

INTRODUCED: March 14, 2016

AN ORDINANCE No. 2016-085

To authorize the Chief Administrative Officer, for and on behalf of the City of Richmond, to execute the fourth Citywide Revolving Loan Fund Program Cooperation Agreement between the City of Richmond and the Economic Development Authority of the City of Richmond for the purpose of administering the Citywide Revolving Loan Program.

Patron – Mayor Jones

Approved as to form and legality
by the City Attorney

PUBLIC HEARING: MAR 28 2016 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 enter into the fourth Citywide Revolving Loan Fund Program Cooperation Agreement between the City of Richmond and the Economic Development Authority of the City of Richmond for the purpose of administering the Citywide Revolving Loan Fund Program. 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: 9 NOES: 0 ABSTAIN: _____

ADOPTED: MAR 28 2016 REJECTED: _____ STRICKEN: _____



CITY OF RICHMOND
INTRACITY CORRESPONDENCE

O & R REQUEST

FEB 12 2016

Chief Administration Office
City of Richmond

4-4787

O&R REQUEST

DATE: January 8, 2016

EDITION: 4 RECEIVED

TO: The Honorable Members of City Council

MAR 07 2016

THROUGH: Dwight C. Jones, Mayor [Signature]

OFFICE OF CITY ATTORNEY

THROUGH: Selena Cuffee-Glenn, Chief Administrative Officer [Signature]

THROUGH: Lenora Reid, Deputy Chief Administrative Officer for Finance & Administration [Signature]

THROUGH: Jay A. Brown, Director of Budget and Strategic Planning [Signature]

THROUGH: Peter L. Downey, Interim Deputy Chief Administrative Officer [Signature]

FROM: Douglas C. Dunlap, Interim Director of Economic & Community Development [Signature]

RE: Adopt the forth Cooperation Agreement by and between the Economic Development Authority of the City of Richmond and the City of Richmond to administer the Citywide Revolving Loan (CW RLF) Program.

ORD. OR RES. No. _____

PURPOSE: To authorize the Chief Administrative Officer to enter into the forth Citywide Revolving Loan Fund Cooperation Agreement with the Economic Development Authority (EDA) of Richmond, Virginia for the purposes of administering the Loan Program.

REASON: To enter into a Cooperation Agreement for the continuance of the Citywide Revolving Loan Fund Program.

RECOMMENDATION: Approval is requested.

BACKGROUND: The Citywide Revolving Loan Fund is one of the Department of Economic & Community Development revolving loan funds that is addressing the ongoing challenges of access to capital for small and mid-sized businesses, entrepreneurs, developers and non-profit institutions that are seeking to stimulate the revitalization of Richmond's neighbors, and promote permanent job creation for low to moderate income local residents by helping bridge the credit gap on specific projects.

Following are three key strategies that comprise the City administration's neighborhood revitalization agenda:

- Revitalize commercial corridors and gateways.
- Stimulate the continued growth of Downtown Richmond.
- Advance select, potentially transformational projects, or activities that could facilitate additional projects.

FISCAL IMPACT/COST: There will be no cost to the City this fiscal year.

FISCAL IMPLICATIONS: The adoption of this paper will provide the continued funding for financial incentives to eligible businesses during business within the City. These incentives will continue to stimulate private investment in the respective businesses and or properties housing the businesses, resulting in new jobs for low- and moderate- income persons and increased taxes for the City.

BUDGET AMENDMENT NECESSARY: No

REVENUE TO CITY: Increased business taxes over time.

DESIRED EFFECTIVE DATE: Upon adoption by City Council.

REQUESTED INTRODUCTION DATE: February 8, 2016

CITY COUNCIL PUBLIC HEARING DATE: February 22, 2016

REQUESTED AGENDA: Consent

RECOMMENDED COUNCIL COMMITTEE: Finance & Economic Development

CONSIDERATION BY OTHER GOVERNMENTAL ENTITIES: The Economic Development Authority of the City of Richmond.

AFFECTED AGENCIES: Office of Budget and Strategic Planning, Finance Department.

RELATIONSHIP TO EXISTING ORD. OR RES.: This O&R will supersede Ordinance 2013-148-141.

REQUIRED CHANGES TO WORK PROGRAM(S): None

ATTACHMENTS: The Citywide Revolving Loan Fund Second Cooperation Agreement, Exhibit A.

