, Off-Road Duty, Telescoping Drawbar
Trailer Curb Weight (VCW)	17,375 lbs. (7,882 kg) (With Kits and Flatrack)
Transfer Case	Oshkosh 55000 Series - 2 Speed - 30/70 Diff w/Lock
Transmission	Allison CLT-755 ATEC w/Torque Converter/5 Speed Forward Automatic/1 Speed Reverse
Air Transportability	C5A and C17 aircraft, C130 (w/o Crane) and C141 with preparation.
Truck Curb Weight w/Crane	53,595 lbs. (24,131 kg) (Includes Flatrack)
Truck Curb Weight w/o Crane	48,845 lbs. (21,992 kg) (Includes Flatrack)
Turning Circle (Wall to Wall)	96 ft. (29.3 m)
Wheelbase	224.6 in. (5,705 mm)
Wheels	20 x 10.00 Rim Disk Type (2 Piece Bolt Together)

Specifications, descriptions and illustrations in this literature are as accurate as known at the time of publication, but are subject to change without notice. Illustrations may include optional equipment and accessories and may not include all standard equipment.

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Oshkosh Truck Corporation
POST OFFICE BOX 2566
OSHKOSH, WISCONSIN 54903, U.S.A.
414-235-9150

STEELTECH MANUFACTURING INC.
Milwaukee, Wisconsin

I. The Company.

Steeltech is a start-up Small Disadvantaged Business Concern, organized, developed and financed through extraordinary efforts of the public and private sectors. The company produces high quality, large steel weldments, designed for use in military heavy truck and commercial transportation applications. It's employees, the predominant number of which are residents of the economically depressed Inner City neighborhood surrounding the company's planned manufacturing facility, include many who were previously unskilled and unemployed residents of the City of Milwaukee.

II. Company Organization and Support.

The company has been described as a model for public-private cooperation in the formation of minority-owned businesses. The company is unusual in a number of respects including the following:

1. State-of-the-Art Manufacturing Start-Up. Steeltech is a start-up company requiring funding of approximately $30,000,000 in order to obtain a state-of-the-art manufacturing plant and automated Electro-deposition ("E-Coat") painting line. The E-Coat painting line is understood to be the largest in the United States, and is essential for corrosion resistent painting of large steel frames, containers and other weldments, which meet or exceed new U.S. Department of Defense requirements, and emerging (International) product quality requirements.

2. New Inner City Plant and Employment. The Company is building a new manufacturing facility on vacant land in the economically depressed Inner City of Milwaukee and will recruit the majority of its employees from the unemployed population surrounding the plant. Most of its present employees are certified welders who recently obtained such certification through graduation from special training programs provided by local educational institutions. Virtually all of the welders employed by Steeltech were unemployed (some, long-term unemployed), and unskilled, prior to the training provided.

3. Public and Private Sector Cooperation. An unusual level of public and private sector cooperation and support of this start up venture was involved. For example: the City and Counties of Milwaukee made vacant Inner City land available on favorable terms; State and City governmental authorities and agencies provided application assistance, grants and other funding; the HUD awarded an Urban Development Action Grant (UDAG); the City of Milwaukee provided a bond issue to help finance the venture; a consortium of local banks are providing financing for the company, and for the minority owners' 60% ownership investment; and non-minority investors have committed to invest $800,000.00 for 40% of the stock of the company, and to invest approximately $3,000,000.00 in deeply subordinated and unsecured debentures.

4. SBA Qualification. In light of the unique size, financial requirements and other characteristics of this start-up company, advice was sought from the United State Small Business Administration ("SBA") on the efficacy of the structure, organization and operation of the Company. Contrary to Best Practice, the SBA General Counsel's office provided the [illegible] finding the company to

qualify as a Small Disadvantaged Business Concern under the Department of Defense and Small Business Administration rules and regulations.

5. High Level of Local Public and Media Attention. The company has experienced an unusual level of local media attention. The Company and its training program have been the subject of special newspaper coverage.

6. Bi-Partisan Support. The efforts of the Company to obtain government grants and other financing are supported by elected and appointed officials from both political parties, including Governor Thompson (R) and Milwaukee Mayor Norquist (D).

7. Utilizing Federal Government Contract - Provided Opportunities. Major government contractors and subcontractors (e.g., Oshkosh Truck Corporation and Super Steel Products Corp.) became early supporters of the Company, and will invest in the Company. Oshkosh Truck Corporation awarded a $50,000,000.00 military subcontract to Steeltech to fabricate and paint large steel "flatracks" to be used as a part of the Palletized Loading System (PLS) heavy truck produced by Oshkosh Truck Corporation for the U.S. Military. Steeltech has independently produced a prototype modified flatrack assembly for General Electric Corporation, and has actively sought additional business from U.S. government departments and agencies, as well as private industry.

III. Heads-Up.

First, although the Company has succeeded in obtaining the HUD UDAG, City bonding, and commitments from Banks and most of the required corporate and individual investors, all of the final documentation and the lease and private placement of its stock has not been completed. The Company is confident that all necessary documents and arrangements will be completed, and all necessary commitments will be obtained soon. We will monitor this for you.

Second, Steeltech may begin a short-term shut down, entailing temporary employee lay-offs, in order to upgrade and retool. We will monitor this for you.

* * * * * * * * * * * * * * * * * *

Supporting material is provided herewith, including a sampling of local newspaper articles, Request for Opinion submitted to the Small Business Administration, the Small Business Administration General Counsel Opinion, the Private Placement Memorandum, and a sampling of the company's marketing materials.

Some poop on Steeltech

They'll celebrate their 2nd anniversary in May. In the fall, they'll move to their new plant, located in the inner city of Milwaukee.

Super Steel has been their mentor and Oshkosh has been their number one customer. Fred Luber, CEO, and Roger Pierce, President, of Super Steel and Gene Goodson, CEO of Oshkosh should be mentioned.

Jan Crosby, Director of Human Resources for Steeltech, will introduce the President.

POTUS is scheduled to speak at 11:05. He will address approximately 250 employees -- about 75 of Steeltech, 25 from Super Steel, and 150 guests. Governor Thompson and Sen. Kasten are expected to be there.

David Guerrero, Steeltech's CEO and President, will take the POTUS on a walking tour of the plant facilities.

Last year, the company did $1.8 million in sales; this year they expect $10 million in sales.

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The Associated Press

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February 24, 1992, Monday, AM cycle

SECTION: Business News

LENGTH: 577 words

HEADLINE: Manufacturer, Employees See Opportunity in Crime-Ridden City

BYLINE: By JAMES A. CARLSON, Associated Press Writer

DATELINE: MILWAUKEE

KEYWORD: Steeltech

BODY:

Roslyn Ollie, a single mother of three trying to get off welfare, never expected to find a good job right in her own neighborhood, where gangs and drug deals are commonplace and unemployment is nearly 20 percent.

But Ms. Ollie is among about 75 employees at Steeltech Manufacturing Inc., a minority-controlled company building a plant in inner-city Milwaukee.

"My hope is the others will realize there is a resource there," said C. David Guerrero, Steeltech president and chief executive officer. "There are good people there. Forget about the past. Give them some training. They're eager for it."

"I hope it brings many jobs to the area," Ms. Ollie said, "and I hope law enforcement will pick up around there. I see things that go on that I'm kind of weary of, especially since I work the second shift."

"I've seen drug sales around my house," she said. "I try to keep my kids away from that kind of situation."

Milwaukee's minorities, living primarily in the central city, had an estimated unemployment rate of 17.5 percent in 1990, compared with the white jobless rate of 2.8 percent, according to U.S. Bureau of Labor statistics.

Ms. Ollie says many inner-city residents don't have transportation and had trouble finding jobs as businesses expanded on the city's outskirts and in the suburbs.

"I really felt that I would have to travel," she said. "I really don't know the outskirts of Milwaukee too well, so it would have been harder for me. A lot of people I know don't have transportation to get out to the outskirts to find jobs."

Ms. Ollie, 27, said she had worked as a nurse's assistant but the $ 4 an hour wasn't enough to pay rent and support her children.

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She spent eight months unemployed and on welfare before joining the Steeltech welder's training program almost a year ago. She's now a certified welder. Guerrero says the hourly wage in the factory averages $ 8.60 and ranges to $ 14.

With the help of a $ 1.4 million Housing and Urban Development grant, Steeltech put together a $ 29 million package to build a new factory that's expected to open this fall. Meantime, it operates at a temporary plant.

Steeltech started work last year on a four-year, $ 50 million contract as supplier of heavy duty cargo hoists for Oshkosh Truck Co. of Oshkosh, a major producer of military trucks used in the Persian Gulf War.

Guerrero said he expects the equipment to stay in demand despite Pentagon budget cuts, and that engineers are working on possible civilian markets.

The plant also will offer an industrial painting line capable of handling such products as oceangoing shipping containers. It uses an immersion process with water-based paint that cuts waste and pollution and provides better coverage than spray painting, Guerrero said.

And Steeltech's minority status puts it in line for for lucrative government contracts, such as the Oshkosh deal, he said.

Forty percent of the company is owned by other corporations, including Oshkosh Truck. The rest is owned by eight blacks and Hispanics, including Guerrero.

The setup has drawn criticism from Alderman Michael McGee, who contends Steeltech amounts to a minority front - an operation dominated by white interests but made to appear as if minorities control it.

Another inner-city alderman, Marvin Pratt, said creating as many as 200 jobs overshadows any questions about Steeltech's minority status.

"If you say the bottom line is job creation, I support it," Pratt said.

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Los Angeles Times

January 7, 1992, Tuesday, Home Edition

SECTION: Calendar; Part F; Page 9; Column 1; Entertainment Desk

LENGTH: 352 words

HEADLINE: TV REVIEW;
'MOYERS: MINIMUM WAGES' CUTS THROUGH RHETORIC

BYLINE: By ROBERT KOEHLER, SPECIAL TO THE TIMES

BODY:

Jobs, jobs, jobs.

Already, this is the mantra of the '92 presidential campaign. It's the linchpin phrase behind President Bush's current tour through the Asian capitalist powerhouses of Japan, South Korea and Singapore. But, as usual for campaign rhetoric, it's an empty phrase -- if we accept the Milwaukee we're presented with in "Moyers: Minimum Wages" (at 10 tonight on KCET Channel 28).

If the United States has entered the post-industrial world with a vengeance, then Milwaukee, once a symbol of honest work, big smokestacks and rich beer, is having a major identity crisis. For this hour at least, Bill Moyers has the city stand in for the rest of the country.

