

Community Development Authority
MCRF Loan Report
August 11, 2011
Amended: 8/25/11

Project Update: TJ's Taylor's Once Price Cleaners

Original Project:

On October 20, 2010, CDA approved a \$121,440 Cap Revolving Fund Loan to TJ's Taylor's One Price Cleaners, Inc. ("Borrower") secured by a first UCC lien. The loan was evidenced by a five-year note, amortized ten years, bearing an interest rate of prime rate at closing, floating, plus .25 basis points, the first two years payable at interest only. The City of Madison would seek a \$96,000 loan guaranty from Wisconsin Housing and Economic Development Authority (WHEDA) to secure a 90% loan to value as required by CDA policy.

Borrower proposed a start-up dry-cleaning business that also provides a training apparatus and funding support for a job training program for disadvantaged and developmentally-disabled persons. The MCRF loan would purchase machinery & equipment, furniture and fixtures, and fund tenant improvements to be installed in a leased facility at 4522 Verona Road ("Project").

TJ's Taylor's One Price Cleaners, Inc. ("Borrower") is a for-profit Subchapter (s) corporation with non-profit subsidiaries (MAP and TJ's Support Brokerage). Borrower proposed that the for-profit dry-cleaner will provide financial support through charitable distributions to the non-profit subsidiaries. Borrower would sub-lease a 4,500 SF space from TJ's Support Brokerage, with TJ's leasing the remaining 4,300 SF.

May 10, 2011 Project Update:

On May 10, staff reported to CDA that Borrower had not completed the Project nor had MCRF funds been disbursed. The Project's sources and uses of funds and business model had significantly changed, requiring a new CDA review and Common Council authorizing resolution that was adopted on June 21, 2011.

August 11, Project Update:

The Wisconsin Department of Commerce has committed only \$75,000 of the \$100,000 anticipated loan amount. Borrower has proposed that one of her board members will donate \$25,000 toward the project in place of the Commerce loan shortfall. In addition, Borrower reduced project cost by \$23,000. The various project changes are highlighted in the chart below. In light of the numerous changes throughout this project, staff has researched all currently listed sources of funds. All funding sources are confirmed ~~except for the \$20,000 loan from the City of Madison/US Department of Energy program.~~

Staff proposes the following conditions on this amended proposal:

1. Borrower shall provide an affidavit, drafted by her attorney, signed by the donor and notarized by licensed Notary Public, stating that Donor has \$25,000 in funds to donate to Borrower, has the authority to donate said funds and shall donate the funds to the project prior to the MCRF loan closing. **(Signed and notarized affidavit is attached).**
2. Prior to disbursing the MCRF loan, the Donor shall deposit, in full, \$25,000 in funds into TOP Cleaners' bank account.
3. Prior to or at loan closing, TOP Cleaners shall provide a current bank statement to the CDA providing evidence of the \$25,000 deposit.
4. With regard to the Department of Commerce loan commitment, written evidence shall be furnished to the CDA providing evidence that the obligation to the Indiana Department of Revenue has been brought current, prior to disbursement of the MCRF loan.
5. ~~Loan is contingent upon securing a \$20,000 loan through the City of Madison/US Department of Energy program.~~

Upon CDA approval, staff will introduce an amended funding resolution to the Common Council for introduction and approval on September 6 ~~with final adoption on September 20~~. Upon Council approval, staff may apply for the WHEDA Small Business Loan Guaranty. Upon WHEDA approval of the loan guaranty, staff may schedule a loan closing with Borrower.

<u>Project Cost (Uses of Capital):</u>	<u>October, 2010</u>	<u>May 10, 2011</u>	<u>August 11, 2011</u>
Equipment & Installation	(241,000)	(176,000)	(166,000)
Furniture, Fixtures	(50,000)	(22,000)	(37,500)
Signage	0	(15,825)	0
Equipment Contingency	(25,000)	0	0
Tenant Improvements – “Site Work”	(73,500)	(50,000)	(50,000)
Operating Reserves	(100,000)	(40,000)	(40,000)
Soft Cost	(92,200)	(43,200)	(42,500)
Total Cost	(\$581,700)	(\$347,025)	(316,000)
<u>Sources of Capital:</u>			
Equity	\$43,700	63,000	50,000
Board Member Donation	0	0	25,000
Grants	198,000	46,000	46,000
Total Equity & Grants	\$241,700	\$109,000	121,000
Loans:			
MCRF Loan	\$120,000	120,000	120,000
MGE	30,000	0	0
WI Dept of Commerce	100,000	100,000	75,000
Family Investment	90,000	0	0
City of Madison Energy Loan (3%, 5-yr)	<u>0</u>	<u>30,000</u>	<u>20,000</u>
Total Loan Sources	\$340,000	\$250,000	\$195,000
Total Sources	\$581,700	\$359,000	\$316,000