



**CITY OF MADISON – TID #51 - SMALL CAP LENDING
PROGRAM CREDIT REQUEST
June 26, 2024**

BORROWER: S&S Property Management LLC

BUSINESS: Pequeños Traviesos LLC

ADDRESS: 119 Nygard St, Madison, WI

PRINCIPALS: Erika Soto, Luis Soto

CREDIT REQUEST: \$125,000

AMORTIZATION: 5-year maturity, fully amortized

RATE: 0% Fixed – No closing fee

PURPOSE: Construction of additional space for childcare facility

COLLATERAL: Second position real estate mortgage on 119 Nygard St, Blanket Security Agreement on business assets of Pequeños Traviesos LLC and S&S Property Management LLC. Unlimited Personal Guarantees of Erika Soto and Luis Soto.

DISADVANTAGED BUSINESS

MBE
 WBE
 L-M-I Ownership
 Other _____

TYPE OF BUSINESS

Basic
 Neighborhood
 Years in Operation: 17

LOCATION

Census Tract # 0014.01

CDBG ENVIRONMENTAL REVIEW

Required: Yes No

Date Requested: TBD

JOB IMPACT

16 Number of Jobs Created

OTHER FUNDING

- Forward Community Investments (FCI)
- Owners Cash Infusion

<u>Job Classification</u>	<u>Salary</u>	<u>#Hrs/Week</u>
1. Teacher	\$22/hr	40+
2. Assistant	\$17/hr	40+



BACKGROUND

Pequeños Traviesos LLC began operating in October 2007 as a family childcare program in the City of Fitchburg with a capacity of 8 children and one employee. 5 years later in June 2012, a childcare center was opened at 119 Nygard St, Madison with an initial capacity of 21 children. As time went by and demand for childcare grew, the capacity of the business did as well. Today Pequeños Traviesos is licensed to care for 74 children and has 20 employees. Pequeños Traviesos LLC has a five-star rating from Youngstar. Youngstar is a five-star quality rating system for childcare providers based on education, learning environment, business methods, and practices around child health and well-being.

The mission of Pequeños Traviesos is to provide a safe and developmentally appropriate learning environment, intellectual/learning stimulation, academic tools, and compassion while recognizing that each child is unique and different, covering the holistic development profile that every child needs and deserves.

PROJECT DESCRIPTION

Pequeños Traviesos will be adding a 7,100 square foot building addition to their current property that will include 4 infant classrooms, 4 toddler classrooms, offices, food prep area, and a break room. The construction is expected to last approximately 8 months.

With the expansion, the company can double their childcare capacity and serve an additional 32 infants and 48 toddlers for a total of 154. The center aims to enhance its services and increase the capacity according to the needs of the community and their waiting list. The company envisions becoming the first dual immersion language childcare center in Madison as well as a Kindergarten prep center for all children.

This credit request of \$125,000 to the Small Cap TIF Lending Program represents a piece of gap financing for the project, which is estimated to cost \$1.9 million. Forward Community Investments will provide the primary financing for the project, and the owners will contribute approximately \$113,000.



BUDGET

Pequeños Traviesos	
All Stack Holders	
119 Nygard St, Madison	
The breakdown is listed below:	
Real Estate Refinance.....	\$ 415,000
Real Estate Improvements.....	1,323,660
Soft Costs	58,858
<u>Equipment</u>	<u>141,142</u>
Total Costs	\$ 1,938,660
Less: Owner Contribution.....	\$ 113,660
Total Costs	<u>\$ 1,825,000</u>
Madison Development Corporation (BLP).....	200,000
Small Cap TIF - Lending Program.....	125,000
<u>Forward Community Investment</u>	<u>1,500,000</u>
Total	\$ 1,825,000
Submitted By:	
Erika Soto	

MANAGEMENT

Erika Soto Mata, Center Director & Owner – Erika brings a rich background and deep commitment to her role, having transformed her Fitchburg home into the thriving Pequeños Traviesos Family Childcare Center and earning her the Latino Entrepreneur of the Year Award in 2012. Mrs. Soto is a Wisconsin Youngstar Five Star-Level provider, exceeding educational goals, gathering administration credential, preschool credential, infant and toddler credential and received her associate degree in early childhood education in 2015 from MATC. She has over a decade of experience in Early Childhood Education and leads a team of 20 professional staff at Pequeños Traviesos.

Luis Soto, Owner & Administrator – Luis joined Pequeños Traviesos in 2015 and undertook basic courses to understand the requirements and training essential to the field. In 2017, Luis transitioned to ownership. In his capacity as partner and administrator, Luis’s responsibilities include accountability, payroll management, addressing basic business needs, utilizing QuickBooks, handling taxes, and overseeing staff. Luis is currently pursuing a Bachelor’s Degree in Business Administration at UW Whitewater.

OWNERSHIP STRUCTURE

The real estate at 119 Nygard St is owned by S&S Property Management LLC, owned 55% by Erica Soto & 45% Luis Soto.

The operating company, Pequeños Traviesos LLC is owned 55% by Erika Soto and 45% by Luis Soto.

The loan will be personally guaranteed by Erica Soto and Luis Soto.



SUMMARY OF FINANCIAL STATEMENT

Historical financial statements and tax returns were provided for Pequeños Traviesos for years 2021 – 2023. In addition, a summary of the projections for the new location were prepared for three years following the project’s completion. The financials provided show a steady increase in net income from 2021 to 2023. Revenues are expected to double in the year the project is completed and grow by 21% per years 2 and 3. Expenses are expected to grow by an average of 32% per year following the project completion.

Key Financial Ratios:

Debt to Net Worth: 0.23

Current: 3.48

Debt Coverage: 1.37

LTV: 81.11%

Ratios were based on historical annual financial statements submitted by the borrower.

ECONOMIC IMPACT

<u>Total New Positions</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Full-Time Positions	18	34	34
Part-Time Positions	4		

The project is expected to create 16 new full-time positions within the first two years. These are expected to be hourly positions and will include teachers, assistants, etc.

RISKS

1. Projections show a sharp increase upon completion of the expansion. These could be impacted by slower enrollment of new day care spots, worker shortages, or other market changes.
2. The MDC loan will be secured by the same assets as Forward Community Investments with similar terms. However, MDC and the City of Madison will hold a junior position on collateral available.

COLLATERAL

Second position on a real estate mortgage on 119 Nygard St, Blanket Security Agreement on business assets of S&S Property Management, LLC and Pequeños Traviesos Unlimited Personal Guarantees of Erika Soto and Luis Soto.



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 the South Side of 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 the recipient owns and operates the facility.

RECOMMENDATION

Based on the company's business plan, collateral available, job creation, and owner's credit history, the project meets the criteria and the economic development goals of the Small Cap TIF Lending Program.

MDC staff and loan committee recommend approval of \$125,000. This 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 Forward Community Investments.