At first glance, though, Milwaukee doesn't appear to be going through an economic crisis. In the past decade, it created more jobs than it lost, unemployment dropped and in the wake of plant closings have come new high-tech companies. What's the problem?

Plenty. During this same decade, according to analysts interviewed by Moyers, the city's per capita income has dropped along with the unemployment rate, while 85,000 manufacturing jobs in the state vanished. Now, there's the typical sight of 20,000 people competing for 200 job openings -- when they occur.

Those are the jobs that might pay something close to what a good Milwaukee union worker used to earn: $15-$20 an hour. But most available work today pays a sad fraction of that, and it's this insidious difference that Moyers says is creating "a silent Depression" in Milwaukee, and the country.

Moyers effectively demonstrates that two oft-touted solutions -- retraining and minority-owned businesses (especially needed in the inner city) -- aren't exactly the rose gardens promised. The Milwaukee Training College is turning out graduates, but there are currently 60,000 vying for some 8,000 low-paying jobs. Minority-owned Steeltech Manufacturing Inc. is hiring, but only up to 100, and with a starting wage of $5.50.

This seems to be the reality of the new "working poor," and Moyers' documentary goes beyond the rhetoric we'll be hearing in the coming months.

GRAPHIC: Photo, Jackie, Claude and their five children struggle to maintain house and car payments in Milwaukee on "Moyers: Minimum Wages." ; Photo, HARD

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1992 Los Angeles Times, January 7, 1992

TIMES: In tonight's "Moyers: Minimum Wages," Bill Moyers cuts through the rhetoric we're hearing in the presidential campaign to reveal a post-industrial Milwaukee mired in a "silent Depression" in which jobs are scarce, wages are paltry and families -- such as the mother and daughter who sell cosmetics door to door, above -- struggle to make ends meet.

TYPE: Television Review

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January 6, 1992

SECTION: Vol 9; No 13; Sec 1; pg 8

LENGTH: 1001 words

HEADLINE: Manufacturing Seen as Key to City's Revitalization

BYLINE: Rich Kirchen

DATELINE: Milwaukee; WI; US

BODY:

When asked to participate in the Milwaukee Industrial Retention and Expansion Project, Robert Milbourne was skeptical.

Did Milwaukee, after all, need another study focusing on the city's problems--especially when most other studies never went beyond the recommendation stage?

"I was afraid this was going to be just another study," said Milbourne, executive director of the Greater Milwaukee Committee. "...Many of our problems in Milwaukee have been studied to death."

But so far Milbourne and others are impressed with the project, an initiative of Mayor John Norquist's office and a grassroots community development group to revitalize the city's shrinking industrial core.

The Milwaukee Industrial Retention and Expansion Project is different, in several ways, than the multitude of studies that have been conducted over the past 10 years. Participants in the project will make recommendations in early March, but plan to continue pushing their agenda as a forum for improving Milwaukee's manufacturing competitiveness and, they hope, the central city's unemployment woes.

Milwaukee has lost 50,000 manufacturing jobs since 1979, said Michael Rosen, who serves as chairman of the economics department at Milwaukee Area Technical College and was hired to coordinate the project. During that time, city government and economic planners focused on improving the city's status in the tourism, downtown development and service sectors but never took a comprehensive look at Milwaukee's economic foundation--manufacturing--Rosen and others said.

"Quite frankly, I think that as the community has lost manufacturing jobs...we have seen a tremendous explosion in social problems," Rosen said.

The causes of Milwaukee's social and crime problems are more complex than the loss of manufacturing jobs, Rosen acknowledged. But he said manufacturing, and the development of family-supporting jobs, must be central to any economic development strategy for the city.

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The project took root at Eshac Inc., a community development group in the Riverwest area on Milwaukee's near east side that was exploring ways to bolster industrial development and retention in its area. Eshac officials realized many of the challenges faced by its neighborhood were citywide in scope and required citywide solutions, said executive director Karen Royster.

Eshac approached Norquist's office, which agreed to pursue a strategic plan for manufacturing jobs, said Leo Ries, program director for the city's Community Development Block Grant division.

The $ 40,000 project is being funded by $ 10,000 in city block grants, $ 10,000 from The Milwaukee Foundation, and $ 10,000 each in wages and in-kind services from Eshac and Wisconsin Electric Power Co., Ries said. Eshac is paying Rosen's salary.

The city also hired a consultant for the project: Willie Roe, an economic development specialist from Glasgow, Scotland, who had visited Milwaukee previously and has experience in working with European cities on similar issues.

Although this project retains a part-time consultant and part-time coordinator, the guts of it is the volunteer participants from government, neighborhood development groups, colleges and universities, and the private sector, including manufacturers themselves. The idea is for participants to assume ownership in planning the project and seeing its goals carried out, Rosen said.

The coalition of groups and individuals involved is broad-based.

Rosen's background is that of a laid-off American Motors Corp. production worker who has been involved in union and social justice causes since the early 1980s, all the while working on his post-baccalaureate education. Rosen, 43, lives in the Riverwest neighborhood.

Among the neighborhood development and social service organizations involved in the project are Eshac, Northwest Side Community Development Corp. and the Harambee Ombudsman Project. Also represented are banks, all the city's major colleges and universities, and small and large manufacturers.

Rosen started the project last summer by interviewing nearly 30 Milwaukee manufacturers on the obstacles they saw to the success of their businesses. He then invited representatives of the various entities to participate in focus groups on six of the most-mentioned obstacles:

* Security. In other words, crime near and around plants.

* Regulatory inefficiency. This ranges from complaints about the city building inspection department to dealing with environmental regulations.

* Financial gaps. The oft-heard concern that small and medium-size manufacturers have difficulty securing financing for expansion and capital acquisition.

* Labor force problems. A key issue related to better training Milwaukee's labor pool for both current and future manufacturing technology.

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* Technology gaps. How to move small and medium-size companies into innovative product development and manufacturing process programs.

* And middle-distance issues. Long-term economic growth through developing international markets and developing products for the emerging "green" market.

So far, most of the project participants remain enthusiastic and are continuing to work together. One key to the project's success will be maintaining the unique coalition from the grass roots on up to the city government and business leaders, several sources said.

"It's going to take the same kind of attitude as Steeltech (Manufacturing Inc.)," said Thomas Davis, dean of the faculty and senior vice president of academics at the Milwaukee School of Engineering.

Another key, said several participants, will be sticking with the project's thesis of building the city's manufacturing development incrementally by networking existing resources rather than seeking the big bang of outside development.

"It's not a grand plan that will solve all our problems," Ries said. "We've identified a few obstacles, policies and programs that, if implemented, could nudge the manufacturing sector in a positive direction."

GRAPHIC: Photo

SUBJECT: Manufacturers; Industrial development; Studies; North Central

GEOGRAPHIC: North Central Region; Milwaukee; WI; US

LOAD-DATE-MDC: February 4, 1992

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December 23, 1991

SECTION: Vol 9; No 11; Sec 2; pg 4

LENGTH: 2322 words

HEADLINE: Milwaukee's Development Zones Score Some Successes, Despite Squabbles

BYLINE: Robert Mullins

DATELINE: Milwaukee; WI; US

BODY:

The lights of the Popeye's Famous Fried Chicken & Biscuits outlet at 2399 W. North Ave. seem almost an oasis in the desert of blight on Milwaukee's north side.

The restaurant faces vacant lots across the street on what was going to be the Park West Freeway. Unlike other Popeye's locations in Milwaukee, this one features an armed guard and bullet-resistant glass at the drive-up window.

But like the area's other Popeye's restaurants, John Broderson, the Popeye's franchisee in Milwaukee, thinks the location is going to be successful, thanks in part to the city of Milwaukee's development zone program for revitalizing depressed parts of the city and creating jobs.

"The inner city...if somebody doesn't step in...I would say 10 or 20 years from now, we're looking at another Detroit," Broderson said. "Eventually, you're going to have to deal with it. There's a ton of people here who need work."

With similar endorsements from other business owners, the city is calling the 2-year-old development zone program a success.

"If you're going to have a neighborhood that's healthy, it has to be a producing neighborhood and a consuming neighborhood, and this (program) helps us," said Michael Brodd, neighborhood development manager with Milwaukee's Department of City Development.

The program provides tax credits for business owners willing to locate in one of three designated development zones: the North 30th Street corridor, the area along North Dr. Martin Luther King Jr. Drive and the Walker's Point area.

Employers apply to the state for the credits, which can be earned for wages paid, sales tax paid for equipment and supplies, investments in new construction, research and development and new depreciable personal property.

A status report issued earlier this month by Mayor John Norquist's office showed that so far the program has generated $ 16.7 million in investments within the zones and has created 766 new jobs, 537 of which qualified employers for the wage tax credit.

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"We're working with 40 companies in two years in some neighborhoods that a lot of people would think you could not get anybody to be interested in," Brodd said.

Unwilling employers, willing workers

There aren't many employers willing to go into such neighborhoods, Broderson said. But in an area like the North 30th Street corridor, where the population density of 15,000 to 30,000 people per square mile is the highest in Wisconsin, plenty of potential employees are already there.

At first, Al Copeland Enterprises Inc., the New Orleans company that franchises Popeye's outlets nationwide, refused to let Broderson open a restaurant with the Popeye's name on it in such an impoverished and crime-ridden area, he said.

With virtually no other commercial development in the area, and income of residents too low, Broderson said the corporation's real estate expert nixed the deal.

"I said, 'I've got this state (tax credit) program,' but he said 'No,"' Broderson recalled.

After an appeal, the company let him have the franchise. Broderson said sales at the 24th and North location are "right in the middle," compared to three Popeye's restaurants he operates in Milwaukee and a fourth in Racine.

"I wanted to be in the area regardless of the development zone," Broderson said.

But it's clear the zone program is a bonus to his business.

The most popular of the tax credits employers can get under the program is for 40 percent of the wages, up to $ 6,000 per year, that they pay to certified employees. To be certified, an employee must live within a designated area and fit the rules' definition for being chronically unemployed.

In the case of Popeye's, Broderson said he uses his credits to pay employee wages which, at $ 6 an hour, are higher than those of his other restaurants. A 40 percent credit, he figured, reduces his actual cash outlay for that $ 6 an hour wage to $ 3.60 an hour.

"I have no problem at all (hiring workers)," Broderson said. "We have people waiting in line for jobs."

0-for-4

Not so for some other development zone employers.

While the wage credit is the most popular among employers, critics say the red tape and headaches of hiring under the program are not always worth the effort.