STAFF: Denise Lawus, Deputy Director, 804-646-3975 and Ronnie N. "Ron" Johnson, Chief Credit & Financial Strategies Officer, 804-646-7489, Department of Economic and Community Development;



Economic Development Authority
City of Richmond

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**CITYWIDE REVOLVING LOAN FUND PROGRAM
COOPERATION AGREEMENT BETWEEN
THE CITY OF RICHMOND VIRGINIA AND
THE ECONOMIC DEVELOPMENT AUTHORITY**

THIS fourth COOPERATION AGREEMENT is made this _____ day of _____, 2016 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 ("EDA")

RECITALS:

WHEREAS, the City desires to facilitate economic revitalization efforts and promote permanent job creation for low and moderate income residents;

WHEREAS, the City has identified the provision of financing to help bridge the credit gap for developers, small businesses and eligible non-profit institutions pursuing Community Development Block Grant ("CDBG") eligible projects as one vehicle to achieve this goal;

WHEREAS, the City's Consolidated Plan as approved by the United States Department of Housing and Urban Development includes funds for special economic development activities which include but are not limited to the provision of loans and grants to assist in such financing;

WHEREAS, the implementation of a Citywide Revolving Loan Fund (CW RLF) in accordance with the Consolidated Plan and the provision of grants will promote the CDBG national objective of improving economic opportunities for low and moderate income persons;

WHEREAS, the City and the EDA have determined that a CW RLF furthers the purpose of promoting economic development; will result in substantial benefits to the welfare of the City and its inhabitants; is in the public interest; and serves governmental interests, including but not limited to an increase in tax receipts, job creation and job retention;

WHEREAS, to meet the economic development goals and serve the public and governmental interests, the City and the EDA desire to implement the CW RLF;

WHEREAS, at the City's request, the EDA will undertake certain activities in the implementation of the CW RLF pursuant to established Policies and Procedures, from time to time;

WHEREAS, the City and the EDA agree to work together to jointly implement the CW RLF as authorized by Virginia Code section 15.2-1300; and

WHEREAS, the City is authorized by Section 15.2-953 of the Code of Virginia (1950), as amended, and other laws, and by the approval of HUD contained in its Consolidated Plan, and the EDA is authorized by the Industrial Development and Revenue Bond Act, Chapter 49, Title 15.2 of the Code of Virginia and other laws to perform the activities contemplated in this Cooperation Agreement.

NOW, THEREFORE, in consideration of the benefits to accrue to the City and its citizens from the implementation of the Program, and of the mutual covenants hereinafter set forth, the City and the Authority agree as follows:

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

(A) Agreement shall mean this Citywide Revolving Loan Fund Program Cooperation Agreement, as restated, from time to time.

(B) Citywide Revolving Loan Fund shall mean the fund from which loans and grants are disbursed.

(C) CW RLF Loan shall mean a loan that is made by and between the Authority and a borrower for the purposes as outlined in accordance with this Agreement;

(D) Grants shall mean those funds disbursed to an eligible entity that is not recoverable except for cause as delineated in a grant agreement.

2. Loan Program Guidelines and Requirements:

(A). Applicant Eligibility.

- i. Applicant must demonstrate that the project being financed is CDBG eligible.
- ii Applicant must demonstrate cash flow generation capacity sufficient to service debt,
- iii Applicant must provide adequate collateral or guarantees to secure the loan.
- iv Applicant may be required to demonstrate inability to secure adequate financing from a bank or other conventional lender.

(B). Eligible Loan Purposes.

- i. Property and land acquisition.
- ii. Infrastructure costs.
- iii. Construction.
- iv Rehabilitation.
- v. Working capital.
- vi. Machinery & Equipment financing.
- vii. Leasehold Improvements

viii Other qualifying uses that meet one or more of the National Objectives.

(C). Financing Policies:

- i. The maximum loan amount available will be \$250,000. Micro-Enterprise maximum loan amount available will be \$25,000. Exceptions may be considered on a case by case basis.
- ii. Loans will be available at interest rates in the range of up to nine (9%) depending on the overall credit rating of the transaction.
- iii. Maturity of a loan will be based on the use of the funds, e.g. working capital up to 10 years with amortizations up to twenty years based on the purpose and the collateral
- iv. All loans will be subject to being called in the event of noncompliance with the stated loan conditions.
- v. Borrowers will be charged up to a 2% transaction fee, and reasonable closing costs for an approved loan.

