



Legislation Text

File #: 46437, **Version:** 1

Fiscal Note

The proposed resolution authorizes loan agreements totaling \$650,000 of Madison Capital Revolving Fund loans to Tribe 9 Foods, LLC to assist with the purchase of food manufacturing equipment. The assistance consists of two loans; Loan #1 is for \$250,000, bearing 0% interest for a term of 6 years. Should the borrower meet certain job requirements, \$50,000 will be forgiven each year, and if the threshold of jobs is met for each of the five years, the total loan amount will be forgiven. If the threshold is not met in any year, the balance will be due to the City at the sixth anniversary of the issuance of the loan. The second loan is for \$400,000 bearing 2% interest for a term of 6 years with a 10-year amortization. Borrower will make quarterly payments of principal and interest with a balloon payment of the remaining balance due at the sixth anniversary of the issuance of the loan.

The balance of the Capital Revolving Fund is \$1,143,908. Should this loan be approved, and taking into consideration the previously approved \$35,000 loan to Regent Market Cooperative, and the budgeted Façade Grant Program, the Fund will have an ending balance of \$514,908.

Title

Authorizing the Mayor and City Clerk to execute loan agreements to fund a total of \$650,000 of Madison Capital Revolving Fund loans to Tribe 9 Foods, LLC to assist with the purchase of food manufacturing equipment at a facility to be located at 2901 Progress Road; and, amending the 2017 Madison Capital Revolving Fund budget to add an additional \$650,000 of loan expenditure authority.

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 policy as proposed by the CDA ("MCRF Loan Policy"); and,

WHEREAS, Tribe 9 Foods, LLC has proposed to borrow \$650,000 of MCRF Funds to purchase food manufacturing equipment at a facility to be located at 2901 Progress Road ("Project"); and,

WHEREAS, staff finds that the Project meets several program objectives outlined in the MCRF Loan Policy, namely the expansion of existing business enterprises that provide jobs to underemployed people, the generation of new basic sector jobs, and the advancement of an industry sector (food systems) specifically identified in the "Connect Madison" economic strategy; and,

WHEREAS, the Project will require some exceptions to criteria outlined in the MCRF Loan Policy, namely with regard to the size of the loan (in excess of \$250,000), the forgiveness of a portion of the loan, and the structure of the collateral.

NOW THEREFORE BE IT RESOLVED that two MCRF loans totaling \$650,000 be made to Tribe 9 Foods, LLC evidenced by a loan agreement and note made to the City of Madison under the following terms and conditions:

1. The Project. Borrower agrees to purchase and install food manufacturing equipment (the “Equipment”) at its facility at 2901 Progress Road.
2. Form of Assistance. MCRF Loan shall be disbursed in the form of two loans. The first loan will be a Two Hundred Fifty Thousand Dollar (\$250,000) forgivable loan (“Loan 1”). The second loan will be in the amount of Four Hundred Thousand Dollar (\$400,000) (“Loan 2”) (together, Loan 1 and Loan 2 are the “Loans”). The Loans from the City to Borrower are contingent upon providing the City of Madison with the following:
 - a. Verification of compliance with all terms and conditions of the MCRF Loan Agreement.
 - b. Verification of assets for the guaranty described below.
 - c. Evidence of purchase orders for the Equipment.
3. Method of Payment and Guaranty. An investor in Tribe 9, LLC, acceptable to the City, shall guaranty repayment of \$325,000 of the MCRF Loan (the “Guaranty”). The Guaranty shall be reduced over time in the amount of \$50,000 per year commensurate with the reduction outlined in Section 4(a), unless Borrower is in default of any obligation of the Loans. Any remaining guaranty shall be released in accordance with Section 5 below.
4. Security. The MCRF Loan shall be evidenced by a note for each of Loan 1 and Loan 2 and mortgages to the City of Madison in the following manner:
 - a. Loan 1: the note shall be in the amount of \$250,000, bearing 0 percent (0%) interest (“Note 1”) for a term of 6 years. No payments shall be made during the term of Loan 1, and all principal on Note 1 shall be paid at the end of the term. The principal of Note 1 shall be reduced annually following the issuance of a certificate of occupancy (“COO”) if full time equivalent, living wage jobs (the “FTE Jobs”) are maintained/created on the Property subject to the following terms:
 - i. 1 year from COO, 35 FTE Jobs = \$50,000 reduction.
 - ii. 2 years from COO, 38 FTE Jobs = \$50,000 reduction.
 - iii. 3 years from COO, 41 FTE Jobs = \$50,000 reduction.
 - iv. 4 years from COO, 44 FTE Jobs = \$50,000 reduction.
 - v. 5 years from COO, 47 FTE Jobs = \$50,000 reduction.

