



Legislation Details (With Text)

File #: 20423 **Version:** 1 **Name:** 9469 TOP Cleaners MCRF Resolution
Type: Resolution **Status:** Passed
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On agenda: 11/30/2010 **Final action:** 11/30/2010
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Title: Authorizing the Mayor and City Clerk to execute an agreement to fund a Madison Capital Revolving Fund loan to TJ's Taylor's One Price Cleaners, Inc. to purchase machinery and equipment and renovate the property at 4522 Verona Road into 8,800 square feet of commercial space.

Sponsors: Brian L. Solomon

Indexes:

Code sections:

Attachments: 1. 9469 TOP Cleaners MCRF Report-FINAL.pdf, 2. Registration Forms 11-30-2010.pdf

Date	Ver.	Action By	Action	Result
11/30/2010	1	COMMON COUNCIL	Adopt	Pass
11/22/2010	1	BOARD OF ESTIMATES (ended 4/2017)	RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER	Pass
11/9/2010	1	COMMON COUNCIL	Referred	Pass
11/2/2010	1	Community and Economic Development Unit	Referred for Introduction	

Fiscal Note

This resolution would authorize a \$121,440 end loan from the Madison Capital Revolving Fund to TJ's Taylor's One Price Cleaners, Inc. \$120,000 disbursed to the Borrower for the purchase of machinery, equipment, furniture and fixtures and tenant improvements to the building located at 4522 Verona Road and \$1,440.00 disbursed to WHEDA as a one-time application fee to secure a \$96,000.00 WHEDA loan guaranty. This resolution would also authorize City of Madison staff to submit an application to WHEDA for said loan guaranty. End loan proceeds will be provided upon satisfactory completion of the project in conformance to the terms and conditions of the MCRF Loan. Terms of the MCRF Loan would be a maximum of five (5) years, amortized over ten (10) years, at an interest rate of the prime rate, floating, at the time of the MCRF Loan closing plus .25%, the first two (2) years payable at interest-only. The interest rate will be re-calculated annually as the prime rate as published in the Midwest Edition of the Wall Street Journal on or about the anniversary of the closing date plus .25%. A balloon payment of remaining principal and interest will be payable to the City on the fifth anniversary of the execution of the Note. The Borrower will make annual principal and interest payments with a balloon payment of principal and interest due in Year five (5). The Borrower's obligation to repay would be secured by a first UCC lien on the machinery, equipment, furniture, fixtures and tenant improvements except that the City of Madison shall be subordinated to \$30,000.000 loan from Madison Gas and Electric for certain energy-efficient machinery and equipment. In addition, the MCRF Loan is contingent upon the City of Madison obtaining the aforementioned WHEDA loan guaranty in the amount of not less than \$96,000.00 to further secure the MCRF Loan. The Borrower shall provide the City with a personal guaranty for the MCRF Loan. The 2010 Capital Budget authorized \$500,000.00 for MCRF loans. There are no other pending 2010 MCRF loans awaiting closure. The existing fund balance in the MCRF program is sufficient to fund this amount without additional borrowing.

Title
Authorizing the Mayor and City Clerk to execute an agreement to fund a Madison Capital Revolving Fund loan

to TJ's Taylor's One Price Cleaners, Inc. to purchase machinery and equipment and renovate the property at 4522 Verona Road into 8,800 square feet of commercial space.

Body

WHEREAS, on May 19, 1987 the Common Council accepted a report by the Madison Capital Revolving Fund Task Force recommending the creation of a Madison Capital Revolving Fund (MCRF); and

WHEREAS, the Community Development Authority (CDA) has been designated as agent of the City of Madison for the operation and administration of the Program; and

WHEREAS, on April 16, 1996, the Common Council accepted the MCRF objectives and criteria as proposed by the CDA; and

WHEREAS, Diana Shinall and Vernon Taylor are the principals of TJ's Taylor's One Price Cleaners, Inc. (the "Borrower") that has proposed to renovate a vacant property located at 4522 Verona Road (the "Property") and install dry cleaning equipment, furniture and fixtures in the Property (the "Project"), at an estimated total development cost of approximately \$581,700; and

