



Department of Planning & Community & Economic Development

Economic Development Division

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TO: Economic Development Committee

**FROM: Matthew Mikolajewski, Director (mmikolajewski@cityofmadison.com)
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SUBJECT: Needs-Based Analysis and Financial Assistance Cap Discussion

DATE: August 20, 2025

The Economic Development Committee (EDC) has expressed an interest in exploring a needs-based policy that can be added to the Office of Business Resources (OBR) financial assistance programs. Staff gathered feedback from EDC members at the May 21st EDC meeting and interviewed organizational partners. Staff also made a proposal to limit the amount of financial support received by a single individual at the EDC meeting in May. Below is additional information to continue with these two discussion items.

Overview of OBR Financial Assistance Programs

To assist in the needs-based analysis and financial assistance cap discussions, below, please find a summary of each program, including eligibility, amount, purpose, and review process. City staff works with applicants prior to submission to ensure business owners understand the eligibility and process for each program. OBR staff and our partner organizations, Madison Development Corporation (MDC) and Wisconsin Women's Business Initiative Corporation (WWBIC), collectively review and underwrite applications for the the Commercial Ownership Assistance and Small Cap TIF programs.

Program Name	Eligibility	Amount/Purpose	Review Process
Building Improvement Grant	<ul style="list-style-type: none"> Retail businesses with at least a 2-year lease. Available in eligible TIDs. 	<ul style="list-style-type: none"> Grant funds up to \$50K. Purpose: to support the growth of retail businesses by providing grant funding for interior improvements. 	<ul style="list-style-type: none"> Internal city staff reviews and approves.
Commercial Ownership Assistance	<ul style="list-style-type: none"> Existing businesses where the owners live in the City of Madison and do not currently own a commercial building. Available citywide. 	<ul style="list-style-type: none"> Loan funds up to \$250K or 25% of the purchase price. Purpose: to help business owners expand their enterprises by transitioning from renting space to owning commercial property for their establishments. 	<ul style="list-style-type: none"> Internal city staff and Director approves. Bank and WWBIC underwrites the loan providing both a financial and business success probability analysis. Final approval at EDC and Common Council.
Façade Improvement Grant	<ul style="list-style-type: none"> Businesses with leases of more than one year and are located within the target area or emerging commercial node/activity area. Available citywide. 	<ul style="list-style-type: none"> Grant funds are between \$10K-\$50K. Purpose: to improve exterior storefronts. 	<ul style="list-style-type: none"> Mini grants only need Façade Grant Team Staff Approval. Grants over \$10,000 require approval by both the Façade Grant Staff Team and the Urban Design Commission.
Healthy Retail Access Program	<ul style="list-style-type: none"> Food retailers (e.g. grocery stores, large convenience stores, cooperatives, etc.). Organizations partnering with food retailers and providing technical assistance, data and analytics support, and evaluation services. Available in or adjacent to a Food Access Improvement Area 	<ul style="list-style-type: none"> Grant funds up to \$250K and can be used to purchase a building or provide build-out support. Equipment, transportation, and/or operational costs. Purpose: to create access to healthy food options in areas that is most needed for the community. 	<ul style="list-style-type: none"> HRAP review team reviews and makes recommendations. Food Policy Council and/or Common Council approves.
Small Cap TIF Program	<ul style="list-style-type: none"> Small businesses employing 5-100 employees. Available in eligible TIDs 	<ul style="list-style-type: none"> Loans up to \$250K for real estate purchase, improvement, expansion and/or equipment purchases. Purpose: to help existing business expand and grow. 	<ul style="list-style-type: none"> Madison Development Corporation reviews, underwrites and approves. Final approval at EDC and Common Council.

Determining Financial Need

Feedback from Partner Organizations

Staff interviewed partner organizations to find out some of the criteria that they use and asked for feedback regarding a needs-based analysis.

- Madison Development Corporation (MDC)
 - MDC currently reviews financial statements for the last three years consisting of the following:
 - Balance sheet
 - 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
 - MDC also analyzes key ratios such as debt to net worth, current ratio, debt coverage, and any irregularities in the business performance and profitability over time and in comparison to industry standards
 - MDC recommends one criteria to determine need: the business would not have been able to get a bank loan if it wasn't for the city's financial assistance
 - Letter from bank or organization to confirm the need
 - Fee
 - MDC currently administers Small Cap TIF and charges 15%
 - Adding needs-based criteria would increase the fee slightly, depending on what additional information or paperwork needs to be reviewed
- Wisconsin Women's Business Initiative Corporation (WWBIC)
 - WWBIC currently reviews business plans and projections
 - WWBIC recommends one criteria to determine need: the bank cannot assist the business and refers them to WWBIC
 - Letter from bank or organization to confirm the need
 - Fee
 - WWBIC currently does not charge for underwriting the Commercial Ownership Assistance program

- They would need to start charging a fee for completion of a needs-based analysis. The fee would depend on what additional information or paperwork needs to be reviewed.
- Wisconsin Economic Development Corporation (WEDC)
 - WEDC determines a need by adding some financial justification questions on their application
 - An example is “describe the financial needs for this funding that cannot be met through private sector or deduction in scope of project”

Staff Recommendations

Staff recommend the following for the needs-based analysis.