"The program is too bureaucratic. It's lost its intent," said Kenneth Wanek, president of DataTrac Corp., an information processing firm located in the

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Walker's Point development zone. "The administrative process is extremely cumbersome, to the point where DataTrac is forced to compromise its business practices."

Of DataTrac's 25 employees, only four have been hired and certified to qualify for the credit. None of those four is currently on the payroll.

"We've had four come in and seen four go out," Wanek said. "It tells me that the program isn't succeeding."

Wanek blamed state officials, not the city of Milwaukee, for the program's problems. He claimed the state drags its feet on approving the tax credits, effectively discouraging participation.

Other employers located in development zones agreed.

"We've had a lot of problems going through the certification process...to determine whether (workers) qualify (for the wage credit)," said Pamela Von Haden, president and owner of PVH Inc., also located in the Walker's Point zone at 1418 W. St. Paul Ave.

PVH operates The Daily Deli, which stocks vending machines and does some office catering. The firm has had trouble finding drivers who qualified for the wage credit and could do the job reliably, Von Haden said.

"One guy on welfare complained because he was getting too many hours because it would affect the amount he got from welfare," she said. "I thought he should be asking to work 80 hours. We let him go."

To get the wage credits, PVH officials had to verify information like the age, residence, and length of time unemployed for each prospective employee.

"I think the goal of the program is good, but (the city) should evaluate how they can expedite this thing," Von Haden said. "We want to use the program, but when you can't bring the candidate on board (because of red tape), sometimes they can't wait."

Delays and other bad advertising

Employers critical of the Job Service bureaucracy have the sympathy of DCD's Brodd.

Job Service is only equipped, Brodd said, to act as the agency that certifies the employees who meet the criteria--not as the agency that finds potential workers.

For instance, if an employer like PVH goes looking for a truck driver, Job Service gives the employer the names of the best-qualified drivers it has on file, not necessarily the drivers who qualify for the wage credit. Instead, Brodd advises employers to go to community organizations in the central city or other sources for people who are in the target group and are willing to work.

But even if they can find the right workers, some employers complain of having trouble getting other credits approved by the state Department of Development.

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An executive at one company, who asked to remain anonymous, said the state delayed approval of a credit for purchase of a new computer for six months, only to eventually disallow it.

"I felt that was really bad advertising for the program," the employer said.

Business owners paralyzed by paperwork have a source of support in Norquist, who was a state senator when the legislation creating the development zone program was passed.

"I was one who felt that if the law was going to be effective...I preferred not having all those requirements," Norquist said in an interview. "We ought to look at which paperwork requirements are necessary."

Norquist said he couldn't discount criticisms that the development zone program may be taking credit for jobs that would have been created in the city anyway.

"There's no way to be sure that it wouldn't have happened anyway," he said. "I'd like to think that it would have happened anyway."

Readily available room to grow

However, the program was designed to prevent employers from claiming the tax credits unfairly, Brodd said. Tax credits only go to those companies already inclined to move into the zones, not those moving into the zones to take advantage of the credits.

"The company was in a situation where it had to move," Brodd said, citing a hypothetical example. "They weren't happy where they were and it wasn't like they were sitting and looking around saying, 'Gee, if I go there, I can get tax credits for doing exactly the same thing that I'm doing here.'

"There has to be a reason (besides the credits) why they're putting everything in their truck."

Lack of space was the reason Steve Balistreri, president of Sun Cleaning Systems Inc., moved from a cramped 900-square-foot facility in Glendale to a new 4,200-square-foot facility at 2200 S. Austin St., in the Walker's Point zone.

He chose the south side location for his commercial janitorial service because of an ample labor pool and because the rent was cheaper than on the city's east side, Balistreri said. It wasn't until after he moved in that he found out about the development zone program.

In addition to certifying 15 of his 130 employees for the wage credit (he's pledged to hire up to 35 certified workers), Balistreri also applied for and received a $ 15,000 loan from Milwaukee Economic Development Corp. for remodeling.

"Now we've turned it into a real nice facility," Balistreri said. "It's a real nice situation (and) a real nice facility to grow."

Although Balistreri has had trouble finding employees who are both qualified for the work and qualified for the credit, he reported no more difficulty than

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usual for a small-business owner dealing with bureaucracy.

"I'd recommend (the program) to anybody," he said. "If I had to do it all over again, I'd still do it."

Weaving a statement in silk

Similar enthusiasm comes from another Walker's Point employer, Silk For Life Inc., 218 S. Second St.

"We were a new company and I didn't know jack" about business, said Nancy Siewert, the firm's production and sales manager.

Silk for Life, which Siewert described as a "very rain forest correct" enterprise, urges Colombian farmers to grow silk instead of coca plants, from which cocaine is derived, with the promise that the silk will be weaved into clothing products sold in the United States.

At the firm's new plant on South Second Street, six Hmong women working in a 2,000-square-foot production facility on the second floor, weaving silk into scarves which are sold in a 2,000-square-foot outlet store on the first floor.

"The biggest value (of the Walker's Point location) is that it is convenient, accessible by bus lines and the freeway," Siewert said. "There's parking for employees, and we see that area as being safe."

The Walker's Point address also helps when Silk For Life applies for grants from community organizations or foundations, Siewert said. With the tax credits and foundation grants, the business provides employment and an economic stimulus to the area, she said.

"Definitely. Opening an outlet store brings people in that would definitely not be here otherwise," Siewert said.

Expectations that one investment may spawn others also are evident in the North 30th Street corridor, said Robert Nelson, president of Clarke Manufacturing Inc., 3000 W. Clarke St.

"I'm very optimistic about what we're going to see here," he said. "We're going to see some positive things in this corridor."

The most positive thing, Nelson believes, will be the construction of the Steeltech Manufacturing Inc. plant, a $ 23 million, 179,000-square-foot steel fabricating plant planned for near North 27th Street and West North Avenue. Final financing arrangements are still being made but, assuming the project goes ahead, Nelson said big things will start happening there.

"We're down the street from where this is going to take place," he said. "It's going to help the neighborhood, the employment and peripheral business."

Clarke Manufacturing has pledged to hire seven new people, all of whom would be chronically unemployed individuals who would qualify the firm for the credits. But Nelson cautioned that, because of the recession, he can't hire anybody, development zone program or not.

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'Dismaying' hesitation due to crime

In the city's third development zone, along North Dr. Martin Luther King Jr. Drive between West Juneau Avenue and West Locust Street, it's willing employers that are hard to come by.

Business owner Mary Smarelli is the only one to sign up, earning tax credits for operating Meda-Care Vans Inc., 424 W. Cherry St. The firm employs 80 people, most of whom drive the company's fleet of 40 full-size vans around Milwaukee, transporting the elderly and disabled.

"We would have moved to this area anyway, but...once the development zone was created, that of course piqued our interest," Smarelli said.

The Cherry Street location is convenient for employees from the area to get to work, and for quick access to Milwaukee's freeway system for transporting passengers, she said.

The work of renovating vans for the transport service spawned a second Smarelli-owned company at the same location, Caravans Inc.

Business has been slower for the van customizing company, she said, because of customers' fears about crime in the area.

"There's a lot of hesitation, and it's dismaying because it's a real misconception," Smarelli said. "We've had fewer (crime) problems here than when we were (at our previous location) on the south side."

Meda-Care officials mention landmarks like the Bradley Center or the Golda Meir School when customers trying to find the van customizing business, hoping not to scare them off by giving the firm's central-city address, Smarelli said. But she hopes that won't be necessary as more businesses move in.

"It's going to be helpful for land values and for businesses in the area," she said. "That can only benefit from the business growth in the area."

GRAPHIC: Photo; Map

SUBJECT: Fast food industry; Zoning; Franchises; Community development; North Central

GEOGRAPHIC: North Central Region; Milwaukee; WI; US

COMPANY: Popeyes Famous Fried Chicken; DUNS: 08-199-8627; SIC: 6794

LOAD-DATE-MDC: February 4, 1992

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December 2, 1991

SECTION: Vol 9; No 8; Sec 1; pg 3

LENGTH: 817 words

HEADLINE: Groundbreaking Finally in Sight for Steeltech Central-City Plant

BYLINE: Rich Kirchen

DATELINE: Milwaukee; WI; US

BODY:

More than a year after the high-profile announcement for the new Steeltech Manufacturing Inc. plant in Milwaukee's central city, the project is expected to cross its last financing hurdle and see a mid-December groundbreaking.

All the private financing arrangements have been completed and positive word is expected by Dec. 11 on the final piece of public funding, said public and private officials who have been working with the minority-controlled company since well before the October 1990 announcement.

Randy Crump, chairman of Steeltech's minority investors group, said those involved with the $ 23 million project remain cautious about the planned December groundbreaking--they have seen delays upon delays in the past year. But Crump, Steeltech president G. David Guerrero and others said construction should start no later than Christmas and possibly by mid-December.

"It'd just be nice to have this happen --finally," Crump said.

Steeltech was announced at a press event that featured remarks from Gov. Tommy Thompson; Milwaukee Mayor John Norquist; U.S. Rep. Jim Moody, a Milwaukee Democrat; Super Steel Products Corp. chairman Fred Luber; Oshkosh Truck Corp. chairman and chief executive R. Eugene Goodson; and others. At the time, groundbreaking was scheduled for spring 1991 but has been delayed numerous times because of difficulties in arranging the unusual, complex and highly leveraged financing package in an ultraconservative banking environment.

Steeltech officials expect the U.S. Department of Housing and Urban Development to approve by Dec. 11 the final, most difficult, piece of public financing, the release of a $ 1.4 million Urban Development Action Grant. The money had been earmarked for the defunct Park West corridor housing project, and dislodging it for Steeltech is crucial to the $ 6.9 million industrial revenue bond financing portion of the manufacturing startup.

The general contractor for the Steeltech project, Anderson-Ashton Inc., New Berlin, covered the plant site at North 27th Street and West North Avenue with straw last week to keep the ground from freezing. Construction will begin with installation of the building foundation in December.

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Construction on the main structure for the 179,000-square-foot steel fabricating and electrodeposition painting plant will start in March, to avoid the expense of building during January and February, Guerrero said. The plant should be completed by early fall 1992, he said.

The city will begin work in January on the public improvements that will accommodate the project, said Jeffrey Gohlke, marketing and business services manager for the Department of City Development.

The private financing was wrapped up Nov. 22, and includes a jury-rigged financing arrangement for the $ 10 million electrodeposition paint line, Guerrero and others said. Guerrero has said the paint line financing was proving the most stubborn private financing facet and was the final piece of the private package.

