



**CITY OF MADISON – SMALL CAP TIF PROGRAM
TID #51
LOAN SUMMARY
April 4, 2024**

BORROWER: 925 Applegate LLC

BUSINESS: Revive Restoration, Inc.

ADDRESS: 925 Applegate Rd, Madison WI

PRINCIPALS: Josh Duggan

CREDIT REQUEST: \$100,000 from TID #51 Small Cap TIF

AMORTIZATION: 5-year maturity, 5-year amortization

RATE: Small Cap TIF - 0% Fixed – No closing fee

PURPOSE: Provide funding for new construction at 925 Applegate Road

COLLATERAL: Second real estate mortgage on 925 Applegate Road. Blanket Security Agreement on business assets of Revive Restoration LLC and 925 Applegate LLC. Unlimited Personal Guarantees of Josh and Carrie Duggan.

DISADVANTAGED BUSINESS

___ MBE
 ___ WBE
 ___ L-M-I Ownership
 ___ Other _____

TYPE OF BUSINESS

___ X Basic
 ___ Neighborhood
 Years in Operation: 6

LOCATION

Census Tract # 14.05

Yes Targeted L-M-I Census Tract

CDBG ENVIRONMENTAL REVIEW

Required: Yes ___ No X

Date Requested: ___

JOB IMPACT

6 Number of Jobs Created

OTHER FUNDING

- FORTIFI BANK, WBD/SBA AND OWNER'S CASH INFUSION

<u>Job Classification</u>	<u>Salary</u>	<u>#Hrs/Week</u>
1. Technicians	\$60,000	40+
2. Project Managers	\$100,000	40+
3. Production Managers	\$65,000	40+



BACKGROUND

Revive Restorations provides emergency services for water and fire damaged residential and commercial buildings. They are southern Wisconsin's top mold remediation company and provide trauma remediation, asbestos remediation and general contractor services. The company also offers duct, carpet, upholstery and tile cleaning.

Josh Duggan invested the time and capital to set Revive Restoration to create a national brand for future growth. Revive Restoration has grown to be the 3rd largest restoration company in the Madison area and the only independent large restoration company left in the area. Over the past 3 years, the company has grown by 121%. Revive continually produces Gross Margins over 65% and manages their cash-flow effectively with the help of a part-time CFO.

PROJECT DESCRIPTION

Revive Restorations will raze 2 buildings located at 925 and 995 Applegate Road to construct a 3-story, 36,691 square foot building with a finished office and retail area attached to a 1-story warehouse. The building will allow Revive Restoration to operate, entertain, and educate in their state-of-the-art facility. The company plans to host industry training sessions, outside industry training for referral sources, and lend its entertainment facility to referral sources to use when needed.

Most of the building will be reserved for Revive Restoration, but an area of 8,297 square feet (approximately 1/3 of the building) is being advertised for lease to prospective retail tenants.

Completion of the project is anticipated to take place early in 2025. Ideal Builders Inc will be the contractor.

This credit request represents a piece of gap financing for the project, which is estimated to cost \$8.6 million.

Revive Restorations is requesting assistance through the City of Madison's Small Cap TIF Program in the amount of \$100,000. Funds are to be used for real estate improvements.

MANAGEMENT

Josh Duggan, President - Duggan has owned and operated ChemDry of Madison and ChemDry of Southern WI since 1997 and 2004, respectively. In 2012, Duggan started Capital Remediation and in 2016 merged the companies to form Acquire Restoration. In 2018, Duggan bought his partner out and rebranded to Revive Restoration, Inc.

OWNERSHIP STRUCTURE

1925 Applegate LLC (real estate holding company) and Revive Restoration, Inc. (operating entity) are owned 100% by Joshua Duggan.



MDC and Fortifi Bank will lend to 925 Applegate LLC., with a corporate guarantee of Revive Restorations, Inc.

SUMMARY OF FINANCIAL STATEMENTS

Historical financial statements and tax returns were provided for Revive Restorations for years 2020-2023. In addition, a summary of the projections for the new location were prepared. These are estimated through 2025. The historical financials show an average increase of 35% year over year since 2020. Projections continue this trend with total sales to grow by 28% in 2024 and 30% in 2025 with the project completion.

Post closing, long-term liabilities for this project will include a \$7.758 million loan from Fortifi Bank.

Key Financial Ratios:

Debt to Net Worth: 0.72
Current: 1.74
Debt Coverage: 1.98

Ratios were based on the 2023 year-end financial statements submitted by the borrower. The property as stabilized would provide an estimated loan to value ratio of ~98%.

ECONOMIC IMPACT

<u>Total New Positions</u>	<u>Current</u>	<u>2025</u>	<u>2026</u>
Full-Time Positions	26	32	34

The project is expected to create 6-10 new full-time positions within the first two years. These are expected to be hourly positions and will include technicians, project managers, and production managers. The company currently has 26 full-time employees.

RISKS

1. The loan by Fortifi Bank will hold an adjustable rate tied to WSJ Prime. This could impact on the cash-flow position of the borrower in the event of further rate increases.
2. Projections indicate year-over-year growth of 30%. This could be impacted in the event of an economic downturn and if worker shortages increase.
3. The MDC loan will be secured by the same assets as Fortifi Bank with similar terms. However, MDC and the City of Madison will hold a junior position on collateral available.



COLLATERAL

Second real estate mortgage on 925 Applegate Road. Blanket Security Agreement on business assets of Revive Restorations LLC. Unlimited Personal Guarantees of Joshua Duggan. A review of Duggan's personal credit shows a low risk of default.

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 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 structured with 0% interest 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 occupies the property.

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 Small Cap TIF Lending Program. Staff recommends approval of \$100,000. This recommendation is contingent on final approval by the City of Madison legal review and City of Madison Common Council.