

**2018 STAFF REVIEW OF PROPOSALS FOR
COMMUNITY/NEIGHBORHOOD DEVELOPMENT RESERVE FUNDS**
(Housing Development Funds, Affordable Housing Trust Funds, Facility Acquisition/Rehab Funds, Futures Funds)

1. **Project Name/Title:** Main Street Industries – Roof
2. **Agency Name:** Common Wealth Development, Inc.
3. **Requested Amount:** \$500,000
4. **Project Type:** ☒ New ☐ Continuing
5. **Framework Plan Objective Most Directly Addressed by Proposed Activity:**
 - Objective 2.1 Job Creation and Community Business Development: Create jobs, particularly for underrepresented individuals, by supporting new or expanding businesses.
 - CDBG National Objective: Economic Development – Job Creation
6. **Product/Service Description:**

Common Wealth Development, Inc. (Common Wealth) proposes to use CDBG funds, to complete a roof replacement project on their 50,000 square foot business incubator that will allow the property to maintain a safe and quality space for small start-up businesses.
7. **Anticipated Accomplishments (Numbers/Type/Outcome):**

By maintaining safe and quality space for start-up businesses, Common Wealth anticipates that these funds will lead to the creation of at least 14.5 new jobs.

Within 24 months of receiving CDBG funds for this project, the for-profit businesses that lease space at Main Street Industries will create at least 14.5 full-time equivalent jobs. At least 51% of the newly created jobs will be held by, or made available to, low-to-moderate income persons.
8. **Staff Review:**

Main Street Industries is currently home to 14 small businesses that range in scope from providing professional services to manufacturing clothing. Main Street Industries has served a vital role in east Madison by contributing to the economic vitality of Madison and continued growth of numerous small businesses. Since its establishment, the incubator has supported over 150 start-up businesses, many of which have graduated from their space to hire hundreds of additional employees. Common Wealth's commitment to community development and stabilizing neighborhoods has underscored this property's importance in being one of the oldest and most successful incubators in the City, being a model for similar projects that have opened more recently.

Recently, Common Wealth commissioned a Capital Needs Assessment (CNA) of the property to identify what upgrades were necessary to maintain the useful life of the property and to evaluate the cost of making these repairs over time. The CNA highlighted a priority in its report to remove and replace the existing roof and insulation, for a total cost of approximately \$650,000. The assessment also highlighted other, longer term maintenance items that Common Wealth has deferred to a later date. Common Wealth has not replaced a roof of this shape or size since it began operations. The unique shape, nature, and history of this roof has made this specific project difficult to plan for and budget within Common Wealth's replacement reserves.

The City of Madison Community Development Division has funded Main Street Industries in the past, dating back to 1994. The City has provided CDBG funds to Common Wealth for Main Street Industries in the amount of \$703,000, and a separate loan from previously available Department of Energy BEEP funds in the amount of \$100,000. The additional \$500,000 in CDBG funds would bring the loan-to-value ratio for the property to approximately 77%, using the property's current estimated value. A new, post-rehabilitation appraisal will be completed once construction is completed. Common Wealth will use approximately \$141,942 from its existing reserve funds to finance the remainder of the project.

Project construction is expected to begin in the second quarter of 2018, during the late summer or early fall. According to preliminary bid proposals received by Common Wealth, the project is expected to take at least two

months to complete.

This project will increase the number of job opportunities available for low- and moderate-income individuals living in the City of Madison. Funding the project will ensure that the jobs created by Main Street Industries' innovative and start-up businesses will be available to low- and moderate-income residents of the City of Madison.

Total Cost/Total Beneficiaries Equals:

$\$641,942/14.5 = \$44,272$ per job created

CD Office Funds/CD-Eligible Beneficiaries Equals:

$\$500,000/14.5 = \$34,483$ per job created

CD Office Funds as Percentage of Total Budget:

$\$500,000/\$641,942 = 78\%$

Staff Recommendation:

9.

Staff recommendation is to provide up to \$500,000 in CDBG Economic Development Reserve funds to Common Wealth for a roof replacement under the terms of the existing CDD Goals and Objectives.