



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 (Legistar 88323)

DATE: May 21, 2025

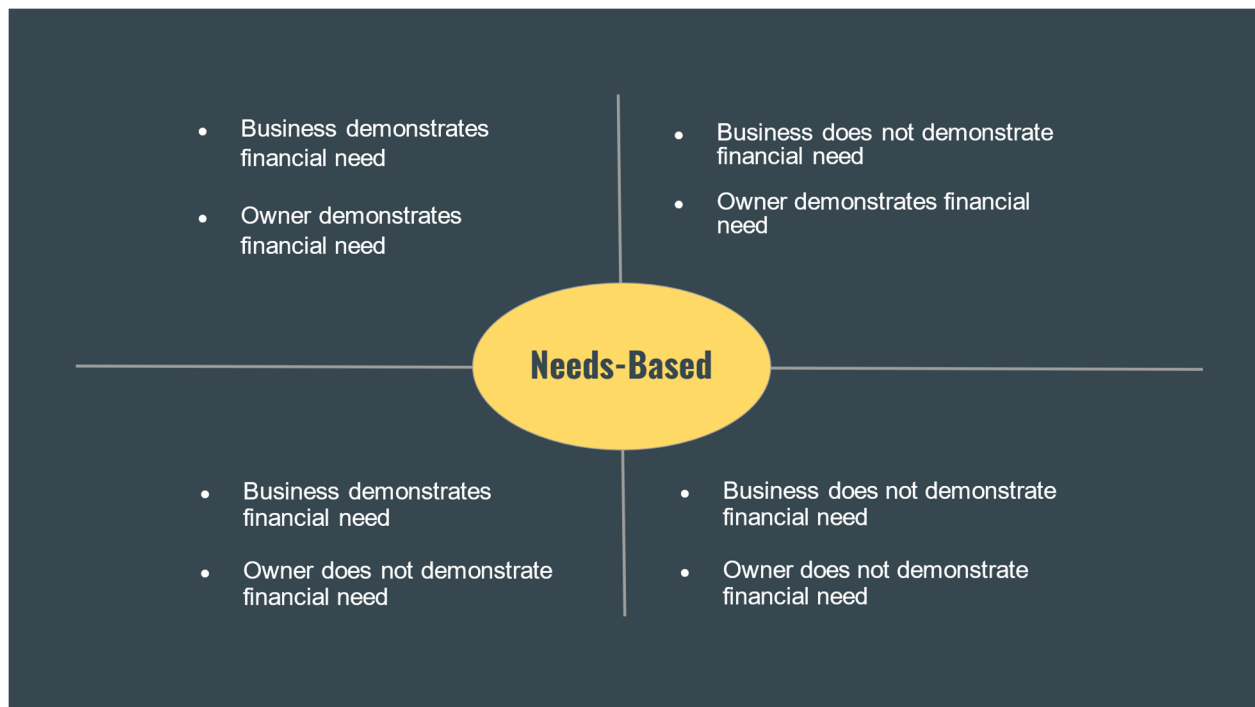
Overview

The Office of Business Resources provides financial assistance to small businesses in the form of grants and loans ranging from \$10,000 to \$250,000. 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 financial assistance programs. Staff would also like to discuss a proposal to limit the amount of financial support received by a single individual. Below is additional information about these discussion items.

Determining Financial Need

To conduct a needs-based analysis, it's important to understand the specific needs the EDC would like to address. The analysis can focus on the needs of the business, the owner, or both.

1. Financial Need/Capacity of the Business
 - a. Does the business need financial assistance or is there a gap in the project?
 - b. What does the business plan show? Can the business do the work without city assistance?
2. Financial Need/Capacity of the Owner
 - a. Does the owner need financial assistance?
 - b. What do the financial documents show? Do they have the means to do the work without city assistance?
3. Combination of Both a Review of Financial Need/Capacity of Business and a Review of Financial Need/Capacity of Owner



If the EDC is interested in both the financial health of the business and owner, special attention will need to be made to situations where either the business or the owner is in need of financial support, but not both.

Ex. Business or project can show there's a gap, but the owner is financially healthy.

Ex. Business or project doesn't show a gap or need, but the owner doesn't have the financial capacity.

What aspect of a needs-based analysis is EDC interested in: the business, the owner, or both?

Possible approaches to measuring financial capacity include the following:

- Tax returns
- Bank statements
- Investment records
- Property ownership
- Business plan
- Financial plan: budget, cash flow projections, balance sheet, etc.
- 3rd party organization
- Are there others that the EDC would be interested in considering?

Economic Development Division staff don't have expertise or capacity to complete credit analysis of projects. We would need to rely on an external partner to complete this work. Is EDC comfortable with the City paying an outside firm for this analysis?

Would EDC be interested in this needs-based analysis to be completed for all programs; or, only programs with a more significant commitment of City funds? At most, for the Façade Grant Program or Building Improvement Grant Program, a business can receive \$50,000. For Commercial Ownership Assistance and Small Cap TIF, a business could receive up to \$250,000. Is the EDC interested in applying the needs-based analysis on all of these programs; or, only those with a more significant financial investment?

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 have 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 is proposing the following potential changes to our financial assistance programs to address this concern:

- a. Staff recommends a cap of between \$350K to \$500K for BIG, COA, Façade, HRAP, and Small Cap TIF. Staff are interested in the perspective of the EDC on whether or not a cap is warranted, and if so, if the EDC would be supportive of \$350K, \$500K, or something in between?
- b. The cap would not include pass-through or 3rd party assistance such as CDBG, KIVA, and WEDC.
- c. The cap would be in place for five years following the last disbursement of City funding.
- d. The cap would apply to an individual, recognizing that individuals may be party to multiple businesses, locations, or business partnerships. For example:

If cap is \$400,000,

Madam C.J. Walker receives \$250,000 in 2026 for a Commercial Ownership Assistance forgivable loan. Then in 2028, she applies for a Small Cap TIF loan with two other individuals for an unrelated business. She and the other owners would only be eligible for \$150,000, not the full \$250,000 available to someone who hasn't received funding from the City before. After 2033, five years following the later disbursement of \$150,000, the cap would no longer be in place. Ms. Walker would once again be eligible to apply for additional funding.

This cap would apply to individuals approaching the City for financial assistance for the first time following adoption of the policy. It would not impact applications already in progress or on the horizon.

Is the EDC interested in this type of cap, and does the EDC have input on any of the details noted above?