



VILLAGE OF ORLAND PARK

14700 Ravinia Avenue
Orland Park, IL 60462
www.orlandpark.org

Department Requested Action

File Number: 2011-0091

Agenda Date: 3/6/2011

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Status: PASSED

In Control: Board of Trustees

File Type: MOTION

Title/Name/Summary

Madison Construction Revolving Loan Fund Application

History

Company Background

Founded in 2002, Madison Construction provides general contracting, construction management and design build services for the fifteen million dollar and under construction marketplace. Before starting the business, Robert Ferrino worked for 15 years with Walsh Construction. Madison Construction currently employs 40 individuals and leases space at 15426 S. 70th Court, which is owned by Mr. Ferrino and his wife.

Since 2002, Madison Construction has completed over \$30 million of work, including the renovation of the Little Red Schoolhouse Nature Center in Willow Springs and the remodel of Oak Lawn High School in Oak Lawn. Most of Madison Construction's projects are located in the city of Chicago or the immediate surrounding area. A focus on smaller commercial construction projects and incorporation of environmental technology into the business model helped Madison Construction thrive, even during the economic downturn. Many of Madison Construction's recent and future projects include 'green' practices such as LEED certification, like the PCC Wellness/Austin building and the geo-thermal heating and cooling system designed for the Little Red School House Nature Center. Madison Construction also managed the entire Energy Efficiency and Conservation Block Grant (EECBG) program for the city of Hammond.

Revolving Loan Fund Request

Madison Construction currently has a backlog of work totaling over \$30 million. To accommodate the company's growth and solidify a presence in Orland Park, Mr. Ferrino has purchased the currently vacant, former Cooper Plumbing building at 15657 South 70th Court. After moving into the larger space, Mr. Ferrino anticipates substantial renovations to the building. The revolving loan fund application to the Village of Orland Park in the amount of \$586,750 is for the proposed renovations. The Revolving Loan Fund balance is approximately \$1.5 million.

The proposed project will keep an existing successful company in Orland Park, will renovate a currently vacant building and will generate new jobs for the Village. Additionally, another business has already committed to taking over Madison Construction's existing lease at 15426 S. 70th Court, generating additional Orland Park jobs.

Madison Construction currently employs 40 people in high quality job positions. The proposed relocation, renovation and subsequent expansion are anticipated to add at least 24 new jobs.

Madison Construction intends to complete the proposed renovations in-house. The scope and details of the renovation scope are not finalized, but the petitioner must secure all zoning

and building approvals prior to permit issuance.

Loan Details

Madison Construction is requesting \$586,750 from the Village's Revolving Loan program to fund rehabilitation and renovation work in the new building. The loan request represents 38% of the total project budget (property acquisition, rehabilitation and soft costs). The petitioner's lender, Citizen's Bank is financing the property purchase and the terms of that loan include a hold on Mr. Ferrino's account until such time that the Revolving Loan application is finalized. If the loan application is not approved by the Village, the hold amount will increase accordingly. Mr. Ferrino is providing a substantial portion of his own equity, \$383,250, into the project.

If approved, the loan will be offered at 50% of Prime at the time of the application or time of closing, whichever is lower. Half of Wall Street Prime at time of application was 1.625%. The terms of the loan will mirror the lead lender, resulting in a five year balloon and twenty-five year amortization schedule.

Per the guidelines of the Revolving Loan Program, funds for construction are available as a permanent loan at the time of project completion. Madison Construction plans to fund the rehabilitation with ready sources of cash flow and existing lines of credit until the RLF funds can be closed upon. Per the project schedule provided in the application, the work is anticipated to be complete in the fall of 2011.

Copies of the loan application and supporting documentation are available for review in the Development Services Department.

Economic Development and Advisory Board

The Economic Development and Advisory Board (EDAB) voted 5-1 to recommend to the Village Board approval of the Revolving Loan Fund request from Madison Construction in the amount of \$586,750 subject to the following conditions:

1. Receipt by the Village and satisfactory review by the Village's Financial Consultant of Mr. Ferrino's personal financial statement.
2. A personal guarantee in the amount of the loan be provided by Mr. Robert Ferrino.
3. The Village shall be provided a copy of the property appraisal prior to funding.
4. The loan closing shall not occur until the renovation work has been complete and supporting documentation has been submitted to the Village confirming completion, including an inspection by the Village.
5. The petitioner secure all necessary planning and building approvals prior to beginning work on the building.

The petitioner requested that the condition to take a lien on all assets be reconsidered by the Economic Development and Advisory Board. After discussing the issue, the condition to take a second position on all assets was removed from the motion. Instead the Village will take a second position on real estate, which is required as part of the Loan program.

The Village's Financial Consultant has provided copies of their financial analysis. After a review of Mr. Ferrino's personal financial statement, 5/3 Bank has concluded that he is an acceptable guarantor and the corresponding condition was removed from the Committee motion.

Development Services and Planning Committee

On February 21, 2011, the Development Services and Planning Committee moved to recommend to the Village Board approval of the Revolving Loan Fund request from Madison Construction in the amount of \$586,750 subject to the following conditions:

1. The Village take a second position on real estate.
2. A personal guarantee in the amount of the loan be provided by Mr. Robert Ferrino.
3. The Village shall be provided a copy of the property appraisal prior to funding.
4. The loan closing shall not occur until the renovation work has been completed and supporting documentation has been submitted to the Village confirming completion, including an inspection by the Village.

And

5. The petitioner secure all necessary planning and building approvals prior to beginning work on the building.

This is now before the Village Board for consideration.

Financial Impact

The balance of the Revolving Loan Fund as of December 31, 2010 was \$1,577,996.34. The loan, if approved, represents 37% of the total.

Recommended Action/Motion

I move to approve the Revolving Loan Fund request from Madison Construction in the amount of \$586,750 subject to the following conditions:

1. The Village take a second position on real estate.
2. A personal guarantee in the amount of the loan be provided by Mr. Robert Ferrino.
3. The Village shall be provided a copy of the property appraisal prior to funding.
4. The loan closing shall not occur until the renovation work has been completed and supporting documentation has been submitted to the Village confirming completion, including an inspection by the Village.

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5. The petitioner secure all necessary planning and building approvals prior to beginning work on the building.