

INTRODUCED: October 15, 2024

AN ORDINANCE No. 2024-284

To authorize the Chief Administrative Officer, for and on behalf of the City of Richmond to execute a Cooperation Agreement between the City of Richmond and the Economic Development Authority of the City of Richmond for the purpose of providing grants to small businesses in the city of Richmond.

Patron – Mayor Stoney

Approved as to form and legality
by the City Attorney

PUBLIC HEARING: DEC 9 2024 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That the Chief Administrative Officer, for and on behalf of the City of Richmond, be and is hereby authorized to execute a Cooperation Agreement between the City of Richmond and the Economic Development Authority of the City of Richmond for the purpose of providing grants to small businesses in the city of Richmond. Such agreement shall be approved as to form by the City Attorney and shall be substantially in the form of the document attached to this ordinance.

§ 2. This ordinance shall be in force and effect upon adoption.

AYES: _____ NOES: _____ ABSTAIN: _____

ADOPTED: _____ REJECTED: _____ STRICKEN: _____

APPROVED AS TO FORM:

CITY ATTORNEY'S OFFICE



City of Richmond

900 East Broad Street
2nd Floor of City Hall
Richmond, VA 23219
www.rva.gov

Master

File Number: Admin-2024-1294

File ID: Admin-2024-1294	Type: Request for Ordinance or Resolution	Status: Regular Agenda
Version: 1	Reference:	In Control: DCAO For Planning and Economic Development
Department:	Cost:	File Created: 10/07/2024
Subject:	Final Action:	

Title: To authorize the CAO to execute a Cooperation Agreement between the City of Richmond and The Economic Development Authority for the purpose of assisting in the development and growth of small businesses through grants and loans.

Internal Notes:

Code Sections:

Agenda Date: 10/15/2024

Indexes:

Agenda Number:

Patron(s):

Enactment Date:

Attachments: Admin-2024-1294 OMBD Cooperation Agreement 3(FOR AATF).pdf, Admin-2024-1294 Attachment A, AATF - Cooperation Agt OR COR EDA 2

Enactment Number:

Contact:

Introduction Date:

Drafter: Gale.Jones@rva.gov

Effective Date:

Related Files:

Approval History

Version	Seq #	Action Date	Approver	Action	Due Date
1	1	10/8/2024	Patricia Foster	Approve	10/8/2024
1	2	10/8/2024	Matt Welch	Delegated	
Notes: Delegated: Out Of Office					
1	3	10/9/2024	Katie McConnell	Approve	10/10/2024
1	4	10/10/2024	Sharon Ebert	Approve	10/11/2024
1	5	10/10/2024	Alecia Blackwell - FYI	Notified - FYI	
1	6	10/10/2024	Meghan Brown	Approve	10/14/2024
1	7	10/11/2024	Sheila White	Approve	10/14/2024
1	8	10/11/2024	Sabrina Joy-Hogg	Approve	10/15/2024
1	9	10/11/2024	Lincoln Saunders	Approve	10/16/2024
1	10	10/11/2024	Mayor Stoney	Approve	10/16/2024

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
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Text of Legislative File Admin-2024-1294

Title

To authorize the CAO to execute a Cooperation Agreement between the City of Richmond and The Economic Development Authority for the purpose of assisting in the development and growth of small businesses through grants and loans.

Body

O & R Request

DATE: October 11, 2024 **EDITION:** 2

TO: The Honorable Members of City Council

THROUGH: The Honorable Levar M. Stoney, Mayor

THROUGH: J. E. Lincoln Saunders, Chief Administrative Officer

THROUGH: Sabrina Joy-Hogg, Senior Deputy Chief Administrative Officer
Finance and Administration

THROUGH: Sheila White, Director of Finance

THROUGH: Meghan Brown, Director of Budget and Strategic Planning

THROUGH: Sharon L. Ebert, DCAO, Planning & Economic Development Portfolio

THROUGH: Matthew Welch, Acting Director of Economic Development

FROM: Patricia Foster, Director of the Office of Minority Business Development

RE: To authorize the CAO to execute a Cooperation Agreement between the City of Richmond and The Economic Development Authority for the purpose of assisting in the development and growth of small businesses through grants and loans.

