

City of Madison
Economic Development Division
Community Development Division CDBG
2025 Small Business Assistance Policy Paper

I. Introduction

Entrepreneurship and small businesses play a key role in ensuring economic growth, innovation, job creation, and economic mobility in Madison. Their contributions improve residents' quality of life, enhance long-term prosperity, and promote the City's economic vision as one that is innovative, inclusive, and thriving. However, despite their contributions, these businesses face numerous challenges, including limited access to capital, mentorship, and other resources needed for growth.

It is possible to help entrepreneurs and small businesses overcome these challenges with focused support. For many years, the City's Community Development Division (CDD) and now the Economic Development Division (EDD) have partnered with local organizations to provide such support as part of its efforts to promote help foster a more robust entrepreneurial ecosystem, enhance economic opportunities for underserved communities, and improve the local economy.

This policy paper describes the proposed conceptual framework and the desired elements of programming that the City will pursue, beginning in 2026, using City-administered federal Community Development Block Grant funding for Small Business Assistance.

II. Background

Small businesses form the backbone of our nation's economy. According to the U.S. Small Business Administration (SBA), small businesses represent 99.9% of all U.S. businesses and employ nearly half of the private workforce. Entrepreneurs drive economic innovation, create jobs, and make important contributions to local and national economies.

Microenterprises provide the primary source of employment opportunities for those who may be left out of traditional labor markets and economies, especially lower-income individuals, people of color, women, veterans, and justice impacted individuals. They offer job stability and self-sufficiency and have been shown to generate family supporting jobs faster than their larger counterparts (2023, Association for Enterprise Opportunity, Bigger Than You Think: The Economic Impact of Microbusinesses in the United States).

Despite their importance, small businesses face significant barriers to growth, such as limited access to capital (both financial and social), lack of business training, and difficulties navigating

regulatory systems. Organizations that provide resources, mentorship, and funding to entrepreneurs are essential to overcoming these barriers.

Locally, data compiled by the Wisconsin Women's Business Initiative Corporation indicates there are more than 3,000 microenterprises in Madison that employ over 4,800 people. The broader Madison Metropolitan Area hosts nearly 7,600 microenterprises with a combined 12,062 employees. They comprise 52% of all businesses in the city (2021, US Census Bureau Statistics of US Businesses).

The Challenges Faced by Entrepreneurs and Small Businesses

Despite the significant role they play, small businesses face many hurdles as they seek to establish and sustain themselves and grow. Information gained from entrepreneurs and small business owners identify significant challenges in these 5 areas:

1. Access to capital (financial and social): According to a 2020 survey by the Federal Reserve, nearly 20% of small businesses were unable to secure needed financing. The ability to obtain loans or attract private investment is a major obstacle for many entrepreneurs, especially those from underrepresented communities. For example, women-owned start-ups attract only 1.9% of venture capital funding even though they generate higher returns on these investments than their male counterparts. Startups run by Black women received just 0.34% of U.S. venture capital dollars in 2022.
2. Lack of mentorship and education: Many small business owners have no formal business education and lack access to mentors. Effective mentorship can be crucial for navigating early-stage business challenges and scaling operations.
3. Regulatory and compliance barriers: Navigating complex regulatory frameworks can also be a time-consuming and costly process. Yet most small businesses do not have the resources they need to stay current with ever-evolving federal, state, and local regulations.
4. Market access: Small businesses frequently struggle to enter broader, more competitive markets, limiting their growth opportunities. They often face challenges in establishing relationships with larger companies or accessing larger customer bases.
5. Technological integration: With the rise of digital technologies, small businesses are often left behind in adopting new tools that could streamline their operations and open new markets.

These challenges disproportionately affect minority-owned businesses and women entrepreneurs, leading to disparities in access to opportunities.

To help entrepreneurs and small businesses navigate these challenges, the City has allocated CDBG funding to several community partners for use in two primary types of support: technical assistance and small business loans.

Technical assistance has included programs to: help individuals start new businesses; help established businesses elevate their marketing and sales strategies; provide training and resources to enhance financial management capabilities; help those whose preferred language is not English navigate regulations; improve communications skills, and develop basic skills in business planning, marketing and accessing capital, etc. The table below shows the number of entrepreneurs assisted through CDBG funding provided to CDD and EDD's partner agencies.

