



**CITY OF MADISON - SMALL CAP TIF PROGRAM
TID #51
January 2, 2024**

BORROWER: 1423 South Park Street, LLC (d/b/a Fringe Salon Spa)

BUSINESS: Fringe Salon Spa, LLC

ADDRESS: 1423 S Park St, Madison, WI

PRINCIPALS: Tamara Brown

CREDIT REQUEST: \$80,000 from Small Cap TIF Program - TID #51

AMORTIZATION: TIF: 5-year maturity, fully amortized

RATE: Small Cap TIF - 0% Fixed, 0% Closing Fee

PURPOSE: Real estate purchase of salon at 1423 S Park St. Madison WI

COLLATERAL: Subordinate GBSA on assets of Fringe Salon Spa LLC. Second mortgage on the subject property and Unlimited Personal Guarantee by Tamara Brown. Corporate Guarantee of 1423 South Park Street, LLC.

DISADVANTAGED BUSINESS

MBE
 WBE
 L-M-I Ownership
 Other _____

TYPE OF BUSINESS

Basic
 Neighborhood
 Years in Operation: 13

LOCATION

Census Tract #0013.00

Targeted L-M-I Census Tract

JOB IMPACT

Number of Jobs Created

OTHER FUNDING

- PARK BANK, CITY OF MADISON COA GRANT, OWNER'S CASH

<u>Job Classification</u>	<u>Salary</u>	<u>#Hrs/Week</u>
1. Stylist	\$18/hr	40+
2. Aesthetician	\$20/hr	40+



BACKGROUND

Fringe Salon Spa, LLC (Fringe Salon Spa), established in 2010, is an upscale full-service beauty salon dedicated to changing the expectation of the common ethnic salon experience. Fringe is currently in a business incubator located on Madison's west side at 654 Gammon Road. Tamara Brown is the principal owner with a staff of 6 and 3 vendors. Fringe believes its ability to produce new trends in hair, skin, and nails for the Black and Hispanic community, all while respecting their schedules has set them apart. Fringe Salon Spa retention totals rate was 85.85% in the first quarter of 2023 and maintains a rating over 4 stars.

The services offered by Fringe Salon Spa include:

- HAIR: cuts, relaxers, textured waves, colors, shampoo, conditioning, curling, extensions, waving, consultations.
- SKIN: facials, body waxing, massage, body treatments.
- NAILS: manicures, pedicures, polish, sculptured nails.

PROJECT DESCRIPTION

Fringe Salon Spa is looking to purchase the real estate at 1423 S Park St in Madison with the goal of growing its staff and renters while providing great salaries and benefits. The site was selected because of its convenience to the diverse demographic Fringe Salon Spa wishes to serve. Other business goals include expanding the salon staff and size through remodel updates and providing additional services like couple massages, body wraps, bathing/shower facilities, and the full spa experience to please all guests.

This credit request to the TIF Small Cap Lending Program represents a piece of gap financing for the project, which is estimated to cost \$455,000. The founder is also seeking capital from Park Bank and has applied for the Commercial Ownership Assistance Grant through the City of Madison. The funding request is for purchase of the real estate at 1423 S Park St. The project is expected to create at least 9 full-time jobs within the first 24 months of operation.



BUDGET

Fringe Salon Spa, LLC	
All Stack Holders 1423 S Park St, Madison	
The breakdown is listed below:	
Real Estate Purchase.....	\$ 455,000
Real Estate Improvements.....	-
Equipment.....	-
Working Capital.....	-
Total Costs	\$ 455,000
Less: Owner Contribution.....	\$ 11,250
Total Costs	\$ 443,750
Park Bank Bank.....	\$ 200,000
Madison Development Corporation (BLP).....	50,000
Small Cap TIF - Lending Program.....	80,000
City of Madison Building Improvement Grant.....	-
City of Madison COA Grant.....	113,750
Total	\$ 443,750
Submitted By: Tamara Brown	

MANAGEMENT

Tamara Brown, Principal/Owner – Tamara has been in the Beauty Industry for over 24 years and has owned Fringe Salon Spa for 13 years, specializing in diverse hair textures, color, haircuts, and makeovers. Her mission is to bring a healthy motivation to beauty, self-wellness, and the absolute best in service. She attended the University of Arkansas Pine Bluff, Belleville Area College and completed Cosmetology School at Capri College in Madison. She has resided in Madison for over 30 years with her husband and three children. She currently serves on the Nehemiah Board of Trustees.