(D). Application and Borrower Information:

Application will be made to the City of Richmond Department of Economic and Community Development and shall include an active City of Richmond business license. In addition, each application should include:

- i. A non-refundable application fee of \$250 must accompany a completed application. Micro-Enterprise application fee will be \$100.
- ii. Business Resume.
- iii. Three most recent years of company financial statements (balance sheet, income statement and statement of cash flows)
- iv. Three most recent years of signed personal and business tax returns.

- v. Personal resumes of all owners and key management personnel.
- vi. Personal financial statements (90 days old or less) for all owners and guarantors (any person owning 20 percent or more of the business.)
- vii. Annual cash flow budget.
- viii. Copy of Certificate of Incorporation or Partnership Agreement, and documentation showing good standing to transact business in the Commonwealth of Virginia.
- ix. Schedule of existing indebtedness.
- x. Other financial documents as deemed necessary.

(E). Processing, Approval, and Servicing of Loans: Upon receipt of the application by the Department of Economic and Community Development, it will be processed pursuant to written policies and procedures and forwarded to the Economic Development Authority Loan Committee with a written recommendation.

- i. The Economic Development Authority will utilize a professionally diverse, largely non-governmental loan committee to consider the Department's recommendations and report to its Board. The composition and individual membership of the advisory committee will be determined cooperatively by the EDA and the City. The City's Chief Administrative Officer, or a designee thereof, shall serve as chairperson of the committee. In addition, the committee shall consist of seven (7) unpaid members as follows:
 - a. From the Banking and Financial Services sectors
 - b. From the Small Business sector,
 - c. From the Real Estate Development sector

- d. From the Non-Profit sector and others that may be deemed appropriate.
- e. One member From the EDA Board of Directors.
- ii. The Board of Directors of the Economic Development Authority will make the final decision as to approval or disapproval of the loan.
- iii. The Economic Development Authority will act as loan servicing agent with staffing from the Department of Economic and Community Development.

(F). Grants:

- i. Grants shall be made in accordance with HUD 24 CFR 570.203 regulations where and when appropriate to fund a project that benefits primarily low and moderate income individuals, meets the eligibility criteria and at least one of the National Objectives, to include but not be limited to building façade improvements pursuant to guidelines set forth in Exhibit B attached hereto.
- ii. Grant applications shall be made to the City of Richmond's Department of Economic and Community Development in a form acceptable to that Department.
- iii. Upon receipt of the application by the Department of Economic and Community Development, the City, as authorized by Virginia Code section 15.2-956, through its Department of Economic and Community Development, shall review and approve or deny all requests for grants up to \$50,000. Requests for grants above \$50,000 will be processed pursuant to written policies and procedures and forwarded to the Economic Development Authority Loan Committee with a written recommendation. The Board of

Directors of the EDA will make the final decision on grant requests above \$50,000.

3. Budget and EDA Administrative Fee

(A). The CW RLF shall be administered in accordance with the budget contained in Exhibit A, attached hereto and made a part hereof. The budget shall be reviewed at least annually by the Chair of the EDA or a designee thereof and the Chief Administrative Officer of the City of Richmond or a designee thereof. Any increase in the budget shall be subject to approval by City Council, appropriation of the necessary funds, and approval of the United States Department of Housing and Urban Development where necessary. The budget shall contain existing appropriations, any unencumbered amounts within the Program Fund and anticipated revenues (where appropriate) from activities undertaken for the current Fiscal Year.

(B). The EDA shall receive an administrative fee from the City up to the amount of \$20,000.00 for administration and audit fees of the Program in FY 2017.

4. EDA Administrative Services: Administrative services provided by the EDA will include, but not necessarily be limited to, the preparation of "Comparative Statement of Fiduciary Assets and Liabilities" (Balance Sheet), Statements of Revenues, Expenses and Changes Due to Other Governments (P&L) on a monthly and quarterly basis and annual audit.

5. Federal Reporting and Compliance: The City shall be responsible for all required federal reporting pursuant to law, including but not necessarily limited to, that reporting required by the Consolidated Action Plan and CDBG Regulations. All Program Income shall be accounted for and identified as such in reports to be remitted by the City to HUD quarterly or as requested.

6.. Information Sharing: The City and the EDA will ensure that necessary systems and practices are in place to allow any and all information sharing required by the EDA and the City to perform under this Cooperation Agreement.