PURPOSE: To authorize the Chief Administrative Officer (“CAO”) to execute, on behalf of the City of Richmond (“City”), the Cooperation Agreement attached hereto by and between the City and The Economic Development Authority (EDA).

BACKGROUND: On May 6, 2024, the City Council of the City of Richmond approved Ordinance Number 2024-128, which allocated \$1,500,000 from general funds to the Department of Economic Development (DED) for CDFI funds to help in the development of small businesses. The ordinance also approved the transfer of the funds to the EDA for distribution as outlined in the attached cooperation agreement.

The grants will be used to assist in the development and growth of small businesses through grants and loans.

COMMUNITY ENGAGEMENT: After introduction, the proposed Ordinance will be referred to a future Organizational Development Standing Committee meeting for discussion, public encouraged to attend and provide comment; subsequent to Organizational Development Committee recommendation to City Council, Council will hold a public hearing regarding the proposed Ordinance.

STRATEGIC INITIATIVES AND OTHER GOVERNMENTAL: N/A

FISCAL IMPACT: \$1.5 million was appropriated through Ord. No. 2024-128 for the purpose of this program.

DESIRED EFFECTIVE DATE: Upon adoption.

REQUESTED INTRODUCTION DATE: October 15, 2024

CITY COUNCIL PUBLIC HEARING DATE: November 12, 2024

REQUESTED AGENDA: Consent

RECOMMENDED COUNCIL COMMITTEE: Organizational Development Standing Committee (October 28, 2024)

AFFECTED AGENCIES: The Office of Minority Business Development, the Department of Finance, the Office of Budget and Strategic Planning

RELATIONSHIP TO EXISTING ORD. OR RES.: Ord. No. 2024-128

ATTACHMENTS: Cooperation Agreement, Exhibit A - Small Business Capital Access Program

STAFF: Patricia Foster, Director, Office of Minority Business Development

COOPERATION AGREEMENT

THIS COOPERATION AGREEMENT is made this 1st day of October 2024 by and between the CITY OF RICHMOND, VIRGINIA, a municipal corporation of the Commonwealth of Virginia (“City”) and the ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF RICHMOND, VIRGINIA, a political subdivision of the Commonwealth of Virginia (the “Authority”).

STATEMENT OF PURPOSE

A. Section 15.2-953(B) of the Code of Virginia authorizes the City to make gifts, donations, and appropriations of money to the Authority for the purpose of promoting economic development and Section 15.2-4905(13) of the Code of Virginia grants the Authority the power to make grants to “any person, partnership, association, corporation, business, or governmental entity in furtherance of economic development.”

B. Whereas the City has provided funds in the amount of \$1,500,000 to the Authority in order to provide grants and loans pursuant to a Small Business Capital Access Program (the “Program”) according to the terms and conditions contained in this Contract.

NOW, THEREFORE, intending to be legally bound, the City and the Authority agree as follows:

1. **Definitions.** The following words and terms used in this Cooperation Agreement have the following meanings unless the context clearly indicates otherwise:

1.1 **Agreement** means this Cooperation Agreement.

1.2 **Eligible Activities** means those activities identified in section 4.1 of this Agreement.

1.3 **Funds** means \$1,500,000 in city funds for the purpose of establishing and administering the Grants and Loans.

1.4 **Grant or Loan** mean the funds awarded as a Grant or Loan to a Recipient or Recipients under the Program.

1.5 **Grant Contract or Loan Contract** means the contracts by and between the Authority and the recipients of grants or loans funded by this Agreement.

1.6 **Grant Program** means the Small Business Capital Access Program” outlined in Exhibit A attached hereto and made a part hereof.

1.7 **Grant or Loan Recipient** means an applicant to whom a Grant or Loan has been awarded.

1.8 **Project Fund** means that account or accounting structure established in accordance with this Agreement which shall contain any funds from any source related to the Grants or Loans.

