

City of Madison –TID 39 Small Cap TIF Business Loan Program

Draft of Terms dated 4/29/2020, prepared by Madison Development Corporation (MDC)

MDC has forgivable loan funds available for growing businesses in the City of Madison's TID 39 District. MDC will make recommendations to the City that they lend up to \$250,000 to qualifying businesses for the purpose of purchasing real estate, financing real estate improvements or for purchasing capital machinery and equipment.

Eligible Borrowers (Qualifying Businesses):

- Businesses located within the City of Madison TID 39 District or within Half Mile Boundary Area of TID 39 per the attached TID#39: Stoughton Road Map.
- Small businesses defined as companies employing between 5 and 100 employees
- Businesses who intend to stay within the TID 39 District for at least 5 years
- Business must be a for-profit entity

Ineligible Borrowers (Nonqualifying Businesses)

- Lending and investment institutions and insurance companies
- Golf courses, racetracks or gambling facilities
- Nonprofit entities
- Businesses engaged in any illegal activity per local, state or federal regulations with federal regulations taking precedence over local or state regulations.
- Home-based businesses
- Chain stores
- Businesses with more than 100 Full-Time Equivalent (FTE) employees as of Feb. 28, 2020.

Amounts:

- Loans up to \$250,000 for real estate purchase, improvement, remodeling or expansion
- Loans up to \$150,000 for machinery and equipment purchases

Rates:

- 0% interest for 5-year Term of the Loan
- Loan Balance to be decreased by 20% each year the Borrower is located and operates within the TID 39 District, and will be fully forgiven at the end of the 5 years from the date that the City's adopted the Loan authorization resolution

Terms:

- City will take the most mortgage security interest practicable in real estate and / or a practicable senior lien on machinery and equipment to secure the Loan
- Personal guarantee required of all principals with 20% or more interest in business.
- Equity requirement for existing businesses (10% of the total borrowing need) and 20% requirement of the requested loan amount requirement for startup businesses

Credit Standards:

The presentation of loan requests will include at minimum the following documentation:

- A statement of the purpose of the loan and the use of funds.
- A brief history of the cooperative.
- Brief bios of Board members and key staff people.
- Financial Statements for the last three years consisting of:
 - Balance Sheet
 - Income Statement
 - Applicable Footnotes
 - Interim Statements
- A schedule of existing debt and a valuation of available collateral.
- An aging of accounts receivable and accounts payable.
- Projections of income/expense and cash flow of the proposed project.
- A statement of the job retention and creation

In addition to the above documentation, the presentation will include a summary of the analysis of the proposal detailing key ratios such as debt to net worth, current ratio, debt coverage, and any irregularities in the business's performance and profitability over time and in comparison to industry standards.

Loan documentation will be prepared by MDC staff utilizing the current boiler plate forms in file. Loans underwritten by MDC staff will be presented to the loan committee of MDC Board Members and private-sector commercial lending officers from area Financial Institutions who volunteer their time to decision the loan.

Final loan approval to be provided by the City of Madison's common council who will be presented a synopsis of the credit analysis and recommendation. Loans must comply with goals and TIF Law; no working capital nor loans for operating costs will be provided under this program.

Fees:

The City will retain 15% of the loan pool for servicing costs, so there are no closing fees on the Loan paid by the Borrower.

Applications:

Available from Frederick McConnell, Vice President of Lending, Madison Development Corporation, 550 W Washington Avenue, Madison WI 53703, Fred@mdcorp.org, 608-256-2799.