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City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 18, 2022

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: JAMES F. PARAJON, CITY MANAGER /s/

FROM: JULIAN GONSALVES, ASSISTANT CITY MANAGER/PUBLIC-PRIVATE PARTNERSHIPS

DOCKET TITLE:

Consideration of the Release of \$500,000 in FY 2023 Contingent Reserve Funding set aside for Minority Business Incubation.

ISSUE: Consideration of the release of \$500,000 in FY 2023 Contingent Reserve Funding set aside for Minority Business Incubation for programs that support black, indigenous and people of color (“BIPOC”) owned small local businesses that enable the City to retain and grow existing businesses, recruit new business, and/or assist with start-up activities.

RECOMMENDATION: That City Council release \$500,000 in FY 2023 Contingent Reserve Funding set aside for Minority Business Incubation for programs that support BIPOC-owned small local businesses.

BACKGROUND: BIPOC-owned businesses have been disproportionately affected by the COVID-19 pandemic and have struggled to recover and stabilize their businesses to the same extent that other businesses have. There are a multitude of different factors that have contributed to this disparity. Some issues are more innate to a business's size or industry, while other issues are more external, such as asymmetric access to capital and other resources due to structural barriers and discriminatory financial lending practices. Additionally, historically BIPOC-owned businesses are feeling increased displacement pressure as rents rise within the City of Alexandria. The clear, negative economic impact of the COVID-19 pandemic led to a nation-wide effort to assist all struggling businesses; however, some jurisdictions and their partner organizations have also been intentional in targeting assistance efforts toward BIPOC-owned businesses:

- Washington, D.C. partnered with the National League of Cities' (NLC) City Inclusive Entrepreneurship (CIE) program to start an initiative to connect venture capital investors with BIPOC-owned start-ups as well as develop a local business network among entrepreneurs of color.
- Community Foundation for Loudoun and Northern Fauquier Counties partnered with the Loudoun Chamber of Commerce to administer a \$75,000 grant program for BIPOC-owned small businesses in Loudoun County, providing awards ranging from \$5,000 to \$10,000.
- City of Fresno partnered with Fresno Metro Black Chamber of Commerce the National League of Cities' (NLC) City Inclusive Entrepreneurship (CIE) program to launch a "microfinancing" platform to fill the gap in the city's lending ecosystem with outreach efforts focused on BIPOC businesses and those operating in Opportunity Zones.
- The non-governmental Local Initiatives Support Corporation - Virginia (LISC VA) created the BIPOC Small Business Capital Access Fund to provide BIPOC-owned businesses in the City of Richmond with loans ranging from \$10,000 to \$50,000 and administer business coaching services.
- United Way of Greater Charlottesville partnered with the Minority Business Alliance of the Charlottesville Regional Chamber of Commerce to award five BIPOC businesses up to \$8,750 in grants and five-year membership with the Minority Business Alliance.
- In June 2022, Dulles Regional Chamber of Commerce established the \$50,000 Minority Small Business Owner Grant program providing \$2,500 in individual grants to assist BIPOC-owned and women-owned small businesses in Fairfax and Loudoun counties
- In May 2022 Washington, D.C. awarded \$1.25 million to 15 locally owned businesses through Inclusive Innovation Equity Impact Fund (IIEIF). In September 2022, Washington, D.C. opened a new round of applications for \$2 million. The fund is for small local businesses with at least 51% owned by individuals who are economically disadvantaged individuals or who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities. The fund is designed to address the gap in capital for businesses that would otherwise not receive early-stage funding through conventional financing.

In recognition of these challenges, City Council set aside \$500,000 in FY 2023 Contingent Reserve Funding for Minority Business Incubation.

DISCUSSION: Since City Council's decision to set aside reserve funding for Minority Business Incubation, the City has conducted extensive outreach over the summer with local BIPOC-owned businesses including community engagement facilitated by various City Councilmembers, Alexandria Economic Development Partnership (AEDP), Small Business Development Center (SBDC), business associations, and community groups through various forums including roundtables, community business walkthroughs, and listening sessions.

Separately, the City also reached out to various jurisdictions, third-party administrators and regional BIPOC-owned business representative organizations that have implemented BIPOC-owned business focused programs

or have had success in BIPOC-owned business engagement under their broader local and small business support efforts.

This outreach substantiated the finding from the Northern Virginia Minority-Owned Businesses Working Group, who conducted a compressive study of BIPOC-owned businesses in Northern Virginia “Supporting Northern Virginia’s Minority-Owned Businesses”, that BIPOC-owned businesses have experienced heightened risk associated with COVID-19 and associated recovery, in part due to most being small in size and struggling with access to capital. A key theme that emerged from the outreach with BIPOC-owned business or BIPOC individuals who would like to start a business was the need for meaningful “access” to networking, resources and capital, and a voice in such efforts.