7. Funding: The City may transfer additional funding to the EDA for the fiscal year ending in 2016. The City may transfer out \$100,000 in funding to be used in other CDBG programs for the fiscal year ending 2017. The CW RLF shall be implemented with existing funding as described in the budget which is attached hereto and made a part hereof, as Exhibit "A", to allow the Authority to implement the CW RLF as described in this Agreement in FY 2017. Any expenditures of properly appropriated money, prior to the execution of this Cooperation Agreement and pursuant to the CW RLF program in FY 2017 are ratified hereby.

8. General Project Fund: The EDA agrees that funds transferred by the City to the EDA from time to time for the CW RLF shall be deposited by the EDA in a designated Program Fund to be used only in accordance with this Agreement. The EDA agrees to transfer to the Program Fund any funds received from any source as a result of this CW RLF. All Program Income shall be accounted for and identified as such in reports by the City to be remitted to HUD quarterly or as requested.

9. Authority Liability: It is the intent of the parties not to impose upon the EDA any responsibility other than what may be required to implement the CW RLF under this Agreement. Accordingly, the EDA does not assume any responsibility or liability whatsoever except as specifically stated herein. Should any liability accrue to the EDA which is not specifically addressed in this Agreement, the EDA shall not be required to expend its funds derived from sources other than the Program Fund to discharge such liability. The EDA is hereby authorized to expend such funds from the Program Fund as may be necessary to protect the assets of the EDA and to prevent the entry of a default judgment against the EDA. If a lawsuit involving the CW RLF is filed or expected to be

filed against the EDA, the EDA shall immediately notify the City Attorney and Chief Administrative Officer.

10. Accounting and Audit: The EDA shall keep records of its financial transactions, if any, for the CW RLF described herein in accordance with generally accepted accounting principles. The City and the EDA agree that the EDA may engage the services of an independent auditor to conduct an annual audit of the financial transactions, if any, undertaken for the CW RLF described herein. Such audit shall comply in all respects with generally accepted accounting principles. The City Auditor shall have access to the independent auditor's work papers. In addition, the City Auditor or his designee, or an auditor on behalf of the United States Department of Housing and Urban Development, may at any time audit the financial transactions undertaken under this Agreement. The EDA shall cooperate to assure that the independent external auditor, the City Auditor, and any federal auditor are granted reasonable access on a timely basis to all books and records of any party necessary to complete such audits, and will require appropriate provisions in furtherance of this objective in any contracts required under this Agreement.

11. No Discrimination: The City and the EDA agree not to discriminate, in carrying out this Agreement, against any employee, contractor or applicant for assistance because of race, color, religion, sex or national origin.

12. Authority Bond: The EDA shall not be required to furnish the City a blanket corporate fidelity bond surety covering all officers and employees of the EDA capable of authorizing disbursements of funds or handling funds received or disbursed by the EDA from the City or any other party involved in any activities undertaken pursuant to this Agreement.

13. Governing Law: This Agreement and the performance thereof shall be governed, interpreted, construed and regulated by the laws of the Commonwealth of Virginia.

14. Notices:

Any notices required to be given under this Agreement shall be sufficient if in writing and sent by first class, registered or certified mail, return receipt requested; if to the EDA, to its Chairman at RVA Works, Suite 101, 501 East Franklin Street, Richmond, Virginia 23219 or if to the City, to its Chief Administrative Officer, City Hall, 900 East Broad Street, Second Floor, Richmond, Virginia 23219. Either party may change its address for purposes of notice by giving notice to the other in accordance with this paragraph.

15. 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.

16. Termination: Either party may terminate this Agreement with or without cause at any time upon reasonable written notice. Upon termination, the EDA shall transfer to the City all assets held under this Agreement, including receivables, and shall cooperate in transferring any outstanding loans to the City.

Witness the following signatures and seals:

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

By: _____
Selena Cuffee-Glenn
Chief Administrative Officer

Date: _____
Authorized by Ordinance No.

Approved as to Form:

Bonnie M. Ashley
Deputy City Attorney

**ECONOMIC DEVELOPMENT AUTHORITY
OF THE CITY OF RICHMOND, VIRGINIA,**
A Political Subdivision of the Commonwealth of
Virginia

By: _____
Julious P. Smith, Jr., Chairman

Date: _____



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EXHIBIT A
FY17 BUDGET
City Wide Revolving Loan Fund

Loan /Grant Funds	\$ 837,286
Administrative/Audit Fees	\$ 20,000
Monitoring/Staff Training/Compliance	\$ 10,000
Technical Assistance	\$ 100,000
Total Cash Funds	\$ 967,286
Loans Receivable	\$ 570,107
Total Assets	\$ 1,519,960