1.9 **Small Business** meet the following definition of “small business,” specifically:

A. Have no more than 500 employees, or if applicable, the size standard in number of employees established by the Administrator of the Small Business Administration for the industry in which the business concern or organization operates, and

B. Are a small business concern as defined in section 3 of the Small Business Act (which includes, among other requirements, that the business is independently owned and operated and is not dominant in its field of operation) a business as having no more than 500 employees, is independently owned and operated, and is not dominant in its field of operation.

2. **Duration.** This Agreement will be in force and effect beginning on the date written first above and shall expire when all obligations have been performed and all rights have been fully exercised by both the City and the Authority.

3. **City Undertakings.**

3.1 **City Staff Support.** The City, through its Office of Minority Business Development, in coordination with other City departments, offices, or agencies as deemed appropriate by the Director of the Office of Minority Business Development, shall provide staffing and administrative support to the Authority in administering the Program.

3.2 The City’s Office of Minority Business Development (“OMBD”) shall collect, review, and approve the Grant and Loan Program applications and facilitate the overall operation of the Program, including providing staff, undertaking assessment of the applicant for eligibility, making Grant or Loan awards, including the determination of eligible activities to be funded, providing necessary resources and mentorship to the Grant and Loan Recipients, and maintaining all documentation and appropriate accounting records relating to the Grants and Loans.

4. Activities to be Funded.

4.1. Eligible Activities. Eligible activities include but are not necessarily limited to working capital, payroll, marketing expenses to reposition sales, rent and interest payments on commercial mortgages, equipment lease expenses, equipment purchases, inventory, and business auto expenses for delivery.

4.2 Grant and Loan Contracts. The Authority shall enter into necessary and appropriate Grant and Loan Contracts with the Grant and Loan Recipients to establish the rights and obligations of the Authority and the Grant or Loan Recipient with respect to the Grant or Loan.

5. Project Fund. The Authority shall establish an account or accounting structure to ensure that all funds transferred by the City to the Authority for the Program are used only to satisfy the obligations contained in this Agreement and remain separate from any other funds of the Authority.

6. Accounting and Audit. The Authority shall prepare financial reports and statements of all financial activity relating to the Grant Program in accordance with generally accepted accounting principles, or such other or additional method mutually agreeable to the City and the Authority. The Authority may use its accountant to prepare the reports and statements if it chooses, and the Authority may include these reports and Cooperation Agreement statements in its regular reports and statements on other activities of the Authority.

Pursuant to Section 2-187 of the Code of the City of Richmond, the Authority shall, as a condition of receiving monies from the City, be subject to periodic audits of its finances and expenditures of such City monies by the City Auditor on demand and without notice.

7. Limitations on Authority's Obligations.

7.1 Authority Bond. The Authority shall not be required to furnish the City with a fidelity bond covering all officers or employees of the Authority capable of authorizing disbursements of funds or handling funds received from the City or any other party or disbursed by the Authority to any other party pursuant to this Cooperation Agreement.

7.2 Authority Liability. It is the intent of the parties not to impose upon the Authority any responsibility other than what may be required to consummate the transactions contemplated by and perform the obligations specified in this Cooperation Agreement.

Accordingly, the Authority does not assume any responsibility or liability whatsoever except as specifically stated herein. Should any liability accrue to the Authority, which is not specifically addressed in this Cooperation Agreement, the Authority shall not be required to expend funds the Authority derives from sources other than those provided for by this Cooperation Agreement to discharge such liability. If a lawsuit involving the subject matter of this Cooperation Agreement is filed or expected to be filed against the Authority, the Authority shall immediately notify the City Attorney and Chief Administrative Officer.

7.3 Availability of Funds. The Authority's obligation to undertake and perform the activities required of the Authority herein is specifically conditioned on the availability of funds in the Project Fund for the Authority to perform the Authority's obligations hereunder. The Authority shall not be required to expend funds the Authority derives from sources other than those provided for by or described in this Cooperation Agreement for the performance of the Authority's obligations under this Cooperation Agreement. The Authority's obligation to undertake the activities herein is specifically conditioned upon the City providing funding on a timely basis.

