

CITY OF CHARLOTTESVILLE, VIRGINIA  
CITY COUNCIL AGENDA



Agenda Date:	February 22, 2022
Action Required:	Resolution: Minor Amendment 2021-2022 Action Plan
Presenter:	Erin Atak, Grants Coordinator
Staff Contacts:	Erin Atak, Grants Coordinator
Title:	<b>CDBG 2021-2022 Community Investment Collaborative Contingency Plan</b>

**Background:**

This agenda item includes a resolution for the FY2021-2022 minor action plan amendment Community Development Block Grant funds received by the City of Charlottesville from the U.S. Department of Housing and Urban Development (HUD).

In Fall 2020, the City of Charlottesville advertised a Request for Proposals (RFP) based on the priorities set by Council on September 21, 2020. The priorities were for affordable housing (priority for persons who are 0-50 percent AMI, including but not limited to low income housing redevelopment), support for the homelessness and those at risk of homelessness, workforce development (including but not limited to efforts to bolster section 3 training opportunities and partnerships with the City's GO programs), microenterprise assistance, access to quality childcare, homeowner rehabilitation and down payment assistance.

In January and February 2021, the CDBG/HOME Task Force reviewed and recommended housing and public service projects for funding and the Strategic Action Team reviewed and recommended economic development projects for funding. On May 3, 2021, City Council considered and approved the CDBG and HOME budget for the 2021-2022 HUD Annual Action plan submittal.

**Discussion:**

On July 14, 2021, Community Investment Collaborative (CIC) was awarded \$32,056.28 CDBG FY2021-2022 funds to provide income qualified participants enroll in one of two programs starting micro-enterprises within the City of Charlottesville. On February 7, 2022, CIC requested to enact the contingency plan to spend their balance of \$26,821.28 of CDBG funding on an expanded scope of work to assist income qualified participants with the start or expansion of micro-enterprises within the City of Charlottesville. The original scope of work proposed funding the following:

- 16-week Entrepreneur Workshop,
- Financial management program.

With this request, CIC proposes to subsidize interest for qualified borrower from the City's business equity fund, and start the micro-business startup and growth grant that offers \$1,000-\$3,000 per applicant. The change of scope of work will assist CIC and the City to meet HUD

CDBG timeliness deadlines.

All CDBG and HOME applicants are required to provide reasonable assurances regarding the achievement of objectives in three categories: 1) Effectiveness and efficiency of operations; 2) Reliability of reporting for internal and external use; and 3) Compliance with applicable laws and regulations. All non-federal entities must submit internal controls documents to comply with federal statutes, regulations, and the terms and conditions of the CDBG/HOME federal award. Internal controls are a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. These objectives and risks can be classified by operations, reporting, and compliance. To assist with CDBG timeliness requirements, HUD 24 CFR 570.902(a), CDBG and HOME subrecipients may request to enact the contingency plan from the submitted internal controls checklist.

**Community Engagement:**

The original CIC approval was part of the Action Plan that was advertised for a thirty-day comment period (March 30<sup>th</sup> – April 30<sup>th</sup> 2021) before being sent to HUD for approval. The Action Plan was also sent to Charlottesville Neighborhood community members and Housing Directors Council for public comment. Comments received were incorporated into the Action Plan. HUD approved the Action Plan on August 10, 2021.

If council approves the request, then an approval will be submitted to HUD as a minor Action Plan Amendment for the 2021-2022 fiscal year. The full action plan can be viewed on the City Website through the following [link](#). Minor Action Plan Amendments do not require a public hearing.

**Alignment with City Council's Vision and Strategic Plan:**

Approval of this agenda item aligns directly with Council's vision for Charlottesville to have **Economic Sustainability**. It contributes to variety of Strategic Plan Goals and Objectives including: Goal 1: Inclusive, Self-sufficient Community; Goal 3: Beautiful Environment; Goal 4: Strong, Diversified Economy; and Goal 5: Responsive Organization.

**Budgetary Impact:**

None

**Recommendation:**

Staff recommends approval of CIC's FY2021-2022 change of scope of work to assist with CDBG program compliance, HUD 24 CFR 570.902(a).

**Alternatives:**

None

**Attachments:**

Resolution for Minor 2021-2022 Action Plan Amendment  
CIC's modified scope of work

## **RESOLUTION**

### **APPROVING A MINOR AMENDMENT TO THE FY2021-2022 CDBG ACTION PLAN, TO AUTHORIZE THE CHARLOTTESVILLE COMMUNITY INVESTMENT COLLABORATIVE TO IMPLEMENT A CONTINGENCY PLAN FOR EXPENDITURE OF CDBG FUNDING ON OR BEFORE JUNE 30, 2022**

**WHEREAS** on May 7, 2018 the Charlottesville City Council approved a Consolidated Plan for the City of Charlottesville and the Thomas Jefferson Planning District, covering the period from July 1, 2018 through June 30, 2023, which sets forth a plan to provide support for certain community development needs—including, but not limited to—housing needs, within those jurisdictions; and