WHEREAS, the Borrower proposes to utilize 4,300 SF of the Property to provide job training, internships and job placement support through the Madison Apprenticeship Program (MAP) to approximately twenty (20) low-income, disadvantaged, Allied Drive and other Dane County residents, each session, for three (3) sessions per year; and

WHEREAS, the Borrower has requested that the City of Madison provide \$120,000.00 of MCRF assistance to purchase machinery and equipment, furniture and fixtures and make tenant improvements to the Property; and

WHEREAS, in order to secure the MCRF loan (the "MCRF Loan"), the City of Madison shall apply to the Wisconsin Housing and Economic Development Authority ("WHEDA") for a Small Business Loan Guaranty in the amount of \$96,000.00, said guaranty requiring a one-time application fee from the City of Madison in the amount of \$1,440.00 thereby increasing the loan amount to \$121,440.00.

WHEREAS, staff has completed its review of the MCRF Loan request for financial assistance for the Project and finds that it meets the objectives of the MCRF loan program; and

WHEREAS, on October 19, 2010 the CDA approved the MCRF Loan to the Borrower of \$121,440.00 at the terms and conditions described herein.

NOW THEREFORE BE IT RESOLVED that an end loan in the amount of \$121,440.00 be made to TJ's Taylor's One Price Cleaners, Inc., evidenced by a note made to the City of Madison under the following terms and conditions:

1. The Project. The Borrower agrees at a minimum the Project will include:
 - a. Purchase and installation of dry cleaning equipment, furniture and fixtures and construction of tenant improvements located within the Property in leased space of not less than 8,800 gross square feet to include a dry cleaning business (4,500 SF) and classroom/administrative area for the operation of the Madison Apprenticeship Program (MAP) to provide job skills training to low-income, disadvantaged persons and TJ's Support Brokerage (4,300 SF), providing employment placement for developmentally disabled persons in Dane County.
 - b. Creation of no fewer than six (6) new FTE jobs in the operation of the dry cleaning business.
 - c. Continued operation of Madison Apprenticeship Program (MAP), offering approximately twenty (20) dry

cleaning trainee internships, each session, during three, twelve-week sessions, to low-income Dane County residents “to provide real-time, hands-on training and experience in Customer Service, Cashiering, Maintenance/Janitorial and Dry Cleaning Operations with exposure to Business Management.” [Source: Taylor’s One Price Cleaners Business Plan 1/24/10]

