



Legislation Details (With Text)

File #: 60944 **Version:** 2 **Name:** Commercial Ownership Assistance Program

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Title: SUBSTITUTE - Creating Section 4.32 of the Madison General Ordinances to establish a Commercial Ownership Assistance Program.

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Indexes:

Code sections:

Attachments: 1. 60944 Version 1.pdf

Date	Ver.	Action By	Action	Result
7/21/2020	1	COMMON COUNCIL	Adopt Substitute	Pass
7/20/2020	2	FINANCE COMMITTEE	RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER	Pass
6/22/2020	1	FINANCE COMMITTEE	Refer	Pass
6/17/2020	1	ECONOMIC DEVELOPMENT COMMITTEE		
6/17/2020	1	FINANCE COMMITTEE	Refer	
6/16/2020	1	COMMON COUNCIL	Refer	Pass
6/11/2020	1	Attorney's Office	Referred for Introduction	

Fiscal Note

The 2020 Adopted Capital Budget included \$500,000 in the Economic Development Division for the Commercial Ownership Assistance Program. This program is intended to replace the Capital Revolving Loan Fund. The 2020 appropriation is funded by existing cash reserves from the Capital Revolving Loan Fund. No additional City appropriation is required for the approval of this ordinance.

Title

SUBSTITUTE - Creating Section 4.32 of the Madison General Ordinances to establish a Commercial Ownership Assistance Program.

Body

DRAFTER'S ANALYSIS: Madison seeks to make progress in equalizing economic quality of life indicators between white residents and residents of color. In particular, Madison needs to do more to support diverse business and property ownership. Data shows that while Communities of Color represent approximately 27% of the City of Madison's population, business ownership rates for People of Color are much lower (between 3-9% using varying metrics) within the City (Source: Reference USA Business Database).

Business and property ownership is a vital pathway to economic empowerment. For Madison to make meaningful progress in addressing racial disparities the City must go beyond programs focused on addressing basic needs, and direct more resources and strategies toward building wealth and economic empowerment among communities that are not sharing in the City's prosperity. The City designed this ordinance to address

these inter-related issues by identifying, supporting, and capitalizing business owners seeking to purchase or develop commercial space.

The Common Council of the City of Madison do hereby ordain as follows:

1. Section 4.32 entitled “Commercial Ownership Assistance Program” of Chapter 4 entitled “Finance” of the Madison General Ordinances is created to read as follows:

“4.32 COMMERCIAL OWNERSHIP ASSISTANCE PROGRAM.

- (1) Legislative Intent. Over the last several years, the City of Madison has made some progress in addressing racial economic disparities. Further, recent city-sponsored initiatives have focused on conditions for Madison’s most vulnerable populations through programs addressing affordable housing, workforce training, food access, and transportation. The Commercial Ownership Assistance Program (COA) is a new City of Madison effort focused on helping business owners expand their enterprises by transitioning from renting space to owning commercial property for their business.
- (2) Program Rules.
 - (a) Eligible Applicants:
 - 1. Applicants must be City of Madison residents, own a business located within the City of Madison and not have received funds in any way through this program in the past.
 - 2. The program is designed for existing business owners to support them in taking the next step toward owning or developing a business property. As such, applicants should be established businesses with two or more years of operating experience.
 - 3. Applicants will be required to demonstrate the viability of their business concepts through a business plan, financial statements, appraisals, and/or other documentation.
 - 4. If an applicant currently owns their commercial property the proposal must be an expansion of this property and the applicant shall not own or partially own any other commercial property.
 - 5. Applicants if eligible are encouraged to be certified with The MADcertification Program through the City of Madison’s Department of Civil Rights.
 - 6. The COA Program is an Economic Development initiative focused on supporting for-profit businesses to build community wealth by expanding their enterprises.
 - 7. Priority: Applicants who are people of color, immigrants, women, the disabled, veterans and any other underrepresented groups.
 - (b) Locations: Properties located anywhere within the City of Madison are eligible to apply for this program. Priority scoring will be given to applications for projects located within under-invested communities, as defined by the City of Madison’s federally designated Opportunity Zone census tracts, Food Access Improvement Areas, and/or Neighborhood Resource Team areas.
 - (c) Eligible Uses: The loan may be used for the purchase of property, the redevelopment of a property, or the expansion of an existing building already owned by the applicant, with the requirement that the property be used to house the applicant’s business. This includes the purchase or development of multi-tenant buildings that would include space for their existing business as well as space for additional tenants.
- (3) Loan Terms:
 - (a) Loans may be up to \$250,000. Loan amount shall not exceed 25% of the cost of the Eligible Use.
 - (b) All loan repayments are deferred until sale, cash-out refinance for other than property

improvements, the property is transferred or ceases to be a location for a business owned by the borrower. If any of the above happen before the 7th anniversary of the loan closing, repayment of the full amount is required. If any of the above happen between the 7th and 15th anniversary of the loan closing, repayment of one half the borrowed amount will be required. If the applicant still owns the property after the 15th anniversary of the loan closing, the original loan amount will be forgiven. There will be no interest rate. The loan will be secured by a mortgage on the property where the loan is utilized.

- (c) Each loan will require that applicants who are selected speak with future recipients on lessons learned and their experience, at the request of the City.
- (d) The City may waive the requirements of subparagraph (b) in the event the Applicant seeks to move its business to facilitate expansion. The note and mortgage would be transferred to the new property.

(4) Administration.

- (a) The program will be managed by the Department of Planning, Community, and Economic Development (DPCED).
- (b) DPCED staff will prepare an application to request funds. The application will require documentation that shows the viability of the business, ownership breakdown with demographics of ownership, and a statement showing need.
- (c) Financial underwriting of the business and feasibility of the project may be completed by DPCED staff or by a third party at the discretion of the DPCED Director. If needed, the DPCED Director is authorized to contract for and bill against the program fund for external underwriting assistance in accordance with City purchasing requirements.
- (d) During the underwriting period described in subparagraph (c), the DPCED Director or its designee, in consultation with DPCED staff, Department of Civil Rights staff, and other departments as needed, will evaluate the application based on the criteria stated in paragraph 2(a), subparagraph (b) above, and the applicant's ability to utilize any awarded funding within six months of anticipated Common Council approval.
- (e) Based on the above reviews, the DPCED Director or its designee shall make a determination regarding the suitability of a project for assistance, and the amount of assistance that is appropriate through the program.
- (f) A resolution for approval of each project shall be submitted to the Common Council, with referral to the Finance Committee.
- (g) Each loan will be administered and serviced by the City's Community Development Division.
- (h) Applications will be reviewed in the order they are received. Applications will be reviewed as long as funds are available in any year.
- (i) The DPCED Director may make minor modifications to the administration of this program without further Common Council action as long as the use of funds are consistent with the purpose of the program, are not contradictory to this ordinance, and in a form and manner approved by the City Attorney."