

ALBEMARLE COUNTY VIRGINIA



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Title: Business Recovery Fund to Assist Businesses Impacted by COVID-19.
Attachments: 1. [Att.A Business Recovery Fund](#), 2. [Att.B Appropriation](#), 3. [Att.C Resolution](#)

History (0) Executive Summary

AGENDA DATE: 4/15/2020

TITLE: Business Recovery Fund to Assist Businesses Impacted by COVID-19

SUBJECT/PROPOSAL/REQUEST: Staff is seeking the Board's appropriation of \$200,000 to fund the Business Recovery Fund for a Small Business Microloan program

ITEM TYPE: Regular Action Item

STAFF CONTACT(S): Richardson, Walker, Kamptner, DeLoria, Johnson

PRESENTER (S): Doug Walker, Roger Johnson

LEGAL REVIEW: Yes

REVIEWED BY: Jeffrey B. Richardson

BACKGROUND: The strategic plan for economic development, Project ENABLE, was approved by the Board of Supervisors on December 5, 2018. During its development, staff engaged with a wide variety of stakeholders in the community to assess existing economic development programs and identify partnerships that would be critical to advancing its mission. This approach ensured the County's economic development goals would be complementary and not duplicative of the community's ongoing efforts.

As a result, Project ENABLE strategically focuses on businesses that earn more than half of their revenues from outside the region (called "primary businesses"), while relying on its partners at the local, regional, and statewide level, to serve consumptive businesses. The Economic Development Office (EDO) works with several different local partners to support the County's consumptive businesses including the Central Virginia Small Business Development Center and the Community Investment Collaborative (CIC).

Nevertheless, the economic impacts of the COVID-19 pandemic are being felt across the world and it requires broad consideration of all businesses within our community. The uncertainty created by the evolving nature of the public health response and the unknown duration of the public health crisis has led many businesses to significantly reduce or indefinitely suspend operations, as well as furlough or lay-off employees. The response from the County and its economic development partners will play a critical role in how businesses choose to restart operations once the COVID-19 pandemic subsides.

STRATEGIC PLAN: Economic Prosperity: Foster an environment that stimulates capital investments, builds the planned vision and increases tax revenue to support community goals.

DISCUSSION: The COVID-19 pandemic will have dramatic impact on local businesses and likely longer-term implications to the overall local economy. Although federal and state-level agencies are providing unprecedented levels of resources and services for emergency relief (such as the Coronavirus Aid, Relief, and Economic Security Act or CARES Act), staff identified gaps for the business community that will exclude impacted businesses locally.

- Some lenders require all 20% minority owners to be listed on applications
- Applications and qualifying standards are changing regularly
- Some banks are only servicing existing clients
- Lenders set the qualifying threshold standards
- 66-day loan processing timeframe
- Lenders don't weigh community needs

As a result of these gaps and community needs, staff is proposing a microloan program. This microloan will help impacted businesses restart operations once the COVID-19 pandemic subsides and after state and local emergency orders are lifted.

Many of the small business relief programs at the federal level are focused on the short-term survival of businesses, where the most valuable benefits expire by June 30th. In contrast, the main goal of the Business Recovery Fund is to restore business activity, employment and critical community services in rural areas to as close to pre-pandemic levels as practical.

Additionally, staff is recommending this microloan include consideration to both equity and community needs. Although loan guidelines are intended to be flexible, County staff will direct the CIC to give additional weighting to rural service providers (examples would be daycare, convenience stores, etc.), as well as small businesses that may not otherwise qualify for a small business loan.

In doing so, this microloan program will further a public good and help increase business and business-related tax revenues such as sales tax, meals tax, BPOL, as well as machinery, tools and equipment taxes. Business and business-related taxes reduce the County's reliance on real property taxes, which are otherwise needed to fund County services. The microloan terms, eligibility requirements, and application process are summarized in Attachment A. The CIC

has agreed to administer the application process and manage the loans. The CIC will also provide a report on the overall payment history for the program over the life of the loan fund.

On March 26th, the Economic Development Authority for the City of Charlottesville agreed to contribute \$100,000 to this effort. It is expected that this microloan program will allow other partners including nonprofits and private donors to also contribute to the fund.

BUDGET IMPACT:

Staff anticipates little-to-no impact on staff resources as a result of CIC agreeing to administer the program.

\$200,000.00 is recommended to be provided from the Economic Development Fund to the Economic Development Authority for the Microloan Program. This funding amount, if approved, will reduce the amount intended to support the Project ENABLE goal related to site readiness and staff thinks this is an appropriate re-prioritization of strategic focus at this time given the circumstances. Appropriation of this funding is noted in Attachments B and C. A budget amendment public hearing is not required for this appropriation pursuant to Virginia Code §15.2-2507 because the amount of the cumulative appropriations does not exceed one percent of the currently adopted budget.

RECOMMENDATION:

Staff recommends that the Board adopt the attached Resolution (Attachment C) to approve the appropriation described in Attachment B.

ATTACHMENTS:

Attachment A: Business Recovery Fund Overview

Attachment B: Appropriation

Attachment C: Resolution



Business Recovery Fund (DRAFT)

Purpose

The Business Recovery Fund is a microloan program intended to provide existing businesses in the City of Charlottesville and Albemarle County funds to restart operations once the COVID-19 pandemic subsides. This program will help restore business activity and employment as close to pre-pandemic levels as practical. This program should increase business and business related tax revenues such as sales tax, meals tax, BPOL, machinery tools and equipment taxes, etc.. These business tax revenues reduce reliance on real property taxes, which are otherwise needed to fund City-County services.

Loan Terms:

- Loans up to \$10,000, or 100% of prior year expenses (Whichever is less)
- 1% interest rate
- No payments for 6 months
- Three-year repayment term (payment begins month 7)
- Loans cannot be used for paying existing debt, purchasing equipment or real property.

Eligibility

Businesses are eligible to apply if it:

- Had a 2019 Albemarle or Charlottesville business license in addition to a current business license
- Had at least 1 non-owner employee as of March 1, 2020.
- Can demonstrate capacity to repay loan from business pre-March 1,2020.
- No significant personal credit issues in last 12 months.

Process

- CIC will have management and decision responsibilities for all applications.
- There will be at least two application periods. Completed applications will be reviewed and decided on in the order they are received.
- Businesses will submit applications to CIC through an online portal. Applications will include basic business information, permission to review credit history, 3 months of business bank statements pre-pandemic (December 2019 - February 2020), 2019 tax return OR 2018 tax return and 2019 Profit and Loss Statement.

- CIC will develop a shortened approval process with goal to make decisions within one week of completed application.
- All repaid funds and interest to be maintained in revolving loan fund

Loan Servicing and Reporting

- CIC will service all loans as part of its normal microloan operation including managing and collecting payments, performing check ins with borrowers and making additional CIC services available to them.
- Borrower's will sign personal guaranty and loan payment history will be reported to credit bureaus.
- CIC will report overall program payment history for the life of the loan fund.