



Legislation Text

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Fiscal Note

The proposed resolution authorizes a sole source contract with Madison Development Corp. (“MDC”) to provide loan administration services to small businesses located within the TID 51 (South Madison) boundary and its Half Mile Rule boundary as allowed by the TIF statute. The approved TID 51 Project Plan includes \$1,500,000 for this Small Cap TIF Program and its administration. No additional City appropriation is required.

The proposed resolution also authorizes MDC to provide the loan administration services to future TIDs that include a Small Cap TIF loan program for small business in their respective project plans.

MDC will market the program to eligible small business borrowers, conduct credit review and underwriting, secure approval by its loan committee and submit a Loan Summary Report to the City that will be included in an authorizing resolution introduced to the Common Council referred to the Finance Committee and reported to Common Council for final consideration and approval.

MDC will charge loan service fees, paid with TIF proceeds, calculated as 15% of each Small Cap TIF loan authorized. Total MDC service fees for all Small Cap TIF loans authorized within a TID, are not to exceed \$75,000.

Title

Authorizing the Mayor and City Clerk to execute a sole service contract with Madison Development Corp. (“MDC”) to administer a Small Cap TIF loan program to provide financial assistance to small businesses located within TID 51 (South Madison) and its Half Mile Rule boundary and to small businesses located within the TID boundaries of all TIDs created hereafter, including Half Mile Rule boundaries, that include a Small Cap TIF program for small business in their respective project plans.

Body

WHEREAS on November 24, 2020 the City of Madison adopted RES 20-00772 authorizing the Mayor and City Clerk to execute a sole source service contract with Madison Development Corp. (“MDC”) to administer a \$500,000 Small Cap TIF loan program for qualifying small business located in TID 39 on Madison’s southeast side; and,

WHEREAS, the statutory expenditure period of TID 39 expires on September 2, 2023, after which said contract with MDC pertaining to TID 39, expires; and,

WHEREAS, MDC is also currently contracted with the City to administer a Business Loan Program (“BLP”) utilizing Community Development Block Grant (CDBG) funds; and,

WHEREAS, the Loan underwriting and administration services provided through the existing MDC service contract for administration of the CDBG funds used in the BLP and the Small Cap TIF program in TID 39 are consistent with the services required for administration of the TID 51 Program; and,

WHEREAS, this relationship meets the requirements of MGO 4.27(4)(a)(7) for an exception to the RFP process stating: “[a] particular consultant has provided services to the City on a similar or continuing project in the recent past, and it would be economical to the City on the basis of time and money to retain the same consultant”; and,

WHEREAS, the City of Madison adopted RES-23-00208 creating the Project Plan, Boundary and Half Mile

Rule Boundary for TID #51 (South Madison), thereby setting aside TIF funds to be used as a Small Cap TIF loan program in South Madison (“Program”); and,

WHEREAS the City wishes to continue the Small Cap TIF program in TID 51 to assist small business development as part of the South Madison Plan; and,

WHEREAS, said Loans would be made available to the following, qualifying small businesses, provided under the following terms and conditions:

Eligible Borrowers

- Businesses located within the City of Madison TID 51 boundary or within Half Mile Boundary Area of TID 51 per the attached map.
- Businesses located within the TID boundary or Half Mile Boundary of TIDs created in future that include a Small Cap TIF small business program in their respective Project Plans.
- Small businesses defined as companies employing between 5 and 100 employees
- Businesses intending to stay within the TID 51 District and TIDs created in future by the City of Madison that include Small Cap TIF for small business (or within a half mile of the same) for at least 5 years
- Business must be a for-profit entity

Ineligible Borrowers

- Lending and investment institutions and insurance companies
- Golf courses, racetracks or gambling facilities
- Nonprofit entities
- Businesses engaged in any illegal activity per local, state or federal regulations with federal regulations taking precedence over local or state regulations.
- Home-based businesses
- Chain stores
- Businesses with more than 100 Full-Time Equivalent (FTE) employees as of January 1, 2023.

Loan Amounts, Terms

- Borrowers may receive zero-percent (0%) loans, not to exceed \$250,000, for the purpose of purchasing real estate, financing real estate improvements or loans not to exceed \$150,000 for purchasing capital machinery and equipment.
- For each anniversary year of the Common Council final authorization and closing of the Loan, 20% of the original principal of the Loan is forgiven until the remaining balance is forgiven at the end of five (5) years, provided the business is a going concern and remains in the approved location within TID 51.
- Failure to remain in the approved location, or within TID 51, or within TIDs created by the City of Madison that include a Small Cap TIF business program where the Small Cap TIF loan originated (or a half-mile thereof) will constitute an event of default, and require repayment of the outstanding loan balance plus any applicable fees.
- The City will take the most mortgage security interest practicable in real estate and / or a practicable senior lien on machinery and equipment to secure the Loan.
- Personal guarantees are required from all principals with 20% or more interest in the business receiving funding under the Program.
- Loans may be disbursed until the statutory expenditure period for TID 51 expires on March 7, 2045 or the TID has fully recovered all of its project cost and must close as required by statute. Loans may also

be disbursed within future TIDs that include the Program, created by the City of Madison, until the expiration date of their respective statutory expenditure periods, or said TIDs have recovered all of their project costs and must close, according to statute.