The financing plan had to be completed before HUD would approve releasing the Urban Development Action Grant money. So, Steeltech organizers put together paint line financing supported by Oshkosh Truck, Super Steel Products and Milwaukee-area banks, Guerrero said. He said Steeltech and its organizers are negotiating with leasing companies that would assume the lease for the painting equipment.

The investors have committed a total of $ 2 million in equity to the project. And up to 20 Milwaukee-area and Wisconsin businesses agreed to purchase $ 3 million in high-risk debentures, sources said.

One new minority investor has been added: Chuck Wallace, vice president and chief financial officer of Grunau Co. Inc., Milwaukee, sources said. The companies investing in the debentures have not been identified, but are believed to include Northwestern Mutual Life Insurance Co., Wisconsin Energy Corp., The Marcus Corp., Harley-Davidson Inc., Allen-Bradley Co., Universal Foods Corp., Super Steel and possibly Master Lock Co.

Steeltech has been manufacturing flatracks for Oshkosh Truck-produced U.S. Army vehicles since June in leased space at Super Steel's plant at 7100 W. Calumet Road, Milwaukee. Steeltech employs 57 people with a goal of about 200.

The past two months, Steeltech has shipped Oshkosh Truck 125 flatracks, which will bring nearly $ 600,000 per month in revenue, Guerrero said. The company's revenue for calendar 1991 will total about $ 1.5 million, he said. Financial projections call for Steeltech sales to reach $ 46 million by 1996.

Guerrero said building the new plant is the key to expanding Steeltech's customer base and set, the high-tech electrodeposition paint line, which has yet to be purchased and would not fit in the leased Super Steel space.

"One of my problems is I can't promote the sale of the e-coat until we know for sure when it's available," Guerrero said.

GRAPHIC: Photo

SUBJECT: Steel industry; Industrial plants; Site planning; Financing; North Central

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GEOGRAPHIC: North Central Region; Milwaukee; WI; US

COMPANY: Steeltech Manufacturing Inc; SIC: 3449

LOAD-DATE-MDC: January 7, 1992

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November 25, 1991

SECTION: Vol 9; No 7; Sec 1; pg 1

LENGTH: 1408 words

HEADLINE: City in Quest for Minority Trucking Firm

BYLINE: Rich Kirchen

DATELINE: Milwaukee; WI; US

BODY:

A black-owned trucking company from Dallas is exploring a move to Milwaukee, and eventually could employ up to 500 people here, targeting minorities who now are unemployed or on welfare.

Quest Transportation Co. prefers to locate in Milwaukee's central city in a development zone near its potential employees, said president and owner Artura Geter.

"The basis for the move...is because we want to make a difference in the minority community," Geter said. "Come in and bring jobs, training and exposure to enterprise zones of disadvantaged areas."

Milwaukee-area and Wisconsin economic development officials are working with Quest Transportation to find a suitable truck terminal site and to arrange a financing package. The agencies involved include the Milwaukee Department of City Development, the Milwaukee County economic development division, the Private Industry Council and Forward Wisconsin.

"Right now, there's really nothing to report," said Patrick Walsh, president of Milwaukee Economic Development Corp., a quasi-public small-business development agency. "We've been working with them for a period of time."

Walsh said Quest Transportation has considered "some sites" in the Milwaukee area but is concentrating on one in a development zone that is not now used for trucking but "could serve their needs."

The leading candidate is a former Spartan-Atlantic department store at 4565 N. Green Bay Avenue, near West Hampton Avenue, a source said. The site, owned by American Warehouse Co. Inc., has a 45,000-square-foot building and large parking lot.

Quest Transportation also has considered the former Advance-United Expressways terminal, 11224 W. Rogers St., West Allis, which currently is leased by H&W Motor Express Co., Dubuque, Iowa.

The American Warehouse site is in the 30th Street Industrial Corridor, which runs roughly along the railroad tracks on Milwaukee's north side. Companies that move into, invest in, research in and hire from development zones are eligible

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for various state tax credits.

American Warehouse operates a public warehouse for storage of industrial and commercial products. The company has not been contacted by anyone regarding a possible sale and the property is not on the market, said owner Kenneth Willenson.

Geter emphasized that her company, though taking a serious look at Milwaukee, has not made a decision to move here and still has to do "a lot of work" before reaching a decision. She said Milwaukee is one of two cities Quest Transportation is considering, but she declined to identify the other city.

Quest Transportation was founded in January 1990 by Geter, who was formerly western division real estate manager for Burger King Corp. Her husband, George Geter, who is vice president of sales and operations for Quest, had been owner and president of Geter Transportation Co., which closed in November 1990 and filed for Chapter 7 bankruptcy liquidation in June of this year.

George Geter said Quest Transportation is a new company in which he has no ownership stake. He said the bankruptcy of his 6-year-old company left him broke.

George Geter attributed the bankruptcy of his former business to "an in-house theft" of $ 800,000. He declined to comment further pending the completion of the bankruptcy case and possible legal proceedings on the embezzlement.

"It's not been anything that I've kept a secret in any way," Geter said.

Walsh said Milwaukee-area economic development officials are aware of Geter Transportation's bankruptcy and that Geter was forthcoming with the information. Walsh said Quest Transportation is a profitable concern that performs its services well.

"From what we can determine, even though that (bankruptcy) is part of the history, they are a viable prospect," Walsh said.

Geter Transportation received a Quest for Success award in early 1989 from the Dallas Black Chamber of Commerce. The award recognizes entrepreneurial success and community service.

Artura Geter said she had not seriously considered moving her business from Dallas until visiting Wisconsin in August for a minority business seminar at the University of Wisconsin-Madison sponsored by the Wisconsin Supplier Development Council, a Madison-based group that helps minority firms procure contracts. Geter and her husband attended the seminar under the sponsorship of Philip Morris Cos. Inc.

Quest Transportation has hauled truckloads for Philip Morris businesses including Milwaukee-based Miller Brewing Co.--for which Quest Transportation has hauled beer since March--Kraft General Foods Inc. and Oscar Mayer Foods Corp.

Through the seminar, the Geters were introduced to Forward Wisconsin President Dennis Blang, who in turn arranged a meeting with Milwaukee-area economic development officials. The Geters toured Milwaukee and potential sites.

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"We were not looking to move until someone came along and said, 'Here's what we have to offer,'" Artura Geter said.

Quest Transportation now employs 150 people in Dallas and would start with a similar number here, Geter said. The company has 52 trucks--a small fleet by national standards--that haul truckloads to the 48 continental states. The company plans to add 25 to 30 trucks after Jan. 1, 1992, she said.

The company's drivers are not unionized and are paid $ 8 to $ 9 per hour, the Geters said. They said they would pay wages that are competitive with the median rate in the Milwaukee labor market.

Quest Transportation plans to increase its employment to 500 within the next five years, Artura Geter said, by growing its sales. The Geters declined to disclose sales figures.

"We can get all the business we can handle," George Geter said.

The Geters said their status as a minority firm is "a blessing" that has helped them win work with major corporations, but that they consider their minority status a secondary factor to their success.

"We never announce that we're a minority. We simply do good business," George Geter said.

The Geters said they are considering leaving Dallas because of the poor banking climate there and high insurance rates in Texas --and their desire to make a difference. They said Milwaukee appears to need a business that would help the unemployed and welfare recipients move into the workplace mainstream.

George Geter said one group the company hires is single mothers on welfare who, after training, can drive trucks during the day and return home in time to tend to their children after school.

"If they can guide a city bus in Wisconsin, they can certainly drive a semi truck," George Geter said.

The timetable for the Geters' decision depends upon the progress of their discussions with economic development officials.

Tim Casey, director of economic development for Milwaukee County, said he expects to "have a sense of direction on this in the next several months."

Walsh said the main issues that need to be resolved are selecting a site and putting together the financial package. The financing could include a combination of MEDC or U.S. Small Business Administration loans, Private Industry Council job training support, and development zone tax credits if Quest Transportation locates in a development zone.

One source said the total deal would cost about $ 1 million, with a major expense for purchasing or leasing additional trucks. The Geters said they would continue to operate a terminal in Dallas, where they now have an 11-acre property with a 50,000-square-foot building.

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Department of City Development officials were reluctant to discuss the Quest Transportation recruitment, saying it would be premature to do so publicly.

City officials are laboring under the pressure of what now seems a premature announcement of the Steeltech Manufacturing Inc. project 13 months ago. Steeltech, which would also be minority-owned and is hiring from the unemployed in the minority community, has yet to break ground on a central-city plant and is operating in leased space on the far northwest side.

The Quest project would be "not anywhere near as difficult to put together as Steeltech, " said one source. Steeltech involves a complex mixture of private and public financing and a much larger price tag near $ 30 million.

A source in the Milwaukee industrial real estate industry also called "premature" any discussions of a site for Quest Transportation.

"There is no story," he said. "It's all in preliminary stages...They're a long way from a deal."

SUBJECT: Trucking industry; Minority owned businesses; Relocation of industry; North Central

GEOGRAPHIC: North Central Region; Milwaukee; WI; US

COMPANY: Quest Transportation Co; SIC: 4210

LOAD-DATE-MDC: January 7, 1992

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September 30, 1991

SECTION: Vol 8; No 51; Sec 1; pg 1

LENGTH: 1503 words

HEADLINE: Tooling Up for Steeltech

BYLINE: Rich Kirchen

DATELINE: Milwaukee; WI; US

BODY:

Steeltech Manufacturing Inc. has initiated a private stock placement that includes a plan for financing the investments of racial minority shareholders.

The private placement is one of the last financing steps for launching the start-up manufacturing firm's new plant in Milwaukee's central city.

The placement consists of two financing tools: the sale of about $ 2 million worth of common shares and the sale of $ 3 million in high-risk debentures to Milwaukee-area companies that verbally have agreed to help finance the project.

The placement memorandum, filed Sept. 19 with the state Office of the Commissioner of Securities, outlines Steeltech's plans to build its business to the point where the new plant's fabrication area will have to be expanded by as much as 300 percent. The memorandum includes financial projections estimating the company's sales at $ 46 million within five years and also outlines Steeltech's relationship with Super Steel Products Corp.

Sources close to the deal said Steeltech is near completing its financing package nearly a year after officially announcing its plans for a minority-controlled manufacturing company at North 27th Street and West North Avenue.

The company's management would like to begin constructing its 200,000-square-foot metal fabricating and painting plant by late October, said a source familiar with the project, but no date has been set. Plant construction should be complete by late summer or early fall 1992, said Roger Peirce, treasurer of Steeltech and president of Super Steel.