8. General Terms and Conditions.

8.1 Captions. All section titles or captions in this Agreement are for convenience of reference only. They should not be deemed to be part of this Agreement or to in any way define, limit, extend, or describe the scope or intent of any provisions of this Agreement.

8.2 Counterparts. This Agreement may be executed by the City and the Authority in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same Agreement. This Agreement, agreements ancillary to this agreement, and related documents entered into in connection with this agreement are signed when a party's signature is delivered by facsimile, email, or other electronic medium. These signatures must be treated in all respects as having the same force and effect as original signatures.

8.3 EDA Administrative Fee. The City agrees that the Authority may utilize a portion of the Project Fund to distribute checks for the Grant and loan Contracts, prepare financial reports and statements, complete any required audits, and perform other required actions to administer the loan program. The City acknowledges and agrees that the foregoing activities and other City undertakings as contemplated by Section 3 of this Agreement may be performed by a third-party administrator engaged by the Authority and that a portion of the Funds may be used for such engagement.

8.4 Entire Agreement. This Agreement contains the entire understanding between the City and the Authority and supersedes any prior understandings and written or oral agreements between them respecting this subject matter. There are no representations, agreements, arrangements, or understandings, oral or written, between the City and the Authority

relating to the subject matter of this Agreement that are not fully expressed in this Agreement.

8.5 Governing Law and Forum Choice. All issues and questions concerning the construction, enforcement, interpretation and validity of this Agreement, or the rights and obligations of the City and the Authority in connection with this Agreement, shall be governed by, and construed and interpreted in accordance with, the laws of the Commonwealth of Virginia, without giving effect to any choice of law or conflict of laws rules or provisions, whether of the Commonwealth of Virginia or any other jurisdiction, that would cause the application of the laws of any jurisdiction other than those of the Commonwealth of Virginia. Any and all disputes, claims and causes of action arising out of or in connection with this Agreement, or any performances made hereunder, shall be brought, and any judicial proceeding shall take place, only in the Circuit Court of the City of Richmond, Virginia. Each party shall be responsible for its own attorneys' fees in the event this Agreement is subject to litigation.

8.6 Modifications. This Agreement may be amended, modified, and supplemented only by the written consent of both the City and the Authority preceded by all formalities required as prerequisites to the signature by each party of this Agreement.

8.7 No Assignment. This Agreement shall be binding upon and shall inure to the benefit of the successors and permitted assigns of the parties hereto; provided, however, that in no event may this Agreement or any of the rights, benefits, duties or obligations of the parties hereto be assigned, transferred or otherwise disposed of without the prior written consent of the other, which consent neither party shall be obligated to give.

8.8 No Individual Liability. No director, officer, employee or agent of the City or the Authority shall be personally liable to another party hereto or any successor in interest in the event of any default or breach under this Agreement or on any obligation incurred under the terms of this Agreement.

8.9 No Third-Party Beneficiaries. Notwithstanding any other provision of this Agreement, the City and the Authority hereby agree that: (i) no individual or entity shall be considered, deemed or otherwise recognized to be a third-party beneficiary of this Agreement; (ii) the provisions of this Agreement are not intended to be for the benefit of any individual or entity other than the City or the Authority; (iii) no individual or entity shall obtain any right to make any claim against the City or the Authority under the provisions of this Agreement; and (iv) no provision of this Agreement shall be construed or interpreted to confer third-party beneficiary status on any individual or entity

8.10 Notices. All notices, offers, consents, or other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be considered as properly given or made if delivered personally, by messenger, by recognized overnight

courier service or by registered or certified U. S. mail with return receipt requested, and addressed to the address of the intended recipient at the following addresses:

A. To Authority:

Matthew Welch
Executive Director
Economic Development Authority of the City of Richmond, Virginia
1500 East Main Street, Suite 400
Richmond, Virginia 23219

With a copy to
General Counsel to the Economic Development Authority
900 East Broad Street, Suite 400
Richmond, Virginia 23219

B. To the City:

Chief Administrative Officer
900 East Broad Street, Suite 201
Richmond, Virginia 23219

With a copy to
City Attorney
900 East Broad Street, Suite 400
Richmond, Virginia 23219

Either party may change any of its address information given above by giving notice in writing stating its new address to the other party.

