Legislation Details (With Text)

File #:	23628	**Version:**	1	**Name:**	9469 Amending RES 11-00538 File ID 22622 TOP Cleaners
Type:	Resolution			**Status:**	Passed
File created:	8/17/2011			**In control:**	Economic Development Division
On agenda:	9/6/2011			**Final action:**	9/6/2011
Enactment date:	9/7/2011			**Enactment #:**	RES-11-00758

Title: Amending RES 11-00538 (File ID 22622 and 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 SF of commercial space.

Sponsors: Brian L. Solomon

Indexes:

Code sections:

Attachments: 1. V1 9469 TOP Master17-Aug-2011-02-12-40.pdf, 2. TOP Cleaners MCRF Report-Amended 8-25-11.pdf

Date	Ver.	Action By	Action	Result
9/6/2011	1	COMMON COUNCIL	Adopt Under Suspension of Rules 2.04, 2.05, 2.24, and 2.25	Pass
8/29/2011	1	BOARD OF ESTIMATES (ended 4/2017)	RECOMMEND TO COUNCIL TO ADOPT UNDER SUSPENSION OF RULES 2.04, 2.05, 2.24, & 2.25 - REPORT OF OFFICER	Pass
8/18/2011	1	Economic Development Division	Referred for Introduction	

Fiscal Note

This resolution amends the total project cost and adds a requirement that disbursal of the Madison Capital Revolving Fund (MCRF) loan would be contingent upon the Borrower's receipt of a $75,000 loan from the Wisconsin Department of Commerce or its assigns and authorizes the Mayor and City Clerk to sign a lender's application for a loan guaranty from the Wisconsin Housing and Economic Development Authority (WHEDA). Prior to the loan disbursement, a private donor shall contribute $25, 000 to the project to make up the shortfall in the commerce loan.

The terms of the MCRF loan are otherwise identical to those of the original resolution, authorizing 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 shall be provided upon satisfactory completion of the project in conformance to the terms and conditions of the MCRF Loan, as stated herein.

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. 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 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. 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 2011 Capital Budget authorizes $500,000.00 for MCRF loans. There is one (1) pending 2010 MCRF loan awaiting closure in the amount of $66,000, and a pending $80,000 application from Cathay Pacific, Inc. The existing fund balance in the MCRF program is sufficient to fund this amount without additional borrowing.

Title

Amending RES 11-00538 (File ID 22622 and 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 SF 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 ~~$359,000~~$316,000; 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 May 12, 2011 Borrower reported significant project changes to the CDA, noted herein, that necessitate an amended authorizing resolution; and

WHEARAS ON August 11, 2011 Borrower reported significant project changes to the CDA; noted herein that necessitate an amended authorizing resolution; and

WHEREAS, on ~~May 12, 2011~~ August 11, 2011 the CDA re-considered and approved a MCRF Loan to the

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Borrower of $121,440.00 at the amended 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. Borrower agrees at a minimum the Project ("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 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 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 Borrower at closing and $1,440.00 disbursed to Wisconsin Housing and Economic Development Authority (WHEDA) representing WHEDA's 1.5% closing fee on a $96,000.00 WHEDA Small Business Guaranty. Said MCRF Loan proceeds to 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, amortized over ten (10) years, payable 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 ("Note"). 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 this Note. Borrower shall provide the City of Madison a first UCC lien on machinery, equipment, furniture and fixtures and tenant improvements in the Project~~.~~ All other 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 to enter an agreement with WHEDA regarding the loan guaranty and the City of Madison obtaining a loan guaranty from the WHEDA, securing the City of Madison MCRF Loan of not less than $96,000 (80% of the $120,000 MCRF Loan).

5. Wisconsin Department of Commerce Loan. The MCRF loan shall be contingent upon Borrower's receipt of a ~~$100,000~~ $75,000 loan from the Wisconsin Department of Commerce or its assigns at the terms set forth in the MCRF Application.

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6. Evidence of Donation of Funds. Borrower shall provide to the City an affidavit signed by a donor stating that Donor has $25,000 in funds, has the authority to donate said funds and shall donate said funds to Borrower prior to the loan closing. Prior to or at closing, Borrower shall provide a current bank statement to the City providing evidence of the $25,000 deposit.

7. Indiana Department of Revenue. Prior to loan disbursement, written evidence shall be furnished to the City to the City Attorney's satisfaction, providing evidence that the obligation to the Indiana Department of Revenue has been brought current.

~~6.~~ 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.

~~7~~. 9. Quarterly Financials. Within forty-five (45) days of the end of Borrower's financial quarter, Borrower shall provide the CDA with compiled, quarterly financial statements throughout the term of the MCRF Loan.

~~8~~. 10. Affirmative Action MGO 39.02 (9). 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, Borrower shall contact the City's Affirmative Action Division to assure that Borrower is in compliance with the aforementioned requirements. 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. Borrower shall allow maximum feasible opportunity for minority/disadvantaged women business enterprises to compete for any contracts entered into pursuant to this Term Sheet.

~~9.~~ 11. ~~Prevailing and~~ Living Wage (MGO 4.20 ~~&~~ ~~4.23).~~ Borrower shall comply with Madison General Ordinances 4.20 ~~and 4.23~~ that requires Borrower to provide a living wage ~~and a prevailing wage~~.

~~10~~. 12. Accessibility (MGO 39.05). Borrower shall submit a written assurance of compliance with Madison General Ordinance 39.05.

~~11~~. 13. 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 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.

~~12.~~ 14. Project Completion. Borrower shall guarantee that the tenant improvements and equipment installation will be completed by December 31, 2011.

~~13~~. 15. 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'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 Mayor and City Clerk are hereby authorized to sign the WHEDA Small Business Development Guaranty application representing the City of Madison as a lender and all other

loan documentation in a form approved by the City Attorney.

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 loan agreement with the Borrower and other documents as may be necessary to effectuate the transaction, all of which are subject to the approval of the City Attorney.

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