



Small Cap TIF Program: Small Business

Presentation to the Economic Development Committee

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Background

- ▶ The Small Cap TIF business loan program was created in TID #39 in 2020 on Madison's southeast side.
- ▶ The City contracted with Madison Development Corp. (MDC) to provide program marketing, loan underwriting and servicing.
- ▶ As TID 39 was about to close, the contract was expanded in 2023 to include Small Cap business loan services within all future TIDs that include a Small Cap TIF business loan program.
- ▶ The newest Small Cap TIF business loan programs are located in TIDs 51 (South Madison), TID 52 (E. Washington & Stoughton) and TID 54 (Pennsylvania Ave).



Eligible Small Business

- ▶ Businesses located within the City of Madison TID 51 boundary or within Half Mile Boundary Area of TID 51 per the attached map.
- ▶ Businesses located within the TID boundary or Half Mile Boundary of TIDs created in future that include a Small Cap TIF small business program in their respective Project Plans.
- ▶ Small businesses defined as companies employing between 5 and 100 employees
- ▶ Businesses intending to stay within the TID 51 District and TIDs created in future by the City of Madison that include Small Cap TIF for small business (or within a half mile of the same) for at least 5 years
- ▶ Business must be a for-profit entity



Ineligible Business

- ▶ 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 January 1, 2023.



Loan Amounts, Terms

- Borrowers may receive zero-percent (0%) loans, not to exceed \$250,000, for the purpose of purchasing real estate, financing real estate improvements or loans not to exceed \$150,000 for purchasing capital machinery and equipment.
- For each anniversary year of the Common Council final authorization and closing of the Loan, 20% of the original principal of the Loan is forgiven until the remaining balance is forgiven at the end of five (5) years, provided the business is a going concern and remains in the approved location within TID 51.
- Failure to remain in the approved location, or within TID 51, or within TIDs created by the City of Madison that include a Small Cap TIF business program where the Small Cap TIF loan originated (or a half-mile thereof) will constitute an event of default, and require repayment of the outstanding loan balance plus any applicable fees.
- The 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 guarantees are required from all principals with 20% or more interest in the business receiving funding under the Program.
- Loans may be disbursed until the statutory expenditure period for TID 51 expires on March 7, 2045 or the TID has fully recovered all of its project cost and must close as required by statute. Loans may also be disbursed within future TIDs that include the Program, created by the City of Madison, until the expiration date of their respective statutory expenditure periods, or said TIDs have recovered all of their project costs and must close, according to statute.



Required Application Documents

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



Loan Application Process

- ▶ MDC markets the program to eligible small business within applicable TIDs
- ▶ Small business submits application to MDC
- ▶ MDC conducts credit analysis, presents loan request to their loan committee
- ▶ Upon approval, MDC will submit a loan funding request to the Office of Business Resources with a Loan Summary Report
- ▶ The Loan Summary Report will be included in an authorizing resolution introduced to the Common Council and referred to the Finance Committee for final consideration and approval.
- ▶ The Small Cap TIF program pays for all marketing, underwriting, loan closing and loan servicing cost, calculated as a 15% fee of the loan amount not to exceed \$75,000 for all the loans approved and administered.



Thank You. Questions?