10.11 Public Records. The City and the Authority acknowledge and agree that this Agreement and any other records furnished, prepared by or in the possession of the City or the Authority may be subject to the retention and disposition requirements of the Virginia Public Records Act and the public disclosure requirements of the Virginia Freedom of Information Act.

SIGNATURES ON FOLLOWING PAGE

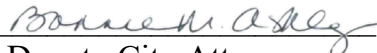
IN WITNESS WHEREOF, the parties have executed this Cooperation Agreement as of the day and year first written above.

ECONOMIC DEVELOPMENT
AUTHORITY OF THE
CITY OF RICHMOND, VIRGINIA,
a political subdivision of the Commonwealth of Virginia

By: _____
Chair

Approved as to form:

CITY OF RICHMOND, VIRGINIA,
a municipal corporation of the
Commonwealth of Virginia


Deputy City Attorney

By: _____
J. E. Lincoln Saunders
Chief Administrative Officer

Exhibit A

Small Business Capital Access Program

Introduction

The City of Richmond has created a new small business capital access loan program for small and emerging businesses that do not have access to traditional loan products. The purpose of the loan program is to provide capital for historically underserved and marginalized businesses by expanding financial products to eligible businesses with special consideration to businesses with contracts with the development of the City's Diamond District.

Despite the fact that the City of Richmond has a 47% minority population, based on the U.S. 2020 Census data, under-invested small businesses in Richmond are still disproportionately minority and women owned. Right now, the greatest need for under-invested small businesses in Richmond is access to capital, increase business connections and accessing greater capacity-building opportunities. This program will support the resource expansion of affordable capital and focus on small business capacity-building.

The Capital Access Loan Program will be managed by the City's Office of Minority Business Development (OMBD) in partnership with the Richmond Economic Development Authority (REDA) and will provide technical assistance, business plan development, flexible underwriting criteria, flexible loan terms and ongoing business support.

Loans will range in size from \$10,000 to \$45,000 with ability to offer larger sized loans up to \$100,000 to businesses that can mitigate risk. Interest rate will vary based on repayment factors but will not exceed five percent (5%). The term of the loan may vary, but it is anticipated that most loans would be repaid within 60 months. Loan payments for up to the first 6 months may be deferred to ensure the business' success and may include graduated payments or interest only payments for up to the first year. Loan repayment terms may also be structured based on a percentage of the business' monthly revenue.

Eligibility

Applicants include small businesses (i.e., corporate, S corps, sole proprietor, and LLC) that were in business for at least two years. New start-up businesses, under a year old, will not be eligible.

Applicants must have all business licenses current, and the business must be located within the City of Richmond.

Applicants must have a 20% or more personal investment or equity position in the business.

Applicants and/or the business owner may not have any tax liens and must be current with the filing of all withholding and other applicable taxes.

Applicants must not have experienced personal or business bankruptcy within the past twelve (12) months.

Applicants must be at least twenty-one years of age, or older and must be a legal U.S citizen or have long-term alien residency status.

Applicant Experience and Management

Applicant must have experience in the industry or in running a business.

Applicant's management team will be evaluate based on each team member's qualifications and related business experience.

Term of loans

Loans will be for up to 60 months with the options to defer the first 3-6 months payments to help the business stabilize and/or secure the opportunity. Interest would **not** accrue during deferral and then principal and interest payments would be amortized over the remaining term of the loan.

Interest rate: The businesses would be charged an interest rate between 2-5%.

Possible Loan Term Alternatives

1. Graduated Payment Schedule:

Instead of a fixed 3- to 6-month deferral, OMBD will consider implementing a graduated payment plan where borrowers start with lower payments that gradually increase over time. This allows businesses to stabilize and scale without being hit with large payments after the deferral period. Payments can increase as the business grows its revenue.

