



Department of Planning & Community & Economic Development

Economic Development Division

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To: Economic Development Committee & Board of Estimates

From: Ruth Rohlich, Business Development Specialist

Date: May 13th, 2016

Subject: Additional information regarding the staff recommendation for the Entrepreneurship and Small Business Development Loan Fund Manager.
RFP 8452-0-2015-RR/Legistar File #42089

The Board of Estimates requested staff complete further analysis of the proposals received by the City to administer the Entrepreneurship & Small Business Development Resource Fund: Request for Proposal (RFP) 8452-0-2015-RR/Legistar File 42089.

Staff requested additional, clarifying, information of both groups, and the staff review team considered the additional information provided. The staff review team included Natalie Erdman, Mike Miller and Matt Mikolajewski with Ruth Rohlich as the administrator of the program.

1) Recommendation to fund the Doyenne Group.

The original staff recommendation was to fund the Doyenne Group (DG). Staff maintains this recommendation and lists the following as reasoning for this decision:

- DG through the RFP response and interview displayed the strongest knowledge of specific issues women have in raising funds and starting technology businesses. Their strong partnership with WWBIC gave assurance to staff that any deficiencies DG may have in working with diverse populations would be leveled by an ongoing close mentorship.
- DG has specific experience working with and mentoring technology businesses. Their entire mission is based around support for women owned technology businesses.
- DG has strong partnerships with other organizations in Madison that focus on helping technology based businesses. They demonstrated a thoughtful understanding of the stages technology businesses go through and their role in the already existing eco system.
- DG displayed a better understanding of the variety of financing needed in the different stages of a technology business. By blending grants, equity investments and loans they can support technology businesses in a variety of stages. Committed partnerships with WEDC's Catalyst Program, WWBIC and Bright Star support this diversity of financing options.

- The Hispanic Chamber of Commerce Wisconsin (HCCW) has experience supporting a wide variety of small businesses but did not have the same level of experience with technology businesses.
- With regard to HCCW's financing, Settlers Bank has expressed that the funding they are offering to the HCCW has no restrictions, which clarified one concern of the group. The HCCW did not, however, have a plan to address the various stages of growth that technology companies face.
- There were concerns that HCCW plan uses the entire City funding for staffing and other administrative uses. Knowing that these types of programs are difficult to launch and maintain, the RFP clearly asked for information ensuring that staff and other costs could be covered after the two year period of funding. DG best assured the review group that they were working to raise funding for subsequent years of service.

2) Financial comparison of the two projects.

The City requested applicants show they can match the funds dollar to dollar. Both organizations were able to show they had the capacity to fulfill the required match.

The main question of the BOE was to justify the staff decision in light of the perceived imbalance of the match and leverage the HCCW would bring to the program through their partnership with Settlers Bank.

Settlers Bank, with partners, has guaranteed \$6 million in revolving loan funding of subordinated debt for the HCCW to lend to the community. Settler's Bank has explained that there are no restrictions on how this loan funding can be deployed. This is a great partnership that HCCW has built. Given this, as per the proposal, the HCCW proposes a greater level of match and leverage when compared to the DG.

The staff decision was not made solely on which organization could bring in the most dollars. Staff looked at how the City funds were being deployed and how each group planned to have the program continue after the two years of City funding was depleted. The HCCW annual budget used the City's \$300,000 for personnel and programming related expenditures. DG budgeted \$170,000 for the same.

Further DG proposal provides a diversity of funding needed by technology companies including: grants, loans and equity. Staff believes this provided more advantage to the technology companies as opposed to a traditional loan program alone.

Doyenne Group/Annual Budget	
Sources	
WEDC	100,000
WWBIC	100,000
Doyenne	100,000
City of Madison	300,000
	600,000
Uses	
Grants	100,000
WWBIC Loans	180,000
Equity Investments	150,000
Programming	46,250
Personnel	123,750
	600,000

Hispanic Chamber of Commerce of Wisconsin/Annual Budget	
Sources	
HCCW Partnership/Revolving Loan Fund	750,000
City of Madison	300,000
Debt Leverage	750,000
	1,800,000
Uses	
Personnel	197,000
Consultant	60,000
Workshops	18,000
Annual Conference	10,000
Economic News Media Message	15,000
	300,000
Revolving Loan Fund	750,000
Debt Leverage	750,000
	1,800,00

**Please see the attached RFP responses from both groups for full proposed budgets.*

The aforementioned budgets are from the original submissions. The dedicated tech fund loan amount from the HCCW Partnership varied from 3.2 million and 3.6 million total in the first application to 8.6 million total in follow-up communications.

DG also displayed a stronger understanding of the current technology market in Madison by providing realistic projections as to how many businesses they will work with each year based on the number of businesses estimated to be seeking assistance from this fund and the DG staff to support the work.

The DG estimates they will provide:

Grants	\$100,000	20 companies/\$5,000 each
WWBIC Partnership Loans	\$180,000	3-4 loans
Equity Investments	\$150,000	2-3 equity investments

The HCCW estimates they will provide:

Loans	\$750,000	30 loans/\$25,000 each
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DG's numbers most fit with what the Office of Business Resources projects as to the current need in this very specific demographic.

Staff was also concerned with the staffing budget for the volume of loans HCCW proposes.

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The HCCW also proposes to assess business owners to ensure their household income is at or below 80% County Median Income. These goals are closer to what our Community Development Block Grant (CDBG) funding calls for. The City currently provides organizations with CDBG funding to help support diverse lower-wealth individuals to start and grow small businesses.

This fund was intentionally created to provide complimentary, but different, services than the CDBG Economic Development loan funds.

We hope that this fund will support lower-wealth individuals to start technology businesses; however, the low-income restrictions of the HCCW are not in keeping with the understood demographics of women and people of color starting technology businesses.

Conclusion

Staff continues to recommend the DG. DG has shown a greater understanding of the financial needs of technology business as demonstrated by the structure of different financial resources and their existing relationships with the technology business community.

Regards,

Matt Mikolajewski, Natalie Erdman and Michael Miller

Prepared By: Ruth Rohlich