- Staff would only recommend this requirement for requests over \$100K cumulative of all programs, as it would not be feasible for our partner organizations to undertake if the amount is lower.
 - The following programs would therefore generally require a needs based analysis:
 - Commercial Ownership Assistance
 - Healthy Retail Access
 - Small Cap TIF
- Staff do not recommend this requirement for requests of \$100K or less, as it is not feasible for small amounts. In addition, our partner organizations do not currently review these smaller programs. However, if one of the programs below is coupled with other programs, then the review would be required when the total request is over \$100K.
 - The following programs would generally not require a needs based analysis unless they were paired with another program:
 - Building Improvement Grant
 - Façade Improvement Grant
- Staff recommend a 3-tier test to determine if someone needs financial support. If an application does not meet one of these criteria, they will not receive financial support. These criteria are based on the City of Madison’s Department of Civil Rights (“DCR”) guidelines. Staff is interested in direction from the EDC regarding using this 3-tier test in general and the specific criteria used for each test.

1. Person Net Worth Statements

- DCR requires “a personal net worth maximum of \$1.32 million dollars or less”
 - In the case of a sole proprietor who is married: DCR divides joint assets/liabilities. The personal net worth of the individual is considered and not the couple
 - For businesses with multiple owners: DCR divides joint assets/liabilities for majority owners. For example, if three owners are married, and all three owns 33.33% each, then the assets/liabilities are divided for each couple. However, if there are three owners with two of them owning 45% and one owning 10%, then just the owners with 45% ownership will be considered.
- Does the EDC agree that personal net worth should be considered, and does EDC agree with the amount and process described above?

2. Tax Returns or Business Projections

- DCR’s small business definition is “a business with annual gross receipts of \$4 million or less when averaged over the past three years.”
 - For business that has 3 years of tax returns
 - Use DCR’s method of average gross receipts
 - For business with less than 3 years
 - Use any tax returns they have, plus projections
- Does the EDC agree that gross receipts should be considered, and does EDC agree with the amount described above?

3. Schedule C Profit or Loss

- Existing businesses that had less than \$1 million in profit annually within the last 3 tax returns
- Does the EDC agree that profit should be considered, and does the EDC agree with the amount described above?

Financial Assistance Cap

The Office of Business Resources provides multiple financial assistance programs that can total over \$500K to a single individual when funding from multiple programs are added together. Staff has some concern about the level of financial exposure that the City may have to a single business with the current lack of a limit on the total investment the City is willing to make to a single individual. Staff proposed potential changes to the OBR financial assistance programs at

the EDC meeting in May. Below is additional and/or updated information after receiving feedback from EDC.

Percentage Cap

At the EDC meeting in May, it was suggested that staff look at a percentage cap. After reviewing all the OBR financial assistance programs and getting additional feedback from staff, we concluded that we are more concerned about the dollar amount being directed to an individual, rather than the percentage. Tracking a dollar amount cap will be clearer vs a percentage cap as businesses can keep applying for multiple programs, and, by using a percentage cap, the actual dollar amount may continue to increase. In addition, most of our OBR programs already have a percentage cap or a 1 to 1 match requirement. See chart below.

Program	Percentage Cap
Building Improvement Grant	No % cap because future businesses can benefit
Commercial Ownership Assistance	25%
Façade Improvement Grant	Requires 1 to 1 match for grants over \$10K
Healthy Retail Access Program	30% is the guideline
Small Cap TIF	35% is the guideline

The existing percentage requirement that we have for these programs ensures that the amount of funding that the city provides for a project corresponds to the dollar amount for that project, which ensures that a single project doesn't receive an outsized amount of financial support. Therefore, staff recommend the maximum dollar cap instead of a percentage cap, to ensure that the total amount of money being invested in a single individual is not exceeded.

Staff recommendations

- Staff recommends a dollar cap of \$350K for all small business financial assistance programs managed by OBR.
 - For example: a business can apply for a max loan amount of \$250K for a Commercial Ownership Assistance loan and could request another \$100K through other programs such as a Building Improvement Grant or Small Cap TIF loan to make improvements and/or build out their commercial space.
- The dollar cap would not include pass-through or 3rd party assistance such as CDBG, KIVA, and WEDC.
- The dollar cap would be in place for five years following the last disbursement of City funding.

- The dollar cap would apply to an individual, recognizing that individuals may be party to multiple businesses, locations, or business partnerships.

Is the EDC supportive of these recommendations related to the financial assistance cap?