**WHEREAS** the Consolidated Plan includes a citizen participation plan, and Sec. 2-419(10) specifies that, once City Council has approved and funded a program, any reprogramming and budgetary changes will be done consistent with the approved citizen participation plan;

**WHEREAS** the Consolidated Plan is implemented during the coverage period through certain “Action Plans”, the most recent of which is designated as the “FY 2021-2022 Action Plan” previously approved by resolution of City Council on May 3, 2021; and

**WHEREAS** within the FY2021-2022 Action Plan the Charlottesville Community Investment Collaborative was selected as a subrecipient of CDBG funding from the City, in the amount of \$32,056.28, to foster small and local business development through the provision of financial management scholarships, with a target of June 30, 2022 for expenditure of the funding in accordance with the approved project; and

**WHEREAS** the Charlottesville Community Investment Collaborative is requesting a modification of their approved project, in order to provide subsidized interest for qualified borrowers from the City’s Business Equity Fund and start the Microbusiness Startup and Growth Grant representing that the modifications are necessary to allow for the timely expenditure of all awarded funding by June 30, 2022 (“contingency plan”), and federal regulations specify that this type of modification must be approved by City Council as a minor amendment of the City’s FY2021-2022 Action Plan (“Minor Amendment of the FY2021-2022 Action Plan”); and

**WHEREAS** the requested Minor Amendment of the FY2021-2022 Action Plan does not make any change to the amount of CDBG funding previously approved for the Charlottesville Community Investment Collaborative; and

**WHEREAS** this Council is satisfied on the basis of the information presented within the staff report, that the proposed Minor Amendment of the FY2021-2022 Action Plan has been brought forward in accordance with the approved citizen participation plan, as required by City Code §2-419(10);

**NOW, THEREFORE, BE IT RESOLVED** that the Charlottesville City Council hereby approves a Minor Amendment of the City’s FY2021-2022 Action Plan, to authorize the Charlottesville Community Collaborative’s Contingency Plan, which will assist the Charlottesville Community Investment Collaborative in meeting CDBG timeliness goals in accordance with federal regulations set forth at 24 CFR 570.902.

	<b>Original Approved Project Approved by Council within the FY2021-2022 Action Plan</b>	<b>Contingency Plan— modifications proposed by CIC</b>
<b>Project Name</b>	CIC Financial Management Scholarships	No change
<b>Target Area</b>	City of Charlottesville	No change
<b>Goals Supported</b>	Foster Small and Local Business Development	No change
<b>Needs Addressed</b>	Business Development	No change
<b>Funding</b>	CDBG: \$32,056	No change
<b>Description</b>	Community Investment Collaborative will be providing scholarships to assist 15-20 qualifying entrepreneurs develop financial management habits through mentorship and technical assistance workshops, subsidized interests for qualified borrowers from the City of Charlottesville’s Equity Fund, and grants of up to \$3,000 for a microbusiness startup program.	Changes: CIC expanded their CDBG scope of work to include two new programs to help City of Charlottesville income qualified residents expand or start microenterprises.
<b>Target Date</b>	6/30/2022	No change
<b>Estimate the number and type of families that will benefit from the proposed activities</b>	15-20 income qualifying entrepreneurs within the City of Charlottesville.	Changes: The two new programs will be benefiting an additional 19-23 income qualified. 4-8 grants to microenterprises, and 15 participants will be enrolled in the interest subsidy fund program.
<b>Location Description</b>	City of Charlottesville	No change
<b>Planned Activities</b>	Community Investment Collaborative will host a 16-week business education workshop for up to 60 residents of the City of Charlottesville who represent underserved entrepreneurs.	Changes: The following programs will be added to the Action Plan. The Business Equity Fund Interest Subsidy: In 2018, the City authorized funding to create the Business Equity

	<p>The CDBG grant will fund scholarships for 15-20 qualifying low income Charlottesville residents to participate in the workshops over the program year. Once they complete the workshop, participants pursuing their microenterprises will be able to access CIC's ongoing mentoring and technical assistance services and apply for microloans of up to \$35,000.</p> <p>CIC will also be offering subsidized interest for qualified borrowers to support City businesses. The initial funding provides an interest subsidy to lower the interest rate 6.75 percentage points. The Microbusiness startup and growth grant would support microbusinesses by providing grants between \$1,000-\$3,000 to help wither acquire equipment or make startup elated expenses or make a onetime investment to help pursue opportunity for an existing business.</p>	<p>Fund, a loan fund to support City businesses with socially-disadvantaged business owners. The initial funding provided an interest subsidy to lower the interest rate 6.75 percentage points so the range would be 0% to 3% instead of 6.75% to 9.75%. That subsidy was fully deployed in early 2021. For those business owners who meet CDBG requirements, this would support their continued interest subsidy.</p> <p>Microbusiness Startup and Growth Grant: This new grant program would support microenterprises by providing grants of \$1000 - \$3000 to help either 1) acquire equipment or make startup related expenses or 2) make a one-time investment to help pursue a growth opportunity for an existing business.</p>
--	---	---



## Attachment 1: Work Program

CIC will use funds to provide scholarships for qualified participants to support them in one of four programs:

1. 16 week Entrepreneur Workshop
2. Financial Management Program.
3. Provide subsidized interest for qualified borrowers from the City's Business Equity Fund
4. The Microbusiness Startup and Growth Grant

Qualified participants would be those who starting or expanding micro-enterprises within the City of Charlottesville and meet the low to moderate-income requirements.