Year	Number of Entrepreneurs Assisted
2022	1654
2023	1103
2024	2060

Small business loans:

Funding has also been made available for low-interest business loans to small businesses for projects that help create or retain jobs for low- to moderate-income persons. In the last two years alone, the Business Loan Program (BLP) provided \$1.19 million in loans to 8 local businesses and helped create nearly 50 jobs. In that time span, each dollar of CDBG funds allocated through the BLP has leveraged \$15.54 in funding from other sources. Since 1993, the BLP has extended 166 business loans totaling \$13.6 million.

III. RFP Program Areas

EDD remains committed to allocating CDBG funds towards lending and technical assistance programs tailored to help entrepreneurs and small businesses begin and expand within the City of Madison. The use of CDBG funds restricts this assistance to businesses that meet the Program's eligibility requirements and/or that agree to create or retain jobs that primarily benefit persons with low- to moderate-incomes, as defined by the Program. The City will also require funded agencies to demonstrate impact by reporting on specified Results Madison indicators for Small Business Assistance. Results Madison is a City initiative designed to ensure that city-funded services support outcomes that matter most to Madison residents.

Information on the types of programs and eligibility are as follows:

A. Loan Programs

Capital financing can be very difficult for small businesses to obtain. Without this financing, small business owners often struggle to survive or expand. That forces many to delay or forego expansion plans and the promise of job creation they bring. The City desires to use CDBG funds to ensure the availability of capital financing for small businesses.

For a loan program that offers loans of \$35,000 or more:

Businesses must be located in the City of Madison. Eligibility will be limited to two target populations:

1. Sole proprietors who qualify as economically disadvantaged individuals, that is, who have incomes not more than [80% of the Area Median Income](#) ; and
2. Small businesses that use loan proceeds for projects that create permanent job opportunities for low- to moderate-income individuals.

These objectives will be achieved by offering funds to create and maintain a loan program to provide low-interest business loans to small businesses to help them create new job positions that will primarily employ new low- and moderate-income persons. Loan funds shall be used for fixed asset and equipment purchases or working capital expenses, as well as financial assistance for the purchase or rehab of a business site.

Loan programs that offer loans of \$35,000 or more must ensure that the primary goal of the funded activity is job creation. Per CDBG Program guidelines, at least one full-time equivalent job must be created for every \$35,000 of loan funds disbursed and must be created within 24 months of original loan disbursements. Further, at least 51% of the new jobs must be filled by low- to moderate-income Madison residents. Failure to meet these obligations may trigger the repayment of loaned funds to the U.S. Department of Housing and Urban Development (HUD).

Importantly, the agency administering the loan funds, not the City, is responsible for ensuring that these standards are met and the agency administering the loan funds will be responsible for any repayment obligations imposed by HUD if the standards are not met.

For a loan program that offers loans of \$35,000 or less:

Businesses must be located in the City of Madison. The program will serve low- to moderate-income persons who own or are developing a micro-enterprise businesses. For purposes of this program, a micro-enterprise business is one that employs not more than five FTE employees, one of whom is the owner. A person developing a micro-enterprise means a person who has expressed interest in and, after an initial screening process, is expected to be actively working toward developing a micro-enterprise business.

For a loan program that offers loans of \$35,000 or less, the primary goal is to help low- to moderate-income entrepreneurs with the successful development, capitalization and operation of micro-enterprise businesses. The loan programs will provide support to existing and developing micro-enterprise businesses in Madison in the form of one-on-one business assistance, business and financial education, and asset building.

Other Loan Program Requirements:

The Economic Development Division strives to ensure that historically marginalized and low- to moderate-income persons, including those who identify as women, people of color and lower-income persons, can get the support necessary to pursue their business goals. To track the success of these efforts, the following information will be collected:

1. Documentation that the owners of small and microenterprise businesses meet the standard for low- or moderate-income level clientele. Organizations administering funds will be expected to collect and maintain relevant information to document eligibility.
2. Organizations must also record the number of loan applications received, the total amount of loans disbursed/approved, the type of technical assistance provided, and the demographic information of the applicants.*
3. Organizations must report the number of new jobs created, the ratio of City financial support provided to number of jobs created, and percentage of new jobs filled by persons who are people of color, women, and low- to moderate-income individuals.*

*New to this RFP

B. Technical Assistance

Technical assistance is also vital for microenterprises and small businesses to start, maintain and grow. Help with business planning, accounting, social media/website creation and mentoring offers crucial support to business owners who may not have had the opportunity to build their social capital or gain access to financial resources.

This goal of technical assistance programs is to facilitate economic development through the establishment, stabilization and expansion of microenterprises and small businesses.

Individuals served must be City of Madison residents and their businesses must be located, or will be located, in Madison.