2. Form of Assistance. MCRF loan assistance to the Borrower shall be provided in the form of an end loan, disbursed by the City upon the City’s receipt of a certificate of occupancy certifying completion of tenant improvements and installation of equipment, in the amount of One Hundred Twenty One Thousand Four Hundred Forty and 00/100 Dollars (\$121,440.00) (“MCRF Loan”), representing \$120,000.00 to be disbursed to the Borrower at closing and \$1,440.00 disbursed to Wisconsin Housing and Economic Development Authority (“WHEDA”) at the time of application to WHEDA, representing WHEDA’s 1.5% application fee on a \$96,000.00 WHEDA Small Business Guaranty. The MCRF Loan proceeds to the Borrower shall partially finance the machinery and equipment, furniture and fixtures and tenant improvements to the Property.
3. Note, Security and Personal Guaranty. The MCRF Loan shall be evidenced by a Five (5) - Year Note (the “Note”), amortized over ten (10) years, payable in annual installments to the City of Madison in the amount of One Hundred and Twenty One Thousand Four Hundred and Forty and 00/100 Dollars (\$121,440.00) bearing an interest rate of the prime rate, floating, at the time of the MCRF Loan closing plus .25%, the first two (2) years payable at interest-only. Interest rate shall be re-calculated annually as the prime rate as published in the Midwest Edition of the Wall Street Journal on or about the anniversary of the closing date plus .25%. A balloon payment of remaining principal and interest shall be payable to the City of Madison on the fifth anniversary of the execution of the Note. The Borrower shall provide the City of Madison a first UCC lien on machinery, equipment, furniture and fixtures and tenant improvements in the project; except that the City of Madison shall be subordinate to the rights and interests of Madison Gas and Electric (“MG&E”) with regards to the \$30,000.00 MGE loan for machinery and equipment. All obligations of the Borrower shall be secured by the personal guaranty of Diana Shinall in an amount which shall not exceed the amount of the MCRF Loan.
4. Wisconsin Housing and Economic Development Authority (WHEDA) Guaranty. The MCRF Loan shall be contingent upon Common Council adoption of a resolution authorizing the City of Madison to enter an agreement with WHEDA regarding the loan guaranty and the City of Madison obtaining a loan guaranty from WHEDA, securing the MCRF Loan of not less than \$96,000 (80% of the \$120,000 MCRF Loan).
5. Distributions to Owners. The Borrower is organized and incorporated as a Subchapter-s corporation, identifying Diana Shinall and Vernon Taylor as members of the Borrower with an ownership interest (the “Owners”). The Borrower shall not make distributions of net income to the Owners prior to the payment of debt service on the MCRF Loan and other long-term indebtedness.
6. Changes of Ownership in Borrower. Any material changes to the ownership of the Borrower than as stated in the MCRF Loan Application dated August 9, 2010 and its attachments and amendments submitted to the City of Madison as of the date of introduction of a resolution to the Common Council to approve the MCRF Loan, shall require prior written notification of and approval by the City of Madison. Any such changes made without prior notification and approval of the City of Madison shall subject the MCRF Loan commitment to reconsideration by the City of Madison, or if the MCRF Loan has been made to immediate repayment of the MCRF Loan by the Borrower.
7. Quarterly Financials. Within forty-five (45) days of the end of the Borrower’s financial quarter, the Borrower shall provide the City of Madison with compiled, quarterly financial statements throughout the term of the MCRF Loan.
8. Satisfaction. The MCRF Loan shall be satisfied, the Note cancelled and the personal guaranty shall be released upon full payment of the MCRF Loan.

9. Affirmative Action MGO 39.02 (9). The Borrower and its contractors/subcontractors shall comply with all applicable provisions of the Madison General Ordinance (MGO) 39.02 (9), concerning contract compliance requirements. Prior to commencing construction, the Borrower shall contact the City's Affirmative Action Division to assure that the Borrower is in compliance with the aforementioned requirements. The Borrower shall assist and actively cooperate with the Affirmative Action Division in obtaining the compliance of contractors and subcontractors with such applicable provisions of the Madison General Ordinance. The Borrower shall allow maximum feasible opportunity for minority/disadvantaged women business enterprises to compete for any contracts entered into pursuant to this authorization.
10. Prevailing and Living Wage (MGO 4.20 & 4.23). The Borrower shall comply with Madison General Ordinances 4.20 and 4.23 that require the Borrower to provide a living wage and a prevailing wage.
11. Accessibility (MGO 39.05). The Borrower shall submit a written assurance of compliance with Madison General Ordinance 39.05.
12. Material Changes. Any material changes to the size, use or ownership of the Project that is stated in the MCRF Loan Application dated August 9, 2010 and its attachments and amendments submitted to the City of Madison as of the date of introduction of a resolution to the Common Council to approve this MCRF Loan, shall subject the MCRF Loan commitment to reconsideration by the City of Madison, or if the loan has been made to immediate repayment of the MCRF Loan by the Borrower.
13. Project Completion. Borrower shall guarantee that the tenant improvements and equipment installation will be completed by December 31, 2011.
14. Property Insurance. Prior to funding, evidence shall be provided that a property insurance policy of the proper type and amount of coverage to protect the City of Madison's participation has been obtained. The policy shall name the City of Madison as an additional insured.

BE IT STILL FURTHER RESOLVED that City staff is hereby authorized to apply for a loan guaranty in the amount of not less than \$96,000.00 from WHEDA to secure the MCRF Loan.

BE IT STILL FURTHER RESOLVED that the MCRF Loan to the Project is hereby approved and that the Mayor and City Clerk are hereby authorized to execute a development agreement and other documents as may be necessary to effectuate the transaction, all of which are subject to the approval of the City Attorney.