Any principal remaining shall be paid at the end of six years from the date of Note 1. Borrower shall execute and deliver the Note. Information regarding FTE Jobs shall be sent to the City in the form of a certified report, which will be a public record. The City retains the right to conduct an on-site audit of the payroll records of the Borrower.
 - b. Loan 2: a Note to the City of Madison in the amount of \$400,000, bearing 2 percent (2%) interest (“Note 2”) at a term of 6 years with a 10 year amortization. Borrower shall make quarterly payments of principal and interest. At the end of 6 years, Borrower shall make a balloon payment of the remaining principal and interest. Borrower shall execute and deliver Note 2. A schedule of the projected payments shall be attached to Note 2.
 - c. Mortgage 1: Borrower shall execute and deliver a mortgage in favor of the City on the Equipment being purchased (“Mortgage 1”). This lien shall not be subordinated.
 - d. Mortgage 2: Borrower shall execute and deliver a mortgage to the City placing a lien on all other equipment of the Borrower (“Mortgage 2”) at the time of Closing of the Loans. The City shall agree to

execute a subordination of mortgage in a form approved by the City Attorney, if necessary.

5. Satisfaction. Subject to Section 4, the Mortgage 1 and Mortgage 2 shall be satisfied and the Note 1 and Note 2 cancelled upon full payment of the MCRF Loan.
6. Material Changes/Cancellation. Any material changes to the Project stated in the MCRF Application as of the date of introduction of a resolution to the Common Council to approve this MCRF Loan, shall subject this MCRF Loan commitment to reconsideration by the City, or if the loan has been made to immediate repayment of the MCRF Loan by Borrower. A cancellation of the order or installation of the Equipment shall require immediate repayment of the MCRF Loan.
7. Affirmative Action MGO 39.02 (9). Developer shall comply with all applicable provisions of the Madison General Ordinance (MGO) 39.02 (9), concerning contract compliance requirements. Prior to commencing construction, Developer shall contact the City's Affirmative Action Division to assure that Developer is in compliance with the aforementioned requirements.
8. Living Wage (MGO 4.20). Borrower shall comply with Madison General Ordinance 4.20 that requires Developer to provide a living wage.
9. Accessibility (MGO 39.05). Borrower shall submit a written assurance of compliance with Madison General Ordinance 39.05.
10. Equal Opportunity. Borrower shall comply with all applicable local, state and federal provisions concerning Equal Opportunity.
11. Equal Benefits. Borrower shall comply with Madison General Ordinance 39.07 that requires Developer to provide equal benefits.
12. Ban the Box. Borrower shall comply with Madison General Ordinance 39.08 related to job applicant arrest and conviction records.
13. Project Completion. Borrower shall guarantee that the installation of the Equipment shall be completed by **December 31, 2017**.
14. Property Insurance. Prior to funding, evidence shall be provided that an insurance policy of the proper type and amount of coverage to protect the City's participation has been obtained. The policy shall name the City of Madison as an additional insured.
15. Title Insurance. At least fifteen (15) days prior to closing, Borrower shall provide a commitment for a title insurance policy of the proper type and amount (i.e. the amount of the MCRF Loan) of coverage to the City. The City shall receive a lender's policy.
16. Automatic Expiration. The MCRF Loan to Borrower shall be null and void in the event that Developer does not commence installation of the Equipment, as evidenced by purchase orders of equipment, by **August 1, 2017**.

BE IT FURTHER RESOLVED that the Common Council finds that the Project generally meets the objectives of the MCRF; and as such, the Common Council authorizes exceptions to MCRF Loan Policy, including but not limited to, the size of the loan, loan forgiveness, and the structure of the collateral; and,

BE IT FURTHER RESOLVED that the MCRF Loan to the Project is hereby approved and that the Mayor and

City Clerk are hereby authorized to execute loan agreements and other documents as may be necessary to effectuate the transaction, all of which are subject to approval by the City Attorney; and,

BE IT FINALLY RESOLVED that the 2017 Capital Revolving Fund Budget is amended to add an additional \$650,000 of loan expenditure authority.