Planners of the company's financing--including Robert W. Baird & Co. Inc., Milwaukee, Steeltech president G. David Guerrero and Super Steel--have long planned the private placement for presentation when all the other financing pieces were in place. All aspects of the financing plan have reached the verbal agreement stage, a source said, except the U.S. Department of Housing and Urban Development's agreement to release a $ 1.4 million Urban Development Action Grant for the project.

The individuals and companies who want to participate in the private placement must do so by Oct. 11.

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"It's in the hands of all the potential investors," the source said. "Verbally, it's a done deal."

Peirce said organizers still are scrambling for final commitments from parties including a consortium of Milwaukee-area banks, Milwaukee-area companies that would buy debentures and stock and the minority investors.

"We're working on all of them," Peirce said last week. "I can't tell you we have agreements with everybody, but we're working on agreements with everybody."

Patrick Walsh, president of Milwaukee Economic Development Corp., which has helped arrange financing, said a fall groundbreaking is possible, but cautioned that completing the financing package could take weeks. He said chances are good construction would begin before year's end, however, because of Steeltech's need for more space to meet the production requirements in its $ 52 million contract with Oshkosh Truck Corp.

Steeltech began production in June in leased space along the southern end of Super Steel's plant at 7100 W. Calumet Road, Milwaukee. The company has about 40 employees, including production, office, engineering and management personnel who are working solely on the contract with Oshkosh Truck to produce flat racks, which are detachable components for U.S. Army trucks.

The city of Milwaukee and state of Wisconsin portions of the Steeltech financing have gained preliminary approvals.

Once the state and local government and private pieces of the financing are finalized, Steeltech will present the package to HUD for the UDAG money, which is crucial to meeting requirements for $ 6.9 million in revenue bond financing for the project. Steeltech and city officials have joined members of Wisconsin's congressional delegation in explaining the project to HUD during the past year and expect a quick approval there, Peirce said.

Stock in Steeltech will sell for $ 100 per share with 19,979 shares available (21 shares were sold when the company was founded in May 1990). Sixty percent, or $ 1.2 million worth, of the shares will be sold to racial minority investors.

Because of concerns that the minority investors would lack the capital to invest in Steeltech, the private placement includes a provision to finance those investors' equity.

The investments would be financed with a $ 1.2 million term loan from a consortium of Milwaukee banks. The notes will bear 12 percent annual interest, with payments due annually, and principal payable on the fifth anniversary date of their execution.

The racial minority investors who have been identified are: Guerrero; Milwaukee attorney Jose Olivieri; Blue Cross & Blue Shield United of Wisconsin executive Essie Whitelaw; Milwaukee small businessman Randy Crump; and Super Steel welding lead men Lorenzo Alexander and George Johnson.

The new aspect of the placement is the debentures, developed in the past six weeks in an effort to move the financing package off dead center, sources said.

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The debentures are high-risk and provide no payout until April 1, 1997. The debentures would pay interest at an annual rate of 10 percent to 18 percent, depending on Steeltech's income.

The debentures provide the "patient" type of financing that banks would not have bought, sources said.

Sources said as many as 20 Milwaukee-area and Wisconsin companies and one out-of-state company are likely to buy the debentures. The companies responded to a pitch made by Guerrero and Super Steel chairman Fred Luber during a series of breakfast meetings in August, a source said.

"Milwaukee companies are getting behind the thing--making it happen," the source said.

The companies identified so far are Northwestern Mutual Life Insurance Co., Wisconsin Energy Corp., The Marcus Corp., Harley-Davidson Inc., Allen-Bradley Co., Universal Foods Corp. and Super Steel, all of Milwaukee, and Oshkosh Truck, Oshkosh.

Some of the companies also will buy common stock not earmarked for the minority investors, worth another $ 800,000, Peirce said.

Proceeds from the offering will be used for general working capital, according to the placement memorandum.

The banks participating in the project have not been identified, but sources said M&I Marshall & Ilsley Bank, Milwaukee, would be the lead bank. Six banks are participating in proportion to their size, a source said.

Steeltech recorded a net loss of $ 72,873 on zero sales in its first calendar year of operations, from May 15 to Dec. 31, 1990, according to the placement memorandum. The company's net loss from Jan. 1 through June 30 of this year was $ 393,773 on sales of $ 224,951.

The financial projections in the document, calculated by Arthur Andersen & Co., call for Steeltech to record sales of $ 1.4 million this year with a net loss of $ 1.5 million.

Sales projections show increases to $ 11.1 million in 1992; $ 24.8 million in 1993; $ 41 million in 1994; $ 42.6 million in 1995; and $ 46 million in 1996. Net income/loss projections estimate a net loss of $ 3.1 million in 1992 and profits thereafter: $ 270,000 in 1993; $ 4.7 million in 1994; $ 1.7 million in 1995; and $ 2.1 million in 1996.

Steeltech management plans to grow the business first in the military supply field and later in commercial applications, according to the documents. The company believes its current subcontract with Oshkosh Truck may help it win another Army contract for nine times as many flat racks as the 11,000 in the current deal, the documents said.

The company believes that to reach full use of its high-tech electrodeposition paint line it eventually will have to expand its fabrication area by as much as 300 percent. Such an expansion would take place when the company reaches the point of full utilization of the paint line.

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A portion of the proceeds from the offering will be used by Steeltech to repay $ 800,000 to Super Steel, which to this point has been Steeltech's sole outside financing source. Super Steel has provided Steeltech with cash for working capital, equipment purchases, payroll and other costs, Peirce said.

Super Steel's Luber hatched the idea for Steeltech in discussions with Oshkosh Truck executives; he is a director of Steeltech. Super Steel also has lent Steeltech its expertise and some staff during the start-up phase.

Super Steel and Steeltech are negotiating an agreement for Super Steel to act as a sales representative for Steeltech for one year. The two companies already have an agreement that calls for Super Steel to receive 3 percent of the proceeds from the $ 52 million Oshkosh Truck contract, the documents said.

Steeltech rented office and factory space from Super Steel for $ 11,000 to $ 21,000 per month from June through August and for $ 26,000 per month thereafter, the documents state. Peirce said Steeltech has made no rental payments so far.

The documents state that Super Steel and Steeltech are separate corporate entities.

SUBJECT: Steel industry; Sales of securities; Minorities; Stockholders; North Central

GEOGRAPHIC: North Central Region; Milwaukee; WI; US

COMPANY: Steeltech Manufacturing Inc; SIC: 3449
Super Steel Products Corp; SIC: 3499

LOAD-DATE-MDC: January 10, 1992

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April 8, 1991

SECTION: Vol 8; No 28; Sec 1; pg 7

LENGTH: 917 words

HEADLINE: Prospective Investor Drops Out of Steeltech

BYLINE: Rich Kirchen

DATELINE: Milwaukee; WI; US

BODY:

A prospective African-American investor in Steeltech Manufacturing Inc., frustrated by a lack of information on the minority start-up and concerned about the risk involved, has withdrawn from the project.

Joe Thomas, manager of corporate markets at Wisconsin Electric Power Co. in Milwaukee, said last week he was preparing to tell organizers of Steeltech that the project does not meet his investment needs. Thomas remains supportive of the project and said he would volunteer his help if asked.

Randy Crump, chairman of the prospective minority investors group, called Thomas' departure "unfortunate," and said he anticipates the group will lose another member, whom he declined to name. Crump remains confident in the project's ultimate success, however.

Crump, who owns two small businesses, said some of the original investor group members are unaccustomed to the delays and upsets that typically are part of an entrepreneurial venture like Steeltech.

"It's a roller coaster and some people's stomachs are getting queasy," Crump said. "I'm very confident with it at this time -- I see things coming together."

Thomas was among a group of African-American and Hispanic investors approached last year by Fred Luber, chairman of Super Steel Products Corp., Milwaukee, who developed the idea for a minority-owned manufacturer in the inner city. The group has up to 15 members, but only seven have been identified publicly.

Steeltech is planned for 60 percent minority ownership, 10 percent Super Steel ownership and 30 percent ownership by other Wisconsin corporations, and would be located at North 27th Street and West North Avenue. The company, which will specialize in steel fibricating and electrodeposition painting, already has been awarded a $ 50 million contract with Oshkosh Truck Corp. as a designated minority supplier of flatrack units for U.S. Army trucks.

Thomas was frustrated that he had not seen a business plan for Steeltech, despite the fact that he first was contacted about investing more than five months ago.

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"I think it's more than strange," Thomas said of the lack of information. "I've asked for the business plan three or four times very pointedly. I think it is very unfortunate that they haven't been more forthright in providing us with the basis for making a decision. I really held out for as long as I could."

A source involved in organizing Steeltech said the company simply is following the advice of its attorneys in delaying presentation of a business plan to potential investors. The attorneys have advised that the financing of the project needs to be in place first to clearly present the risks and rewards of the investment, the source said.

"It has taken much longer than we anticipated, but quite frankly we're trying to conform with securities law requirements," the source said.

Crump does not have a copy of the still-evolving business plan, although he has been allowed to view a copy. He disagrees with the attorney's opinion and said it is the cause of the two prospective investors leaving.

"You feel very uncomfortable with that: You can see it but you can't take it," Crump said of the business plan.

Thomas said the information he had received about the project led him to believe the expected value of the company was too low and the risk too high for his liking.

Of the minority group investors, Crump said Steeltech President David Guerrero will hold the most shares; Crump and Jose Obvieri, an attorney with Michael, Best & Friedrich, Milwaukee, will hold the next most; and the remaining investors will divvy up the rest. The minority investors likely would be personally liable for their investment, which is projected at $ 1.2 million.

The city of Milwaukee has begun ground preparation at the planned 15-acre site for the 200,000-square-foot, $ 15 million plant. But actual construction is awaiting finalization of the financing arrangements.

Crump said financing is taking a more definite shape, with the deal now structured as less leveraged. A major cost -- $ 7 million for the e-coat paint line -- has been removed from the main deal through an arrangement in which Steeltech will lease the line from a company formed solely for the purpose of buying the line and leasing it to Steeltech, Crump said.

City officials hope to receive approval by the end of this month from the U.S. Department of Housing and Urban Development for an amendment to a $ 1.44 milbon Urban Development Action Grant in the Park West corridor that would be the linchpin of $ 7.5 million in revenue-bond funding for the project, said Pat Curley, the city's federal legislative coordinator.

City officials and project organizers other than Crump have stopped commenting on Steeltech's progress pending a final financing plan and construction starting date. One source said he believes construction will begin by the end of April. The plant is supposed to begin production by December on the Oshkosh Truck contract, Crump said.

An estimate of project costs provided to Milwaukee Common Council members Jan. 29 puts the total expenses at $ 23.5 million.