While the City and local stakeholders have existing programs that more general benefit various local and small businesses, there’s a recognition for the City and its partners to be even more intentional in its efforts to enable BIPOC-owned businesses overcome historical structural barriers that threaten the vitality and sustainability of such businesses. In order to be successful, this access would need to be easy, timely, regular and inclusive.

The City intends to use the contingency reserve to address this key theme of access in three focus areas:

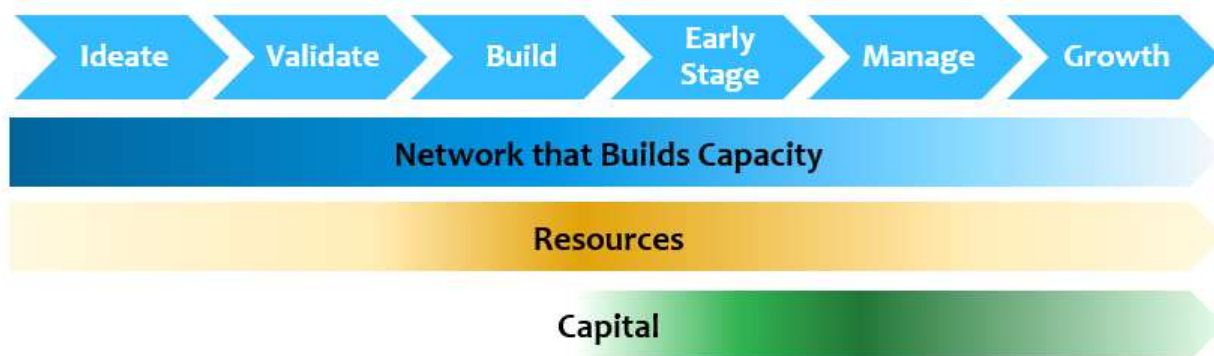
1. Network that Builds Capacity
2. Resources
3. Capital

Support Ecosystem

The City’s goal is to work with its partners and other stakeholders to build a support ecosystem that would benefit BIPOC-owned businesses irrespective of which stage of the business cycle they may belong to. There is also a recognition that similar to how each business is unique and there is not a one-size-fits-all solution that works for every business, each City initiative may not benefit every business, but every business should be able to find some value in the menu of initiatives implemented.

Since 2020, AEDP and SBDC staff has worked closely with BIPOC business and community leaders to understand the unique issues and challenges BIPOC-owned businesses face. During this time, AEDP has implemented one-time and ongoing programs to support BIPOC business owners. An example is the agencies work with the Social Responsibility Group to launch the Queen Street Grant Program. In addition, the SBDC has hired a Hispanic business consultant to work directly with Hispanic business owners in Arlandria. Later this year, AEDP will be hiring a new Director of Small Business who will lead a strategic review of small business services. This effort will include conducting outreach to business community stakeholders to determine what, if any, new services and programs are needed to support the small business community and how AEDP can support BIPOC businessowners specifically. It is anticipated that this review will be completed before the conclusion of FY 2023. The City will work closely with AEDP and SBDC to ensure that the support ecosystem generated by the City and its partners is synergetic and greater than the sum of its parts.

The City will also look to continue forming partnerships with local and regional academic institutes, and BIPOC-owned business focused associations to expand the opportunities available to our BIPOC-owned businesses.



Illustrative example of focus area benefits provided over the business lifecycle. As an example, capital programs like grants may only be available for businesses with a license with the City, and not at the ideation stage.

1. Network that Builds Capacity

In the listening sessions, various new and established BIPOC-owned businesses commented that they greatly benefited from hearing other established businesses at these listening sessions regarding how they overcame similar challenges, receiving feedback on navigating obstacles, and finding collaboration opportunities.

- ✓ The City and its partners (AEDP, SBDC) will continue to provide support to keep convening and sharing information leveraging City and other stakeholder forums:
 - Business associations (geographic and demographic) grants and sustainability support provided through AEDP allows groups to host ongoing networking events
 - SBDC educational programming, workshops and trainings
 - City department-hosted events (e.g. Job Fairs for employers, Code training, recurring listening and information sessions)
- ✓ Similar to other jurisdictions, there is local interest for a potential incubator and/or accelerator that could provide technical assistance and mentorship to support a cohort of new, early-stage BIPOC-owned businesses with start-up activities and/or established BIPOC-owned businesses to expand and grow. The City will allocate a portion of the contingency reserves to support such an initiative, and will work on procuring a capable partner with experience establishing such a program. The City will work on refining the scope of this program through a solicitation process and anticipates launching an incubator/accelerator program by April next year.

