

Legislation Text

File #: 15-20998, Version: 1

Charlotte Community Capital Fund Support

Action:

- A. Approve the use of up to \$2,000,000 from the Coronavirus State and Local Fiscal Recovery Fund for the establishment of Charlotte Community Capital Fund for the development and implementation of a sustainable capital access program in support of empowering small businesses and entrepreneurs with financial opportunities that foster growth and prosperity in partnership with the Mayor's Racial Equity Initiative, Bank of America, Ally, Truist, and Atrium,**
- B. Authorize the City Manager, or his designee, to negotiate and execute a contract for up to \$2,000,000 with Scale Link for the operation, administration, and management of the fund currently named the Charlotte Community Capital Fund, and**
- C. Authorize the City Manager, or his designee, to execute, amend, and renew contracts and other documents as needed to complete this transaction.**

Staff Resource(s):

Julia Martin, City Manager's Office
Steven Coker, Charlotte Business Inclusion Office

Explanation

- This request is to approve the use of American Rescue Plan Act (ARPA) funds to partner in the establishment of a Capital Access Fund.
- The Charlotte Community Capital Fund (C3) is being established to address challenges faced by small businesses, with a focus on MWSBEs, specifically:
 - Access to Capital: Small businesses face significant obstacles in accessing capital, particularly from traditional financial institutions. Key reasons include lower credit scores, net worth, and lack of assets, leading to reduced chances of securing business loans.
 - Struggle to Thrive: Due to the difficulty in obtaining necessary funding, many businesses often find it challenging to grow and establish themselves in their respective industries. The inability to access capital can hinder their growth, job creation, and economic impact in the City of Charlotte.
- The role of C3 includes:
 - Bridging the Gap: The Charlotte Community Capital Fund (C3) plays a crucial role in addressing the capital access challenges faced by small and minority-owned businesses. By bringing together the necessary capital, C3 acts as a bridge between enterprises and the funding they require to thrive.
 - Administration by CDFIs: C3 ensures that the loans are administered by reputable Community Development Financial Institutions (CDFIs). This approach ensures transparency, fairness, and responsible lending practices.
- The Charlotte Business INCLUSION Office will work closely with C3 to ensure eligible city-certified MWSBEs are supported through capital access.
- Private sector partners are providing all other funds needed to launch the fund:
 - \$13,000,000 in senior debt
 - \$8,000,000 from Bank of America

- \$5,000,000 from Truist
- \$5,300,000 in subordinate debt
 - \$3,000,000 from Ally
 - \$2,300,000 from Atrium
- \$2,000,000 grant from the Mayor's Racial Equity Initiative
- The city's contribution to C3 will support the operation, administration, and management of the fund itself.
- The fund is expected to provide \$40,000,000 in minority and small business lending over four years.
- The Charlotte Community Capital Fund will be managed by Scale Link, a 501c3 non-profit whose mission is to address small business financing gaps through working with Community Development Financial Institutions.
- A communications and marketing plan is under development with a planned launch of the fund in September.
- A waiver of a competitive solicitation process for services may be granted on a limited basis when deemed appropriate and in the city's best interest.
- A waiver has been approved for these services based on limited vendors with required qualifications as Scale Link has developed a unique model to implement the program.
- Annual expenditures are estimated to be \$500,000.

Background

- On March 11, 2021, in response to the COVID-19 public health emergency, President Biden signed the American Rescue Plan Act of 2021 (ARPA), which included the Coronavirus State and Local Fiscal Recovery Fund. Charlotte was one of almost 1,000 cities across the nation that received these funds.
- On August 7, 2023 Council received a presentation and held discussion on the potential use of ARPA funds to support establishment of the Charlotte Community Capital Fund.

Charlotte Business INclusion

This is a contract with a waiver of solicitation for services and is exempt (Part A: Appendix 1.27 of the Charlotte Business INclusion Policy).

Fiscal Note

Funding: American Rescue Plan Act (ARPA) Funds

Attachment(s)

August 7, 2023 Council Presentation