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Costs include plant and equipment, site acquisition and preparation, street reconstruction and a railroad spur to the plant. Funding would consist of at least $ 14.6 million in private funding, $ 7.5 million of which would be backed by the city for the revenue bonds. Public costs include city funding of $ 3.2 million; state funding, $ 4.7 million; and federal funding, $ 1.44 million.

CORRECTION:

A story in the April 8 issue of The Business Journal on two prospective investors withdrawing their interest in Steeltech Manufacturing Inc. incorrectly stated that Chairman Randy Crump does not have a copy of the Steeltech business plan. He does have a copy; the other prospective investors don't. Also, the story incorrectly stated that the two prospective investors both were departing because they lacked access to the business plan. Only one is withdrawing for that reason; the other, William Lawrence, executive director of the Private Industry Council of Milwaukee, is withdrawing for personal reasons and his concerns over appearance of conflict of interst. The PIC is providing services to Steeltech.

SUBJECT: Metal industry; Minority owned businesses; Investments; North Central

NAME: Joe Thomas

GEOGRAPHIC: North Central Region; Milwaukee; WI; US

COMPANY: Steeltech Manufacturing Inc; SIC: 3449

LOAD-DATE-MDC: May 22, 1991

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The New York Times

March 19, 1991, Tuesday, Late Edition - Final

SECTION: Section A; Page 1; Column 1; National Desk

LENGTH: 1733 words

How Milwaukee Has Thrived While Leaving Blacks Behind

By ISABEL WILKERSON, Special to The New York Times

DATELINE: MILWAUKEE, March 16

BODY:

This proud workhorse of a city, with its well-swept streets and chic new office towers, has become a striking antithesis to the recession on the coasts. It has an unemployment rate well below the national average, a booming downtown, a generous budget surplus and more jobs than skilled people to fill them.

Milwaukee pulled itself out of a serious slump in the early 1980's and staved off the current recession by making its old manufacturing plants more efficient and expanding services like hotels and retailing.

A Secondary Effect

But that strategy has had an unintended but equally profound secondary effect. It has devastated the city's poor black neighborhoods, whose residents thrived in the high-wage union jobs of the city's manufacturing heyday and are now adrift on a rising tide of unemployment, crime and despair.

With black joblessness five tmes the rate among whites, "Milwaukee is a classic case of how a restructured economy has diminished the employment opportunities for blacks and for black males in particular," said Dr. James H. Johnson Jr., director of the Center for the Study of Urban Poverty at the University of California at Los Angeles, who has studied poverty in Milwaukee. "The indicators of poverty and joblessness fall solidly in the black community."

The retooling of factories also hurt unskilled whites, of course. But the effect was less severe for several reasons. At factories that laid off only some workers, whites often had seniority and were retained. And even for whites who were laid off, the prosperity of the white parts of the city insured that new businesses would spring up there, offering jobs suitable for former assembly line workers. Such jobs have generally not appeared in black sections.

The result is a city of 628,000 people where black men stand idle on street corners just blocks from the breweries and factories that used to employ them, while well-dressed white-collar workers sell insurance or computers out of some of those same factories, now converted into office parks.

Murder Rate Soars, Too

More than half of all black Milwaukeeans are on some form of public assistance. The city has one of the highest black unemployment rates in the

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country, 20.1 percent. And its homicide rate, fueled by a new and thriving drug trade, doubled in three years to a record 165 in 1990, from 78 in 1988.

Business leaders argue that Milwaukee's social problems are far from the nation's worst, but many acknowledge that the city's overall health makes the pockets of sickness more vivid.

"I dare say that our black community is not in any worse shape than blacks in Detroit or Cleveland or other cities," said Robert H. Milbourne, executive director of the Greater Milwaukee Committee, a group of business leaders. "But here the rest of the economy is doing so well, that it sticks out."

With its social problems thus amplified, Milwaukee offers a striking glimpse of how a shifting economy can create winners and losers along racial lines. "Historically, our cities have been the machines of mobility for low-income people," said Dr. Mark Hughes, an assistant professor of public affairs at the Woodrow Wilson School of Public and International Affairs at Princeton University. "Now those machines seem to be broken."

A University of Chicago study has listed Milwaukee, where blacks are nearly a third of the population, as one of five cities whose patterns of segregation were so clear that they were deemed "hypersegregated." Most white residents live on the south side of the city with its neat bungalows and frame houses, or along the lakefront with its mansions and luxury condominiums. Most blacks live on the north side in neighborhoods dominated by worn "two-flats," or duplexes. Chicago, Detroit, Cleveland and Newark were other cities cited as hypersegregated.

The prosperity of Milwaukee has done little for Anthony Hoskins, a 28-year-old black resident who had a hard time remembering his last full-time job. It was as an Army sergeant, he finally said, nearly two years ago.

Dozens of Job Rejections

Since then, Mr. Hoskins has had part-time and temporary jobs as a security guard, a janitor, a factory worker and a construction worker. He has applied at businesses around the city -- Wendy's, Pick 'n' Save, K Mart, McDonald's, Wisconsin Bell, Harley-Davidson and dozens of others. Usually, he said, he does not hear from them again. And if he does, he is told that he does not have the skills they are looking for.

"I'm in an endless cycle," Mr. Hoskins said. "How am I going to get qualifications if I never get a chance? You got 16-, 17-year-old white kids working and here I am a grown man, an Army veteran, and I can't get a damn job. I've even said, 'Give me a probationary period. I'll work for half the pay. Just give me a chance.' "

White residents see the city, whose Gothic towers and church spires could as easily be in Munich, through a different prism. "It's a clean and beautiful city," said Mary McGrath, who is white, lives on the lakefront and teaches at a private school. "I know there are a lot of racial problems. It's very entrenched. People tend to stay in their own enclaves. It's more fear than anything else. It makes me sick to think about it."

The economic changes have left a widening gulf between disgruntled blacks and perplexed whites, some officials say, and have even touched off a revival of

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the Black Panthers, with members threatening violence if the situation does not improve.

"Black people see one thing, whites see another," said Annette Polly Williams, a Democratic state representative, who is black. "We are not included in this new prosperity. The struggle is, how do we fit into the new order?"

Steps to Fight Poverty

The question confounds city and state officials who have put into motion a variety of initiatives to fight poverty and welfare dependency.

Last year the state permitted some poor parents to enroll their children in private schools at state expense. Last month Gov. Tommy G. Thompson, a Republican, proposed that welfare checks for teen-age mothers be cut unless the women got married. And next September, two new schools, known as African American Immersion Schools, will begin focusing on the needs of black boys.

"The economic problems are severe, and we're trying to deal with them," said Mayor John O. Norquist. "We do have problems, but it is not like walking into the South Bronx."

Mr. Norquist has tried to lend racial balance to city government by hiring more minority members as department heads than any previous administration. But his critics say that such moves have little effect on the average out-of-work black resident and that a resentment appears to be welling up.

That anger has found a voice in Michael McGee, a black alderman who started the Black Panther Militia last year and vowed to take violent action if his demands were not met by 1995.

He says that his group has a membership of 600 and that its activities so far have been limited to unarmed neighborhood patrols. But Mr. McGee has not backed away from his threats of violence.

"There's something brewing in Milwaukee and it ain't beer," Mr. McGee said. "Things are not booming in the black community. The only new construction is churches, and the No. 1 employer is drugs."

Opportunity Used to Abound

The diagnosis was not always so bleak in the black neighborhoods. They were once vibrant communities that attracted thousands of immigrants from the South from the 1940's to the 1970's to work in factories and foundries. One in three jobs was in manufacturing; people with high school diplomas could buy a house and live well.

"I remember when you could quit one job one day and go out the next day and get a better job making more money," said Lawrence Hunter, a 48-year-old machinery operator who is black and unemployed. "You could go to a foundry and get a job any day. It was hard-bull work, but if push came to shove there was a job for you."

Then came the recession of the early 1980's. Debt-laden factories laid off workers or closed. Even Schlitz, "the beer that made Milwaukee famous," shut

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its brewery. From 1979 to 1983, Milwaukee lost 60,000, or more than a fourth, of its manufacturing jobs.

"We fell farther and faster than a lot of other cities," said Timothy Sheehy, executive vice president of the Metropolitan Milwaukee Association of Commerce. "We took a tremendous kick in the teeth."

In the decade since that recession, Milwaukee has reinvented its economy. It has recast an outdated manufacturing sector and bolstered it with tens of thousands of service jobs.

Moreover, the nature of the current recession may have actually helped the city. The slump 10 years ago was marked by high interest rates, which were perilous for debt-dependent manufacturing concerns, and a strong dollar, which effectively shut off export markets. Now the reverse is true, making it easier for manufacturers to borrow money and sell overseas.

City Rarity: A Fiscal Cushion

Milwaukee is in its 88th straight month of job growth, state figures say, and in the last five years has had job growth second only to San Diego's, another study found. It ended the last fiscal year with a surplus of $58 million, or 15 percent of its expenditures.

But the city has been able to restore only 9,000 of the 60,000 lost manufacturing jobs, and manufacturing now accounts for less than one in four jobs. About 100 manufacturing jobs will be created in the coming months when Steeltech Manufacturing, a new minority-owned steel fabrication concern backed by several Milwaukee businesses, gets off the ground.

"The rain barrel gets full with drops like that," Mr. Sheehy said.

But people like Mr. McGee say it will take a lot more raindrops to bring blacks to a par with whites. On a recent drive downtown, he surveyed the restaurants that look like castles, and the skyscrapers with glass and marble atriums, then paused just as Old World Third Street, a major downtown avenue, turned into Martin Luther King Jr. Drive, with its boarded storefronts and abandoned lots.

"Look out there," he said, pointing to the condominiums on the Milwaukee River and the skyline beyond. "Don't it look beautiful? The other world is living good. Go a few blocks and it changes before your eyes."