2. Resources

During the outreach, it was apparent that a few of the businesses who could benefit from existing City programs were not aware of the resources provided by the City and its partners. Through these listening sessions and follow-up conversations, the City was able to connect these businesses to the right staff.

The businesses during these listening sessions also stated that the preferred mode of notification was text messages and the City was able to pilot text-based notification for one of the sessions. As a part of these outreach sessions, the City shared relevant City and partner organizations resources in a two-pager (*Attachment 1*), a few of which highlighted below are recognized to be very applicable for a segment of BIPOC-owned business:

- ✓ Small Business Facilitator to navigate City's Code and land use process.
- ✓ Businesses facing staffing issues can take advantage of the City's Workforce Development Center

(WDC)'s ability to subsidize work-based learning (WBL) and other business services like recruitment, labor market services, incentives, and training opportunities.

- ✓ Various SBDC services including one-on-one counseling, providing connections to regional and state programs, assistance with applying for Small, Women-owned, and Minority-owned Business (SWaM) certifications/designations, identifying commercial real estate options (for those seeking space) working with AEDP, [interactive resource library <https://alexandriasbdc.org/resources-programs/interactive-resource-library/>](https://alexandriasbdc.org/resources-programs/interactive-resource-library/).
- ✓ Leverage City Purchasing to register businesses as SWaM and participate in vendor forums.
- ✓ Business promotion, direct sales representation and access to marketing research available through membership in Visit Alexandria (*membership cost).

BIPOC-owned businesses noted that while there appear to be quite a few resources for small and local businesses, the City and its partners need to be intentional in its outreach and in its representation of BIPOC-owned businesses as they provide/develop any resources. The businesses also flagged the importance of ongoing access to resources versus one-time opportunities. The City's Assistant City Manager for Public-Private Partnerships has also been identified to BIPOC-owned businesses as a point of contact for questions and feedback as a part of the BIPOC-owned business incubation effort in case businesses have obstacles in reaching the right City staff.

The City's Office of Communications and Public Information will develop a community engagement plan that targets BIPOC-owned small businesses, specifically, elevating the City's commitment to truly accessible opportunities for all Alexandrians.

3. Capital

SBDC currently provides free assistance in preparation of documents for businesses and introductions to financing partners for bank loans and financing available through the Virginia Small Business Financing Authority (VSBFA) (loans, equity incentive grants, etc.).

However, as noted in the "Supporting Northern Virginia's Minority-Owned Businesses" report that AEDP participated in, research suggests that just ten percent of business owners-of any race or ethnicity-receive funding from outside investors, with BIPOC-owned businesses (particularly non-Hispanic Black business owners) most likely to tap into their personal funds in response to their firms' financial challenges.

Unfortunately, persistent disparities-persons of color tend to make less money, accumulate less wealth (assets-debts), have fewer liquid assets, have less equity in their homes, and have fewer savings - mean that BIPOC-owned businesses are less financially equipped to weather an economic downturn or to suspend business operations and remain solvent or provide required collateral when it comes to loan/line of credit requirements. The City and its partners (AEDP, SBDC) will continue working with financing stakeholders on improving capital access and addressing hurdles faced by residents of color.

In the near term, the City recommends launching a grant program (summary provided in *Attachment 2*) focused on BIPOC-owned small local businesses that enable the City to retain and grow existing businesses, and/or assist with start-up activities. The City will lead the establishment of a grant program, outreach and oversight of the program. Given AEDP's experience and resources leading prior business assistance grant programs, AEDP will administer the grant program and further promote the program. This would enable the City to launch a grant program by December with grant awards and distribution of funds by April next year. The City anticipates using a third party for compliance and reporting.

The City and its partners will continue exploring how we can further reduce the barriers to access to capital.

Contingency Reserve Release Estimated Budget Breakdown

| Focus Area | Budget |
|--|--|
| 1. Network that Builds Capacity | \$200,000 in funding for an incubator and/or accelerator inclusive of technical assistance, hosting targeted capacity building networking events. Through a request for information/solicitation, the City will explore the potential of portion of the funds going directly to the selected businesses as a part of the program or once they have successfully completed the program. |
| 2. Resources | Primarily existing City and partner (AEDP, SBDC) staffing resources. |
| 3. Capital | Maximum total of \$250,000 in grants through a BIPOC-owned small business grant program. |
| Administration, outreach, translation services and compliance support for various focus areas. | \$50,000 |

The City will continue to provide progress updates to City Council as a part of the quarterly City Council's Foster Economic Development priority business plan updates.

FISCAL IMPACT: The \$500,000 in funding is included in the approved FY 2023 operating budget.

ATTACHMENTS:

1. City and Partner Resources
2. BIPOC-Owned Business Grant Program Summary

STAFF:

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