WHEREAS, at Loan closing, the City shall disburse an amount equal to fifteen percent (15%) of the principal amount of each Loan to MDC from Program funds for servicing and closing fees and the aggregate of all Loan fees disbursed from Program funds shall not exceed \$75,000; and,

WHEREAS, the Program objectives include retaining and creating jobs within the TID 51 Boundary and its half mile radius, renovating and expanding existing property and assisting in the purchase of capital equipment, said objectives are a public purpose consistent with job creation objectives in the Comprehensive Plan and City of Madison TIF Policy; and,

WHEREAS, in addition to any other powers conferred by law, the City may exercise any power necessary and convenient to carry out the purpose of the TIF law, including the power to cause project plans to be prepared, to approve such plans, and to implement the provisions that effectuate the purpose of such plans.

NOW, THEREFORE, BE IT RESOLVED that the City hereby finds and determines that the Program, as described herein, is consistent with the public purposes, plans and objectives set forth in the TID #51 Project Plan and demonstrates the potential to attract, retain and expand small businesses and create employment in the South Madison area thereby making more likely an accomplishment of the public purpose objectives set forth in the Project Plan, the TIF Law and City TIF Policy.

BE IT FURTHER RESOLVED that the City hereby requires that the Program, as described herein and only when the Program is established in subsequent Project Plans for TIDs that shall be created in future, shall be consistent with the public purposes, plans and objectives set forth in the each respective TID's Project Plan and demonstrates the potential to attract, retain and expand small businesses and create employment within each respective TID boundary and Half Mile Rule boundary, if applicable, thereby making more likely an accomplishment of the public purpose objectives set forth in the Project Plan, the TIF Law and City TIF Policy.

BE IT FURTHER RESOLVED that the Program, as described herein, is hereby created to operate within the TID 51 boundary and within the Half Mile Boundary of TID 51 and that the City hereby authorizes MDC to administer the Program as required within the TID and Half Mile Rule boundaries of subsequent Small Cap TIF loan programs in future TIDs and provide the City of Madison with the following scope of services:

Scope of Services: Madison Development Corp., Small Cap TIF Program for Small Business

- 1) Marketing and Prospect Qualification. With assistance from the City of Madison Office of Business Resources (OBR), MDC shall market the Program to eligible small businesses. MDC shall qualify all Borrowers for program eligibility and credit-worthiness.
- 2) MDC Loan Committee Credit Review, Required Documentation. Loan documentation shall be prepared by MDC staff utilizing the current boilerplate forms on file. MDC shall present qualified, credit-worthy loan proposals to its loan committee, comprised of MDC board members and private-sector commercial lending officers from area financial institutions for credit review. Such loan proposals shall include at minimum the following documentation concerning the Borrower:
 - A statement of the purpose of the loan and the use of funds.
 - A brief history of the business.
 - Brief bios of Board members and key staff people.
 - Financial Statements for the three years preceding an application consisting of:

- Balance Sheet
 - Income Statement
 - Applicable Footnotes
 - Interim Financial Statements
 - A schedule of existing debt and a valuation of available collateral.
 - An aging of accounts receivable and accounts payable.
 - Financial projections of income/expenses and cash flow of the proposed project.
 - A statement of the job retention and creation.
- 3) Loan Summary Report to City of Madison. Upon MDC Loan Committee approval, MDC shall provide City staff with a Loan Summary Report of the credit analysis and recommendation. The report shall include a summary of the analysis of the proposal detailing key ratios such as Borrower's debt to net worth, current ratio, debt coverage, and any irregularities in the Borrower's performance and profitability over time and in comparison to industry standards.
- 4) Common Council Authorization. City staff shall attach the Loan Summary Report to an authorizing resolution introduced to the Common Council, referred to the Finance Committee and reported to Common Council for final consideration.
- 5) Loan Closing, Servicing, Cost and Fees. At Loan closing, the City shall disburse an amount equal to fifteen percent (15%) of the principal amount of each Loan to MDC from Program funds for servicing and fifteen percent (15%) of the principal amount of each Loan to MDC from Program funds for servicing and closing fees. The aggregate (30%) of all such Loan fees disbursed from Program funds shall not exceed \$75,000. There are no closing fees on the Loan paid by the Borrower.
- 6) Documents. MDC shall coordinate efforts with the City Attorney's office staff to draft and execute loan security documents to the City of Madison's satisfaction.
- 7) Loan Servicing. MDC shall service all loans made through the program to determine ongoing credit quality and ensure the Borrower's conformance to program requirements annually.
- 8) Loan Default Notification. MDC shall notify the City of Madison City Attorney of any default of the loan agreement made by the Borrower within fifteen (15) days.

BE IT FINALLY RESOLVED that the City hereby authorizes the Mayor and City Clerk to execute a sole source service contract with MDC to administer the Program within the TID 51 boundary and its Half Mile boundary until the statutory expenditure period expires on March 7, 2045 or the TID fully recovers its project cost and must close, whichever comes first, as required by statute, and authorizes MDC to administer the Program in TIDs created in future by the City of Madison that include a Small Cap TIF small business program in their respective project plans until the statutory expenditure period expires or such TIDs fully recover their project cost, whichever comes first.