GRAPHIC: Photos: "We do have problems, but it is not like walking into the South Bronx," said Mayor John O. Norquist of Milwaukee. A University of Chicago study said segregation was so pronounced as to be "hypersegregated."; 'The only new construction is churches, and the No. 1 employer is drugs" said Michael McGee, a black alderman who started the Black Panther Militia in Milwaukee. His group claims a membership of 600. (Photographs by Dal Bayles for The New York Times) (pg. D22)

Graph: 'The People Left Behind' shows Milwaukee's job shift, black unemployment and black welfare ranks from '79 to '90 (Sources: Milwaukee Economic Development; Bureau of Labor Statistics; Wisconsin Department of Health and Social Services) (pg. D22)

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SUBJECT: BLACKS (IN US); ECONOMIC CONDITIONS AND TRENDS; UNEMPLOYMENT AND JOB MARKET

NAME: WILKERSON, ISABEL

GEOGRAPHIC: MILWAUKEE (WIS)

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February, 1991

SECTION: Vol 6; No 6; Sec 2; pg 21

LENGTH: 3409 words

HEADLINE: Central City Milwaukee

BYLINE: Charlie Wilshire; Jean Lehnen

DATELINE: Milwaukee; WI; US

BODY:

MILWAUKEE'S CENTRAL city is experiencing a renaissance. You can observe it in the thriving new businesses, the positive outlook of its residents, and the commitment to progress by both the private and the public sector.

The fact is, the central city is a good place to operate a business offering a wealth of incentives for start-up or relocating companies, including access to a quality labor force, reasonable land and building costs, excellent transportation via public transit routes, tax and investment incentives, as well as fixed asset financing assistance.

One of the major contributors to the central city renaissance is the Milwaukee Economic Development Corp. (MEDC), an agency served by the Department of City Development staff, which has provided a variety of initiatives for central city revitalization since its inception in 1971 as part of the Model Cities Program. One of MEDC's remedies has been to apply money at the community's pressure points -- a variety of low-interest loans complemented by bank and owner financing. It's a formula that has worked well.

"Going back to 1988, we are able to show a consistent pattern of granting an average of one loan a week," says Patrick G. Walsh, MEDC president. This remarkable achievement is even more notable when you consider that, in 1989, over two-thirds of MEDC's loans went to central city businesses.

In 1990 a new element was introduced. "What makes this year different from previous years," explains Walsh, "is that we have been working with the Development Zone Program." Walsh notes that this state-supported program was initiated in late 1989, but final approval was not granted until 1990.

The purpose of the program is to create zones in economically depressed areas where expanding companies are eligible to receive Wisconsin corporate income tax credits based on the number of new employees added and the amount of new investment. The City of Milwaukee has designated three broad areas -- King Drive. 30th Street and Walker's Point -- as development zones. The State has set aside over $ 4.5 million in tax incentives to be used exclusively by Milwaukee businesses operating within these zones.

THE KING DRIVE ZONE CONtains several renewal districts, the Milwaukee Enterprise Center, frontage on the Milwaukee River and the Haymarket

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Industrial Area. The 30th Street Industrial Corridor Zone provides easy rail and Interstate access, as well as a number of available manufacturing buildings, a major commercial redevelopment area and substantial parcels of vacant land. The Walker's Point Zone features the Port of Milwaukee, easy freeway access, and the Menomonee and Kinnickinnic River Industrial Areas. Two of the three zones are immediately adjacent to the Central Business District and include large, successful small-business incubators. All three zones include the City's Industrial Land Bank sites.

To appreciate what a company can earn through the State's tax incentives under the Development Zone Program, consider the following example:

ABC Corporation, manufacturer of baby rattles, hires 15 new employees from targeted employee groups; invests $ 400,000 in improvements to one of its existing facilities, of which $ 300,000 is materials purchases. The firm also spends $ 30,000 per year on R&D investments, and purchases $ 150,000 in new equipment.

TAX INCENTIVE SUMMARY

State Credit Value of Credit Refundable Credits:
1. Jobs credits (must be at least 65% of total) Maximum State jobs credits (Year 1) (15 x$ 2,400) $ 36,000 (Year 2) (15 x$ 2,400) $ 36,000
Jobs Subtotal $ 72,000 2. Sales Tax Credit (.05 x$ 300,000 +$ 150,000)$ 22,500 TOTAL REFUNDABLE CREDIT AVAILABLE OVER TWO-YEAR PERIOD $ 94,500 Non-Refundable Credits: 3. Location Credit (0.025 x$ 400,000) $ 10,000 4. Investment Credit (0.025 x$ 150,000) $ 3,750 5. R&D Credit (0.05 X$ 30,000) $ 1,500
TOTAL NON-REFUNDABLE TAX CREDITS $ 15,250
TOTAL INCENTIVES "EARNED" BY THIS INVESTMENT $ 109,750

As indicated by the bottom line, it's enough to make this baby rattle company go ga-ga.

But that's not all that's available. "We established as part of our Milwaukee program a special loan component to go along with the State's tax credits," says Walsh. "In Milwaukee you can get not only the tax incentives, but you can also get a low-interest loan. The idea is to enhance what the State is doing, to create even more reasons for people to invest in the central city."

SO MUCH FOR HYPOTHETical cases. How does the program work for a real company?

"At our November loan committee meeting we approved a project for a company called Diamond Industries in the amount of $ 200,000 -- $ 120,000 to buy real estate and $ 80,000 to improve it. MEDC is making a loan of $ 50,000. The company and its bank are providing the balance of the funds," says Walsh. "Our loan is for 15 years at 6.75 percent. We normally don't loan money at a rate so low, but since they are in a development zone and are participating in the program, they get this favorable rate. Ordinarily we follow treasury note yields as our index, so the company would be looking at 8 to 9 percent if they were not in the zone program."

William (Bill) Tandetzke, president of Diamond Industries in partnership with Mark Malinowski, takes this happy story from there.

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"The $ 200,000 is just the starting cost," he notes. "It doesn't include what we will be doing in phases two and three."

Tandetzke says his bank is M&I Northern, located at 35th and Fond du Lac, across the street from the former Sears department store, in the heart of the central city.

"The bank was very interested in helping us get into the development zone," says Tandetze. Who adds, with a touch of irony perhaps, "They're in that zone themselves, one of the foundation businesses in the area."

"We're a two-fold company," Tandetzke explains. "We have our own product line: We build race car wheels. We're also a job shop metal fabricator." The company's present plant is located in unbelievably crowded conditions at 1111 South 41st Street in West Milwaukee in three facilities rented from Wisconsin Steel Industries. "We have seven employees and plan to add five more as soon as we can find them."

The company spent a year analyzing how best to expand -- by leasing, renting, buying or building a new facility -- and found it could save by buying a property in the 30th Street development zone and taking advantageof the State's incentives and the City's low interest rates.

"We feel positive about being located in the central city," says Tandetzke. Such a view is understandable when you consider that Diamond Industries should realize at least a 30 percent increase in rate of efficiency when the operations are in one central location, Tandetzke notes.

Diamond Industries is a growing company in the race-car wheel business because its competition is composed largely of "good old boys" from the South who work when they choose to work and go fishing when they'd prefer to do that.

"They run their businesses as a hobby," says Tandetzke. "A lot of people like the straightforward type of business that we provide. We deliver when we say we are going to. Our prices are competitive and our quality is excellent. We've only been in the market for three years and our business has doubled since we went in."

Diamond Industries' business as a diversified fabricator has also grown, as the company serves a variety of customers including manufacturers of waste compactors, tractors, fuel tanks, rock-crushing equipment, electrical transformer cases, and many others.

With future prospects like those of Diamond Industries, it looks like another good investment for MEDC. Although many of MEDC's loans are to young, growing companies, the future rate is surprisingly low. Through 1989, MEDC wrote off only 0.4 percent of its loan portfolio -- better than most conventional lenders.

ONE OF THE MOST WIDELY publicized current projects has involved MEDC in the financing of a start-up company scheduled to be built in the central city as soon as site considerations and full financing have been achieved. Steeltech Manufacturing, Inc. hopes to construct a 200,000-square foot facility to build 11,000 metal units or flatracks used to move palletized loads. They have been ordered by the Oshkosh Truck Corp. to fulfill that company's requirement for minority participation in a $ 1.1 billion contract to build trucks for the

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Army.

"MEDC has appropriated $ 100,000 needed to do site analysis work for Steeltech, " says Walsh. "The challenge to the public sector initially on this project was to find a suitable location in the central city. The requirement to have 10 acres right away with the potential of 20 acres eventually -- that's a tall order to find a site like that in the central city." The site selection was further complicated by the need for rail access. Despite the stiff requirements, a suitable site has been located at 27th Street and North Avenue in the Metcalfe Park area.

Super Steel Products Corp., located at 7900 Tower Avenue in Milwaukee, which has a 20 percent interest in Steeltech, has acted as big brother to the start-up company from the beginning.

" Steeltech got started when Oshkosh Truck, one of Super Steel's major customers, was discussing with us the fact that they could not find a quality, large, minority-controlled fabricator that could respond to their need for PLS flatracks," explains Roger Peirce, Super Steel president. A nationwide search turned up only a few potential suppliers, but none was ready to start up production right away.

"It dawned on us, with the crying need for more minority-owned businesses that we ought to explore the possibility of starting a major company from scratch. We discussed this with Oshkosh, convinced them of the importance of the project both economically and socially. We indicated we would stand behind the project if they would place the order for flatracks, and together we would make this thing go," Peirce explains.

Oshkosh Truck liked the idea, and the project got underway. "The company has been capitalized on a very small scale. We have designed the building and are getting the final bids in on the cost of the building," says Peirce. "When we get that, we will hopefully then line up the remainder of the financing."

To some outsiders, the process of MEDC financing may seem painfully slow. Not to the insiders, however.

"You don't put together $ 20 million for a start-up business the way you would put together some money to fund Christmas for the family," says Walsh. "It takes time to structure capitalization of a company, time to structure debt. You can't characterize these kinds of things as delays. Here you've got a company that is still discovering opportunities and they're looking at all the ways to capitalize on those opportunities."

"We have the equity financing," notes Peirce. "But this is a highly leveraged situation. We're talking about roughly $ 2 million in equity and $ 16 to $ 17 million in debt, not including the working capital needs of the company. We have developed business plans which are in a constant state of revision because new things are happening every day regarding potential."

Pierce is optimistic that everytng will work out. "I think certainly the bang for the buck is there. I'm not saying it's not a high risk, because it is a moderate to high-risk situation because of the leverage. But when you consider the impact of this project, it seems to me a small cost compared with the potential."

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That potential extends far beyond the Oshkosh contract, which, alone, is not going to make Steeltech a success, Peirce notes. "This company needs both commercial business as well as a significant military business." He says a number of military programs comparable to the flatrack contract have been identified. " Steeltech is going to have a state-of-the-art facility as well as the technology to hopefully garner those contracts."

IN FACT, THE NEW PRESIDENT of Steeltech, G. David Guerrero, himself a minority citizen born in Colombia, is not only a certified engineer who understands metal fabricating very well, but is also knowledgeable in defense procurement.

