



Department of Planning & Community & Economic Development

## Economic Development Division

Matthew B. Mikolajewski, Director

Madison Municipal Building, Suite 312

215 Martin Luther King, Jr. Boulevard

P.O. Box 2983

Madison, Wisconsin 53701-2983

Phone: (608) 266-4222

Fax: (608) 261-6126

[www.cityofmadison.com](http://www.cityofmadison.com)

Office of Business Resources

Office of Real Estate Services

**To: Board of Estimates and Common Council**

**From: Matthew B. Mikolajewski**

**Date: June 27, 2016**

**Subject: Legistar #43446 & 43448 – RP’s Pasta MCRF Loan**

The following memo provides additional background and justification for supporting \$880,000 of Madison Capital Revolving Fund (MCRF) assistance to facilitate RP’s Pasta’s relocation to the Northside Town Center.

The former Kohl’s grocery store space at the Northside Town Center has been vacant for over a decade. During the intervening years, the owners of the Northside Town Center have worked closely with Economic Development Division staff on identifying new users for the space. We have worked collaboratively on responding to several interested parties throughout the years; however, none of the prospects have materialized to date.

During this time, the City also completed a market study for the Northside, a Northside Plan, and worked with the property owners on developing alternative use scenarios for the Northside Town Center. Throughout all of these efforts, it has become clear that the amount of retail space at the Northside Town Center likely exceeds what the market can support. The result is a need to begin incorporating new uses into the property.

RP’s Pasta is a locally grown food manufacturer. From an economic development and planning standpoint, RP’s Pasta’s proposed project meets many of the characteristics that we like to see in a project. It is an “exporting, primary sector” business that draws financial resources into the community, it provides a range of employment opportunities within the company, it falls within a desired industry sector of food production that has been identified in the City’s *Connect Madison* economic development strategy, and it will be located in a multi-modal, mixed-use neighborhood where employees could live in close proximity to the facility and use alternative modes of transportation to get to and from work.

Finally, it reuses an existing building that is functionally obsolete for the purpose that it was originally constructed. It would be relatively easy for RP’s Pasta to move into a more modern manufacturing facility in a suburban location. From a financial standpoint, setting aside any public support, it would likely also be less costly for RP’s Pasta to choose another site. The purpose of the \$880,000 MCRF support is to close this gap; to enable RP’s Pasta to convert an old grocery store into a food manufacturing facility.

If the Common Council votes to support this \$880,000 loan, the available cash within the MCRF would be about \$45,000. Although this nearly depletes the program for the time being, the

benefits of the project to the Northside are much more permanent than a temporary reduction in the MCRF balance. This and other outstanding MCRF loans will be repaid over time with interest. As such, the fund will recapitalize itself. In addition, the MCRF is not the only source of public business lending available to City employers. Using City-supported funds, the Wisconsin Women's Business Initiative Corporation (WWBIC) and Madison Development Corporation (MDC) have successfully financed dozens of Madison businesses. Moreover, new City programs such as the Entrepreneurship Development Fund and Cooperative Enterprise Development Fund provide other opportunities for the City to assist entrepreneurs. Given these considerations, the potential drawbacks of reducing the MCRF for the time being are balanced by the benefits of the project and other available programs.

In addition to business loans, the MCRF has long been the source of funding for the City's Façade Grant program. The Economic Development Division remains committed to the Façade Grant Program. The proposed \$45,000 balance of the MCRF takes into consideration Façade Grant Program funding at a level of \$125,000 in 2016 as identified in the adopted 2016 Capital Budget. As previously noted, principal and interest payments are being made into the MCRF on a regular basis. As individual Façade Grants are relatively small (\$10,000 to \$25,000), the City should be able to maintain the Façade Grant program using these repayments in 2017 and beyond.

RP's Pasta, along with the Willy Street Coop, will bring much needed jobs and activity to the Northside Town Center at a time when nearby Oscar Mayer will be closing its operations. Not only will this project provide direct employment benefits, but it can also help to promote the Northside as a great location for growing businesses. It can also serve as a demonstration for a creative way in which an older shopping center can be repositioned as an employment center. Madison has numerous aging shopping centers in need of reinvestment. If RP's Pasta is successful at this location, it could be used as an example of creative reuse opportunities elsewhere in the City.