Programs must meet the CDBG Program's National Objective of assisting low- to moderate-income clientele, as described in 24 CFR §570.208, by providing training and technical assistance to microenterprises or a person seeking to develop a microenterprise. At least 51% of the beneficiaries must be low-moderate income.

Other Technical Assistance Requirements:

1. Organizations will need to track the type of technical assistance provided such as*:
 - a. Financial: business planning, accounting, bookkeeping, taxes, etc.
 - b. General: mentorship, general business advising, legal, networking, etc.
 - c. Marketing: social media, website, etc.
 - d. Language services: interpretation and translation services, etc.

*New to this RFP

2. Organization must also record demographic information about the individuals served such as:
 - a. People of color
 - b. Women
 - c. Low to moderate income individuals

Definitions:

- Small businesses shall be defined as those meeting the basic size requirements of the Small Business Administration. An effective full-time equivalent job shall be defined as one which averages 40 hours or more each week, and for which the term of hiring is not limited to a specific calendar period. The principal place of business of either of the two target populations shall be located within the City of Madison.
- Microenterprise means a business having five or fewer employees, one or more of whom owns the business.
- Person developing a microenterprise means any person who has expressed an interest and who is, after an initial screening, expected to be actively working towards developing a microenterprise business.
- Training and Technical Assistance means the provision of training by external specialists or consulting services on topics such as business planning, management training, accounting systems or quality improvement to a microenterprise or a person developing a microenterprise as defined above. This assistance can range from general help to specialized assistance.

Organizations will identify and track eligible beneficiaries for the program by determining if the entity or individual(s) are microenterprises or persons developing a microenterprise as defined in the above definitions.

IV. RFP Eligibility Requirements

1. Eligibility is open to non-profit organizations and agencies that have tax-exempt status under 26 USC 501(c)(3) OR groups that can secure, as fiscal agents, organizations that have obtained such status. Please see the Fiscal Agent packet available on the Funding Process website for more information. Organizations that are identified to serve as Fiscal Agents on behalf of applicants will be asked to indicate their understanding of the City's expectations and agreement to act on the applicant's behalf.
2. Applicants may apply for funding to perform work within one or more of the following program areas:
 - A. Loans
 - B. Technical Assistance

Each program type has separate criteria for implementation and reporting. Applicants may apply for funding to perform work within one or more program type.

3. Eligible expenses include personnel, operations, space and special costs. No more than 20% may be used for service delivery fee for loans disbursed. In awarding grants, the City may identify specific uses for allocations. Capital expenses related to the purchase of vehicles or property are not eligible. All awarded funds must be utilized in the timeline outlined in resultant contracts. Expenses not incurred by the contract end date will not be reimbursed.

Funds must be used for CDBG eligible expenses and meet the OMB 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. All costs charged to this contract must be related to training or technical assistance for microenterprises business or person developing a microenterprise. Expenses related to lodging, meals or facility costs for retreats for staff or Board members are not eligible expenses.

Examples of eligible expenses include costs incurred due to outreach and marketing of training and technical assistance opportunities, training costs and service delivery fees.

Funding:

Funding available for technical assistance to microenterprises or small businesses is approximately \$450,000 for this RFP.

Funding available for activities related to job creation will be based off of revolving loans and program income accounts, to be determined on an annual basis.

Contracts are expected to begin January 1, 2026. Annual renewal is based off of program performance and subject to available funding from HUD and Common Council.

V. Timeline

Introduce Policy Paper at Common Council	August 5, 2025
Policy Paper at CDBG Committee	August 7, 2025
Policy Paper at Common Council for Adoption	September 2, 2025
Publish Request for Proposal (RFP)	September 3, 2025
Questions to City Staff Deadline	September 12, 2025
Answers Due to Public	September 18, 2025
RFP Deadline	October 16, 2025
Optional presentations to CDBG committee	November 6, 2025
Introduce Recommendations to Common Council	November 26, 2025
Recommendations at Finance Committee	December 1, 2025
CDBG Committee Approval/Review and/or Modification of staff Recommendations	December 4, 2025
Recommendations at Common Council for Adoption	December 9, 2025

Sources:

- 1 <https://www.forbes.com/councils/forbesfinancecouncil/2024/03/07/womens-access-to-capital-overcoming-challenges-and-finding-opportunity/>
- 2 <https://www.forbes.com/sites/asiaalexander/2024/06/24/black-founders-still-struggle-for-their-share-of-venture-capital-funding/>