OWNERSHIP STRUCTURE

Fringe Salon Spa, LLC, is owned 100% by Tamara Brown. The MDC loans will be personally guaranteed by Tamara Brown and husband. The entity purchasing the property is 1423 South Park Street, LLC. Which is also owned 100% by Tamara Brown.

SUMMARY OF FINANCIAL STATEMENTS

Historical tax returns were provided for Fringe Salon Spa, LLC for the years 2020-2022 and interim through September 2023. These are estimated through 2025. The financials provided show a dip in income during 2020 due to the pandemic and a recovery in 2021 and 2022. Total sales in 2023 are estimated to increase by 27%.



Key Financial Ratios

Debt to Net Worth: 0.73*

Current: 1.04

Debt Coverage: .66*

*Using total debt including loan from the Small Cap TIF Program. The loan does not have debt service. The current ratio uses cash available and estimated liabilities after closing of the purchase.

*Debt service coverage ratio includes the net operating income and assumed debt service estimates over a 9-month period (Jan 2023 – Sept 2023).

ECONOMIC IMPACT

<u>Total Positions</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Full-Time Positions	6	9	15

The project is expected to create 9 new full-time positions within the first two years. The company currently has 6 full-time employees.

RISKS

Economic conditions, changes in consumer preferences and unforeseen events like a pandemic can significantly impact salon revenues.

The MDC loan will be secured by the same assets as Park Bank. However, MDC and the City of Madison will hold a junior position to the private lender.

COLLATERAL

Second position on business assets of Fringe Salon Spa, LLC. Second mortgage on the subject property located at 1423 S Park St, Madison, WI (junior to Park Bank). Unlimited personal guarantee from Tamara and Curtis Brown (spouse). Tamara and Curtis Brown personal report a net-worth sufficient to cover the debt incurred by the real estate purchase. The guarantor's credit report shows an excellent payment history.

The subject property has a purchase price of \$455,000. Total debt secured by real estate will be \$330,000, which results in loan-to-value ratio of 72.5%. 1423 South Park Street, LLC will also provide a corporate guarantee.

1. Guarantors Credit Summary

A review of Tamara Brown's credit history shows no delinquent accounts. The largest liability is the mortgage on Tamara's home. With significant equity using an estimated home value as of 2023. Other assets include an IRA, a personal vehicle, and cash.



TID-51 INTENT AND PURPOSE

The City of Madison established that the health of the Madison area economy is vital. It intends to continue to expand, stabilize and diversify its economic base. Madison also recognizes that the area encompassing South Madison is an essential part of the greater community.

In 2023, the City of Madison in collaboration with MDC established a lending program to review, underwrite, and provide recommendations for applicants. The program is structured as a forgivable loan program for qualifying businesses for the purposes of real estate purchases, improvements, and machinery. Loans are to be structured with 0% over a 5-year term. Eligible businesses are required to remain and keep ownership of the facility for at least 5 years. Whereas 20% of the principal amount is decreased each year.

RECOMMENDATION

Based on the company's business plan, collateral available and owner's credit history, the project meets the criteria and the economic development goals of the TID-51 Program and Business Loan Program. Staff recommends approval of \$80,000 under MDC's TID-51 Loan Program. The TID-51 Recommendation is contingent on final approval by the City of Madison legal review and City of Madison Common Council. The recommendation is also contingent upon approval of a business loan by Park Bank in the amount of \$200,000.