### PROGRAM

Operational since December 2012, CIC implements a four-pronged approach to meet the needs of under-served members of the community.

*(1) Training:* CIC seeks to broaden the definition of who is considered part of the entrepreneurial community. Our business training recruitment efforts engage key agencies working with under-represented populations in our community. Participants must complete a mandatory 16 session training program coordinated by CIC before applying for financing. Entrepreneurs meet weekly for 3 hours using a curriculum that combines case studies, discussion, and applied learning to effectively walk participants through all aspects of their businesses. Classes revolve around a participant's actual business ideas – our training teaches hands-on business skills, not entrepreneurship in theory – and the training materials are the building blocks required for their business plans. The extent of the need in our community continues as we consistently receive significantly more applications than we have open spots.

*(2) Financing* – Our research has documented an unmet need for business financing up to \$35,000 in the Thomas Jefferson Planning District. Thus, CIC has developed a revolving loan fund to spur economic development by supporting small businesses. Upon successful completion of the training, businesses may apply for loans of up to up to \$35,000, based on a proven repayment history. Completing the training does not guarantee financing. An independent loan committee comprising two bankers, two business people, and one community member consider each loan request. CIC borrowers approved by our loan review committee are assigned to specialized mentors for regular check-ins and meet monthly with their loan peers. Often, mentors and other CIC volunteers attend these monthly meetings, upholding the strong business network where ideas, connections, contacts, and support flow freely.

Business Equity Fund Interest Subsidy: In 2018, the City authorized funding to create the Business Equity Fund, a loan fund to support City businesses with socially-disadvantaged business owners. The initial funding provided an interest subsidy to lower the interest rate 6.75 percentage points so the range would be 0% to 3% instead of 6.75% to 9.75%. That subsidy was fully deployed in early 2021. For those business owners who meet CDBG requirements, this would support their continued interest subsidy.

Microbusiness Startup and Growth Grant: This new grant program would support microenterprises by providing grants of \$1000 - \$3000 to help either 1) acquire equipment or make startup related expenses or 2) make a one time investment to help pursue a growth opportunity for an existing business.

*(3) Mentoring* – A key component of business success is access to a support network of experienced business owners who can walk newcomers along the entrepreneurial path. Mentoring begins in the training sessions as Workgroup and Discussion Leaders offer guidance and support and continues as entrepreneurs graduate from the workshop with formal and informal mentoring including our Financial Management Program (FMP). Each client must outline specific milestones s/he wishes to achieve. Mentors drawn from the local business & business counseling communities meet regularly with CIC entrepreneurs to provide ongoing guidance and advisory support. These mentoring relationships cultivate strong cross-community relations that frequently result in powerful outcomes: with the help of her mentor, a CIC graduate secured an additional loan from a local bank, financing that would not have been possible otherwise. In another example, a CIC graduate won a catering contract for a prominent venue in town by introduction from her mentor. Relationships born from CIC generate meaningful business activity.

Financial Management Program: Graduates and CIC borrowers gain access to FMP which includes confidential, personalized financial management coaching that pinpoints the exact needs of their business, including: financial recordkeeping, business accounting, Quickbooks training, cash flow tracking, and tax planning. The program includes instruction on essential business setup and routines, including office setup and business habit coaching. The goal of the program is to assist entrepreneurs in developing strong financial habits so that they may better utilize accounting systems to improve and assist their micro-enterprises.

*(4) Networking* – Building strong entrepreneurial networks is an underpinning of CIC culture. We aim to create a branded marketplace for CIC entrepreneurs that attracts customers, advocates, and services. We have already begun to establish a digital marketplace through our website and increasingly attract catering, landscaping, or handyman repair requests with CIC businesses. As we bolster our online presence, we also create in-person opportunities for our entrepreneurs to connect and learn including entrepreneur showcases, business resource fairs and advanced workshops.

## **Attachment 2: Budget for Awarded Funds**

All funds will be used for scholarships for qualified low-income city residents to enroll in either our 16-week Entrepreneurship Workshop or our Financial Management Program (FMP)

Total Funds: \$32,056.18

Entrepreneur Workshop Scholarships: \$7,500,000: estimated 10-12 scholarships at up to \$625 each (6 for fall, 6 for spring expected).

Financial Management Program: Estimated \$7,500: 10-12 program participant scholarships at up to \$840 each

Business Equity Fund Interest Subsidy: Estimated \$3556.18: 15 participants interest subsidy between July 1, 2021 and June 30, 2022.

Microbusiness Startup and Growth Grant: Estimated \$13,500: 4 - 8 grants to microenterprises