Advantages:

- Borrowers ease into full repayment.
- Reduces the shock of high payments after deferral.
- Still allows the fund to generate cash flow.

2. Interest-Only Payments During the Deferral Period:

Instead of deferring both principal and interest, allow borrowers to make interest-only payments for the first 6–12 months. This reduces the burden of a full payment while ensuring that some cash flow returns to the fund.

Advantages:

- Keeps the business's payment obligations low early on.
- Reduces the ballooning effect of large payments after the deferral period.
- Maintains liquidity for the loan fund.

3. Revenue-Based Repayment:

Implement a revenue-based repayment model where repayments are tied to a percentage of the business's revenue, rather than a fixed amount. This ensures that payments align with the business's cash flow. Once the loan amount is fully repaid, the repayment ends.

Advantages:

- Payments are directly proportional to the business's success.
- Reduces financial strain on businesses with fluctuating revenue.
- Provides a clear, performance-based repayment structure.

Risk Mitigation:

- High risk loans = 25% of total fund
- Moderate risk loans = 25 % of total fund
- Diamond District loans= 50% of loan fund

Loan Underwriting: Underwriting criteria has been developed by the Office of Minority Business Development (OMBD) based on its technical assistance programming.

1. Detailed Business Plan: Applicants must have an OMBD approved strategic plan inclusive of the business plan model, target market, competition, and growth strategy. Strategic plans must be able to demonstrate growth and ability to repay within a 3-6-month period.
2. Use of Funds: Clear explanation of how the loan will be used (e.g., working capital, equipment purchase, inventory, marketing, workforce)
3. Technical assistance development agreement: Applicant must agree to monthly meetings to monitor income, spend, expenses and other business activities as outlined by an OMBD assessment and make necessary adjustments identified by OMBD prior to loan distribution as well as ongoing recommendation as mutually agreed upon.
4. Credit Report: Review of the applicant's credit report, including payment history, outstanding debts, and any delinquencies. Review will be done primarily to develop the technical assistance agreement.
5. Cash Flow and Financial Statements
 - a. Income Statement: Examination of the business's income statement to evaluate profitability.
 - b. Cash Flow Statement: Analysis of cash flow to ensure the business can support loan repayments.
 - c. Bank Statements: Review of recent bank statements to verify income and financial stability.
6. OMBD will do an assessment and review all tradition guidelines to help determine the strategic plan. A feasible strategic plan will be the determining factor for loan approval. A plan supporting a current and/or future positive cash flow, increasing revenue, current and/or future profit trend.

Traditional Underwriting:

1. Ability to service debt as demonstrated by proposed cashflows covering at 1.1 coverage ratio.
2. Credit score minimum 650

3. Income positive– as demonstrated by their most recent set of annual financial statements.
4. Corporate records verification with the state corporation commission
5. Current on all payroll and other tax obligations
6. Financial forecasts and management plan

Loan Amount and Term:

Loan size: Assessment of whether the requested loan amount aligns with the businesses' needs and repayment ability.

Loan Terms: Consideration of the loan term to ensure it matches the business's cash flow cycle.

1. Employment and Revenue:
 - Current Employment: Verification of the applicant's employment status or, in the case of a business, the number of employees.
2. Personal Guarantee Requirement:
 - A personal guarantee may be required, holding the borrower personally liable for the loan repayment.
3. Community and Economic Impact
 - Community Impact: Consideration of the potential positive impact of the loan on the local community or economy.
 - Economic Development Goals: Alignment of the loan with the city's goals for economic development or job creation for MBEs and emerging small businesses.
4. References and Background Check
 - Reference: Collection of personal and professional references.
 - Background Check: Conducting background checks to verify the applicant's history and credibility.
5. Application Completeness and Documentation
 - Complete Application: Ensuring all sections of the application are fully completed.
 - Required Documentation: Submission of required documents such as tax returns, business licenses, legal documents, and proof of ownership.

Lines of Credit: Lines of credit may be available for up to 18 months and will require a fixed minimum payment once the funds have been fully drawn down.