



City of Madison

City of Madison
Madison, WI 53703
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Master

File Number: 60944

File ID: 60944

File Type: Ordinance

Status: Report of Officer

Version: 2

Reference:

Controlling Body: COMMON
COUNCIL

File Created Date : 06/11/2020

File Name: Commercial Ownership Assistance Program

Final Action:

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

Notes: 6378commercialassistprogram

Sponsors: Satya V. Rhodes-Conway, Sheri Carter, Samba Baldeh, Barbara Harrington-McKinney, Michael E. Verveer, Arvina Martin, Keith Furman, Shiva Bidar, Donna V. Moreland, Patrick W. Heck, Marsha A. Rummel, Syed Abbas and Lindsay Lemmer

Effective Date:

Attachments: 60944 Version 1.pdf

Enactment Number:

Author: Kevin Ramakrishna

Hearing Date:

Entered by: jphelps@cityofmadison.com

Published Date:

Approval History

Version	Date	Approver	Action
1		Michael Haas	Approved as to Form
1		Elizabeth York	Delegate
1		Brent Sloat	Approve
2		Michael Haas	Approved as to Form
2		David Schmiedicke	Delegate
2		Brent Sloat	Approve

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
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1	Attorney's Office	06/11/2020	Referred for Introduction				
	Action Text:	This Ordinance was Referred for Introduction					
	Notes:	Finance Committee (6/22/20), Economic Development Committee (6/17/20)					
1	COMMON COUNCIL	06/16/2020	Refer	FINANCE COMMITTEE	07/20/2020	Pass	
	Action Text:	A motion was made by Carter, seconded by Abbas, to Refer to the FINANCE COMMITTEE. The motion passed by voice vote/other.					
	Notes:	Additional referral to the Economic Development Committee (6/17/20).					
1	FINANCE COMMITTEE	06/17/2020	Refer	ECONOMIC DEVELOPMENT COMMITTEE	06/17/2020		
	Action Text:	This Ordinance was Refer to the ECONOMIC DEVELOPMENT COMMITTEE					
	Notes:						
1	ECONOMIC DEVELOPMENT COMMITTEE	06/17/2020	RECOMMEND TO COUNCIL WITH THE FOLLOWING RECOMMENDATION S - REPORT OF OFFICER				
	Action Text:	Matt Mikolajewski and Mike Miller provided an overview of the Commercial Ownership Assistance Program.					

EDC members discussed with one another and staff the merits of the program and potential changes to the guidelines as drafted. Key points of discussion included:

- Mr. Harris questioned if the guidelines could be amended to exempt a business from repayment within the first 15 years of ownership if the purpose of the sale is to relocate the business into a new space that benefits the long-term health of the business?
- Ald. Albouras questioned if applicants must be a US citizen?
- Ald. Moreland and several other EDC members questioned if there could be a sliding-scale of repayment (if required), rather than the proposed 100%, 50%, 0. In other words, a slight reduction every year until the full write-down after 15 years?
- Ald. Kemble questioned why non-profits were excluded?
- Ald. Kemble noted that the process for underwriting applications and making recommendations needs to be articulated in the ordinance. The ordinance is also currently missing a fiscal note, and there should be consideration of future year budget requests for the program.
- Ms. Mendoza stressed the importance of technical assistance for potential applicants.
- Mr. Stanley encouraged staff to review whether or not there would be any conflicts with pairing this program with SBA funding.
- There was significant discussion around the fact that this program will not help immediate business financial needs related to COVID-19 and recent downtown damage.

Ms. Madison arrived during the conversation at 6:00 PM. The remaining EDC members noted above were still in attendance.

Ald. Moreland moved to recommend approval of the ordinance with an understanding that additional detail is needed within the ordinance regarding the process for underwriting applications and making recommendations regarding who should receive financing. Ms. Madison seconded.

Discussion.

Ald. Kemble noted that the funding and ordinance are not necessarily attached to one another. The City could implement the ordinance, while redirecting a portion of the funds included in the adopted 2020 Budget to another business response/recovery purpose.

1	FINANCE COMMITTEE	06/22/2020	Refer	FINANCE COMMITTEE	07/10/2020	07/20/2020	Pass
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Action Text: A motion was made by Kemble, seconded by Verveer, to Refer to the FINANCE COMMITTEE and should be returned by 7/10/2020. The motion passed by voice vote/other.

Notes:

- 1 FINANCE COMMITTEE 07/10/2020
- 2 FINANCE COMMITTEE 07/20/2020 RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER Pass

Action Text: A motion was made by Carter, seconded by Verveer, to RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER. The motion passed by voice vote/other.

- 1 COMMON COUNCIL 07/21/2020

Text of Legislative File 60944

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."