

Memorandum

To: CDBG Committee
From: CDBG Staff
Date: 5/3/2010
Re: CDBG – R: Economic Development Funds

The \$106,050 in CDBG–R funds provided in 2009 to Higher Ground Urban Farm for their business start-up were returned to the City after Higher Ground was unable to complete negotiations for their business space. The CDBG Office re-issued the RFP for economic development projects to be funded by these CDBG-R funds.

Three (3) proposals were received in response to the request for proposals to provide economic development services tied to new job creation in “green” businesses or those that would be able to create the new jobs through energy efficiency improvements funded by the CDBG-R funds. The goal was to create at least 3 new FTE positions or retain at least 3 existing FTE positions for low or moderate income persons working for businesses located in the City of Madison.

1. Common Wealth Development – Green Loan Fund. Requests \$106,050 To provide \$101,050 in loan funds to 2 area businesses located in the two incubator facilities that Common Wealth manages. The balance of funds to Common Wealth for service delivery fees. One business provides solar installations for individuals and businesses and the other does wind monitoring for businesses considering the construction of a wind tower as an energy source. These loans would be tied to the creation or retention of an FTE position for each \$33,683 in funds provided to the green businesses. At least 3 FTE positions would be created or retained.
2. Idle Free Systems Corp. – Requests \$106,050 as a working capital loan to assist in the purchase of the materials needed to supply the energy saving systems it sells. This existing business, which works with trucking firms to install a device on diesel engines that reduces the need for engine idling is in the growth phase of their operations. Business would hire 3 FTE positions within the year.
3. TJ's support Brokerage – Requested \$106,050 to fund the training component of a new dry cleaning business venture. Proposed creation of 3 new FTE positions which would provide the training and run the business.

Staff Recommendation:

Staff recommends that the Committee approve provision of funding as follows:

\$53,025 to Common Wealth, for the provision of one loan/grant to Seventh Generation Energy Systems in the amount of \$51,025 and \$2,000 for CW service delivery fees; to enable Seventh Generation to buy a wind monitoring tower and thereby obtain a 2 year contract for wind monitoring for client. This loan would enable the creation of 1.5 FTE positions within the firm. Require that the loan be subject to Common Wealth obtaining a formal business loan application and completing a satisfactory loan review with the business. Require that as part of this loan Common Wealth receive and review quarterly financial statements from the business. These funds as repaid will become part of the Common Wealth Neighborhood Equity Loan program.

\$53,025 to Idle Free Systems as a working capital loan. This loan would enable the creation of 1.5 FTE positions within the firm. Require that the loan be provided to Idle Free through Madison Development Corporation for loan underwriting and servicing. MDC will obtain a formal business loan application and loan underwriting and loan negotiation with the business. These funds, as repaid, will become part of the MDC Business Loan program revolving loan fund.

Funding these two programs enables the City to meet the goals of the CDBG-R Economic development funding, revolve some of the funds through the use of program income and assist in creating or retaining jobs for low to moderate income residents of the City.

Note: after discussion with the applicant of TJ's it was determined that the program as requested would not be ready to proceed immediately as required.