As Peirce explains, " Steeltech is already working with the various procurement branches of the military in the design phase -- and hopefully we'll get the production -- for some contracts that will be significantly larger than the Oshkosh contract. In addition, Steeltech is exploring some other possibilities in the commercial field."

Pierce believes the key to Steeltech's success will be to attract, train and retain quality employees, at least 50 percent of whom hopefully will be minorities.

Guerrero says a search is underway for minority candidates to fill the positions of production manager, personnel manager, and a quality control manager, in addition to a production support person. The company also hoped to complete the process of hiring four welders in January.

"The first people have to be good," Guerrero points out. "They have to be capable of holding their own because they are going to be the ones to help us train some of the others as they are hired. We have written up the job descriptions, and we have a timetable for hiring people throughout the year.

As hiring proceeds, the training for welders will take place at Milwaukee Area Technical College. Guerrero says the company hopes to recruit approximately 15 candidates for training in March who will begin a one-month course at MATC. This process will be repeated several times until Steeltech hires its quota of trained welders.

Because some of these candidates may not have a traditional employment history, Guerrero has set up a plan of action to help them develop a quality work ethic.

"To train our people will be hard," he anmits. "To do that, we have to use several channels of communication. We will talk to them directly, of course, early on. The four people we hire first will likely turn out to be leaders. At least they will have the opportunity to be leaders. In addition, we are going to work closely with the community organizations. They are probably better equipped than anybody to be one-on-one with the trainees." Guerrero says organizations like the Urban League, Next Door Foundation and Esperanza Unida Inc. as well as others have agreed to assist in the counseling process.

"We will have strict discipline. We expect people to be on time and not to be absent. We want to make it clear to them that attendance is crucial." To keep the workplace free of drugs, Guerrero says there will be pre-employment drug testing, plus random testing thereafter.

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Guerrero admits he and his staff will have their work cut out for them, but the rewards for doing a good job will be many. "There is one part that is very dear to me and that is commmitment to do quality work. If we make all the components correctly and to specifications, we will have more work. By the same token, if we don't do a good job and we produce a product that is not satisfactory, we are not going to do well. The opportunities are many. The assurances of getting contracts is to do a good job."

What is happening now at Steeltech and Diamond Industries should happen many more times in the months and years ahead. With the backing of Mayor Norquist and the Milwaukee Common Council, the Department of City Development, particularly the staff of MEDC, will use all the tools at their disposal to help make it happen.

Since human beings, like all creatures great and small, are innately curious, it should come as no surprise that we delight in discovering "how much money" a relative or inlaw has. On a corporate level, it is titillating when the financial secrets of a particular company are revealed. So, it follows that there should be some interest in learning about the holdings of even a very open organization like the Milwaukee Economic Development Corporation (MEDC), the agency that works through the Department of City Development, and has awarded millions of dollars in loans to approximately 300 Milwaukee companies since its inception in 1979.

The corporation's total assets to date are $ 47 million. A large part of this ($ 15.8 million) came in the form of Urban Development Action Grants from a generous federal government during the 1970s when the agency operated as the Milwaukee Model Cities Development Corp.

Investing wisely, MEDC has earned quite a bit of money on its own during the past 11 years. In fact, $ 17.4 million of MEDC's wealth has come from earnings and repaid loans.

Tax incremental financing has added another $ 9.8 million to MEDC's coffers.

The balance of MEDC's funds have come from borrowings ($ 2.5 million); Economic Development Administration Grants ($ 800,000); and Community Development Block Grants ($ 740,000).

MEDC's biggest loan was to the Schlitz Office Park development, ($ 4.2 million between 1987 and 1989). The largest project to go through MEDC was a $ 4.7 Urban Development Action Grant awarded to the 411 Building on East Wisconsin Avenue in 1983. Another large loan went to Fleet Mortgage Corp. ($ 2.5 million).

One of the smallest loans ($ 15,000) recently was awarded to Mimma's Cafe, 1301 East Brady Street, for the owner to expand the kitchen.

Loans over $ 3 million must go through MEDC's Board of Directors, which is composed of Mayor John Norquist; City Comptroller James McCann; Common Council President Thomas Donegan; Alderman Marvin Pratt; Northwestern Mutual Life Insurance Co.'s Vice President of Real Estate, Mason Ross; Super Steel Products Inc. Chairman Fred Luber; M&I Marshall & Ilsley Bank Executive Vice President Gordon Gunnlaugsson; First Wisconsin National Bank of Milwaukee Chairman John Becker; and Metropolitan Milwaukee Association of Commerce President John Duncan.

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Loans between $ 750,000 and $ 3 million must be approved by MEDC's Credit Review Committee, composed of Department of City Development Commissioner Ricardo Diaz; Park Bank President Michael Mahoney; Future Value Ventures Inc. President William Beckett; Heritage and Trust (Racine) President Anthony DiCastri; First Wisconsin National Bank of Milwaukee First Vice President John Heistad; in addition to McCann and Ross.

Loans under $ 750,000 are handled by MEDC's Loan and Finance Committee, whose members include Robert Banner, retired executive, Capital Investments Inc.; Steven Barth, attorney, Foley & Lardner; Wesley Scott, Social Development Commission; Edward Stevens, retired executive, KCS Industries Inc.; in addition to DiCastri.

Recently, there has been a sharp increase in loans to women-and minority-owned businesses. Since 1979, 83 loans totaling $ 3.9 million have been made to this group -- however, 31 percent of these have been made during the past two-and-one-half years, during the tenure of Mayor Norquist.

A Central City Initiative That Works!

Milwaukee's Development Zone program began in January 1990. Three economically depressed areas of the city were designated as Developmentf Zones by the City and the State. Business that create jobs in these areas are eligible to receive both lower-cost business financing and state corporate income tax credits. The year-one program results are good news for central city residents -- in fact, for all Milwaukeeans.

Job Creation/Retention

Fifteen companies were certified for $ 1,376,261 in tax credits in 1990. The companies, which currently employ 717, plan to hire 384 new staff by 1992. Of these firms, eight represent business expansion from outside the zones.

Financial Commitment

Nine companies were approved to receive City loans to help finance $ 2,281,000 in new Development Zone investments.

Strong Prospects for 1991

Ten companies have already applied for certification of City Development Commissioner Ricardo Diaz notes, "We anticipate that the Milwaukee Development Zones will be increasingly viewed by private industry as the location of choice. Their central location, relative to labor force, customers, suppliers and transportation systems, make the zones some of Milwaukee's greatest assets."

GRAPHIC: Table; Photo

SUBJECT: Economic development; Central business districts; North Central

GEOGRAPHIC: Midwest Region; Menomonee Falls; WI; US

LOAD-DATE-MDC: April 29, 1991

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USA TODAY

October 16, 1990, Tuesday, FINAL EDITION

SECTION: NEWS; Pg. 7A

LENGTH: 69 words

HEADLINE: WISCONSIN

DATELINE: MILWAUKEE

BODY:

Steeltech Manufacturing Inc. announced it will build $ 14 million welding, metal processing, painting plant in inner city - 1st manufacturer in decades to locate there, officials said. Firm is expected to employ 100 people. ... LA CROSSE - 18-month-old Jason Cothron died in attic fire at 3- story home, officials said. Mother, Cassandra, brother David, 3, escaped 2nd- floor apartment. Fire's cause is unknown.

TYPE: Across the USA

SUBJECT: CONSTRUCTION; EMPLOYMENT; FIRE; BABY; DEATH

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41 PAGES 1478 LINES
4:13 P.M. STARTED 4:23 P.M. ENDED

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Rules

75
25
100
150
250

1. Commitment to Self-Improvement
2. On time every day
   Serious attendance policy
3. Drug-Free
   Random testing
   Job sea is related to quality of

Becky-wife
Alex 14
Michael 9 Perfect attendees
Elizabeth 8

Anthony Long – law halfway house welder

Perfect

Black, Hispanics
Self-confidence

Chester Gandy
oldest of trainees
learn to weld at
age 47
good leader

Wilbert Green – unemployed long

Larry Hollman – short jobs
perfect
Mayor of Milwaukee

Esteban Ayala – perfect
from Cuba
Material handler
hard
outstanding

Truck pallet
2 or 3 stacked

Tour
Arrive 10:35 (CEO)
15-minute tour Jan 50 yrs
11 a.m. Guerro — ~~Janet~~ Crosby
~~Director~~ of Human Resources
11:05 - 11:20
employees 250

Gov. Jim Kasten
of ~~Milwaukee~~ Wisconsin Tommy Thompson

Your payroll $2 million
spend right
adds to improvement
Beautiful
Want to Magnet to improve area
Walk ~~there~~ to work
Short bus ride

CEO Bad background
Forget about the
past look to the future.
All certified
You trained them to be
certs
We have partners, the
schools are our partners
We're in this
We're a team
At all levels

The Clunker Junker

THE BUSH administration is said to be about to revive an old idea in time for the Michigan primary. It's considering a clunker-junker proposal, an effort to retire older cars faster, partly in the name of cleaner air but also in the name of increased new-car sales. In some respects this latest variation is potentially a good idea; in others, as with so much else in campaign season, it threatens to be silly.

The model is among the amendments to the Clean Air Act, which Congress passed in 1990 with presidential blessing. To help in curbing sulfur dioxide, a cause of acid rain, the amendments created, among other devices, a market in pollution rights. A utility that cleaned up its emissions more than required could bank and ultimately sell the excess to another that was having trouble meeting its goals. The theory is that such a system of specialization will enable the industry to produce cleaner air at the lowest cost.

The clunker-junker idea would apply the same principle to cars, which don't produce sulfur dioxide but do produce other pollutants. A business charged with cutting back on one of those could meet its obligation in the usual way or, if it was cheaper, by buying up and sending to the junkyard some quantity of older cars, the heaviest polluters. If the inverse values could be satisfactorily worked out—what would be the smoke value of a car of a given make and age?—this could be another useful way of cleaning up the auto share of air pollution.

The problem arises with the second application of the idea—that the faster we move our older cars off the road, meaning the shorter-lived our cars are, the better for the auto industry, and of course what's good for it is good for all of us. The first part's true enough; the auto industry would likely benefit. But there used to be a time in this country when the longer a thing lasted, the better quality it was thought to be.

The great question is whether, for the sake of jobs and what amounts to a shortcut to cleaner air, the government abandons the older-fashioned virtue of conservation. That, too, would take its toll on the environment—nor is it clear why, if it's right to have term limits for cars, it isn't just as right to have them for all kinds of other products. Is it equally offensive to the common good to live in an old house and wear old clothes? The home-building and clothing industries might like to think so. Even in an election year, the president needs to be careful if he makes this new proposal.

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