

Small Cap TIF Lending Program

February 19, 2025

Presented by

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Madison Development Corporation

A 501c3 non-profit established in
1977 by the City of Madison

Agenda

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- I. About MDC
 - I. Overview & History of MDC Lending Programs
 - II. Small Cap TIF Program Overview
 - III. Small Cap TIF – MDC Review Process

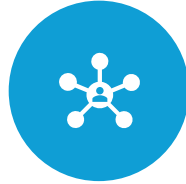
About MDC – local 501c3 non-profit founded in 1977



MISSION IS TO HELP
CREATE JOBS BY
PROVIDING GAP
FINANCING TO SMALL
BUSINESSES & TO
DEVELOP & FINANCE
AFFORDABLE
HOUSING



\$52 MILLION IN
ASSETS AND \$6.2
MILLION IN ANNUAL
REVENUES (RENTS &
LENDING FEES)



13 MDC TEAM
MEMBERS WHO
MANAGE 429 UNITS
AND 4 LENDING
PROGRAMS



13-MEMBER DIVERSE
BOARD OF DIRECTORS



71% OF TENANTS <
60% AMI (AS OF
1/1/24)



<1% VACANCY RATE



RECORD OF SUCCESS MANAGING HOME,
CDBG, AND OTHER GRANT FUNDS

Example of MDC's most recent projects in the City of Madison 44-Unit Graaskamp Apts, 24-Unit Lillian Apts & Graaskamp Park 1954 E. Washington Parcel



Small Business Lending Program (BLP)

- Established in 1977 with \$500,000 CDBG dollars* (Funding dependent on City receiving funding from HUD)
- 400+ loans made, totaling over \$25 million
- For every \$35,000 in loan funds, at least one new job is required within 2 years
- 3890+ Jobs Created since 1977
- Demand is high for these funds
 - Over \$500k in loans were turned away in 2024 due to lack of funds
 - \$590k of \$640k available is committed for 2025



Small Cap TIF Lending Program

Guidelines created through
collaboration of City of Madison &
MDC Staff

- Eligible Borrowers
 - For profit, small businesses (between 5 and 100 employees)
- Amounts
 - Up to \$250,000 for real estate purchase, improvement, remodeling or expansion
 - Up to \$150,000 for capital machinery and equipment purchases
 - Loans are limited at \$50,000 for borrowers that rent their space
 - Loans are typically limited to approximately 30% of project budget
- Terms
 - Fully forgivable over 5 years
 - City takes the most mortgage security interest practical and most senior liens on machinery equipment (usually second position to primary lender)
 - Personal guarantee required of all principals with 20% or more interest in business
 - Equity requirement for existing businesses (10% of the total borrowing need, 20% for start-ups)

Small Cap TIF Loan Process





Business Development

MDC meets with interested parties

- Determines if the project matches program guidelines
- Determine if in eligible area
- Determine if TID budget allows for their need

Referral Sources:

- MDC website/marketing
- Real estate brokers
- City Office of Business Resources
- EDO organizations
- Financial institutions
- Word of mouth



Application & Underwriting

MDC collects & analyzes:

- Business Plan
- Project Sources & Uses
- Historical & projected financials
- Borrower & Guarantor Tax Returns
- Resumes of principals
- Debt schedule & collateral

MDC works with borrower & other lenders to determine need and loan sizes

Key Financial Ratios*

- Debt to Net Worth: 3:1 or lower
- Current Ratio: >1.0
- Debt Coverage: >1.15
- LTV: <100%
- Working capital: 3+ months

**standards may vary based on industry and business model*



MDC Loan Committee

Detailed credit recommendation is reviewed including:

- Historical Financials
- Projections
- Ratios
- Risks and mitigants
- Project overview

Borrower presents and participates in Q&A



Ed Lee, Chair
COO, Urban League
MDC Board Member



Ron Trachtenberg
Real Estate Attorney
MDC Board Member



Jessica Piatt
CRE Banker



Hope Francis, MBA
Bus. Relationship
Manager
Lake Ridge Bank



City Review

MDC provides synopsis of the credit analysis & recommendation including:

- Overview of project
- History and future plans of business
- Sources & Uses
- Key personnel bios
- Ratios including debt to net worth, current ratio, debt coverage
- Any irregularities in the business compared to industry standards

Private information redacted to protect business

Path through City Committees:

1. Common Council Introduction
2. Finance Committee
3. Economic Development Committee
4. Common Council Final Resolution



Loan Closing

- Loan documentation prepared by MDC
- MDC coordinates with borrower and other financing parties
 - Works with title company (if primary borrower using) or verifies expenses before distributing funds
- Loan secured with all collateral available (typically in 2nd position behind primary lender)



Fringe Salon Spa Closing – After 20+ years owning her own business, Tamara Brown utilized the Small Cap TIF Loan program to purchase real estate to operate her salon out of



Loan Servicing

- MDC monitors progress of project
- Annual Site Visits
- Annual Job Review
- Decrease loan balance by 20% each year



Sample Project - Smart Cleaning Solutions

Uses of Funds:	Amount	Sources of Funds:	Amount
Land Purchase:	\$196,000	Park Bank Loan:	\$700,000
Construction Improvement:	990,000	MDC Loan:	250,000
Closing Costs:	27,000	Commercial Ownership Assistance Grant:	250,000
	0	Borrower Contribution:	13,000
Total	\$1,213,000	Total	\$1,213,000



- Smart Cleaning Solutions was established in 2013 by James Sutton and offers wide variety of cleaning services
- 2024 Project was to build a new facility to operate out of- doubling their space and allow them to expand their offerings



Thank you!
Questions/Comments?

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