



Legislation Text

File #: 22-3072, Version: 1

TO: Mayor and Members of City Council

THRU: Kelly Olivera, Assistant City Manager

FROM: Christopher Cauley, MPA, Economic and Community Development Director
Robert Van Geons, CECD, President and CEO of Fayetteville Cumberland Economic Development Corporation

DATE: December 12, 2022

RE:
Public Hearing on the City of Fayetteville Support for Economic Equity Venture Capital Fund with American Rescue Plan Funds

COUNCIL DISTRICT(S):
All

Relationship To Strategic Plan:

Strategic Operating Plan FY 2022 - 2026

Goal II: The City of Fayetteville will have a Responsive City Government supporting a diverse and viable economy.

2.1: To ensure a diverse City tax base

2.2: To invest in community places to ensure revitalization and increase quality of life

2.3: To leverage partnerships for job creation and retention, with a focus on the local and regional workforce to increase per capita income

Executive Summary:

During the 2021 Session of the North Carolina General Assembly, the Community Development Foundation (CDF), a local 501c3 nonprofit, was awarded up to \$2.5M in State funding to develop an Economic Equity Venture Capital Fund. The funding is contingent on the CDF raising matching funds. Mr. Robert Van Geons is the Executive Officer of the CDF as well as the Chief Executive Officer and President of the Fayetteville Cumberland Economic Development Corporation. Council is requested to hold an Economic Development Public Hearing and authorize the City Manager to execute a contract with the CDF to support the Economic Equity Venture Capital Fund in the amount of \$1.25M. City Economic Development and Legal staff will ensure program compliance by reviewing and approving all investments undertaken by the CDF.

Background:

The Economic Equity Venture Capital Fund concept was developed to respond to studies that found

that barriers to non-interest-bearing capital significantly impeded the creation of sustainable minority-owned businesses. Designed to overcome the hurdles of traditional lending models, the fund will provide patient, non-interest bearing capital. Targeting small (but established) minority-owned companies, the Fund's goal is to grow 10 firms, by 10 or more employees each, within five years. This uniquely conceived fund, administered by the 501c3 Community Development Foundation (CDF) will go beyond funding capital needs such as equipment and inventory. Participating companies will benefit from business counseling provided by local partners including the Center for Economic Empowerment & Development (NCCEED), Fayetteville Technical Community College (FTCC), the Fayetteville State University Regional Entrepreneur & Business Hub (FSU), the North Carolina Small Business Technical Development Center (NCSBTDC) and volunteers from locally owned private sector companies.

The CDF was founded in 2009 for the express purpose of improving the economic prosperity of our citizens through job creation and business expansion. Comprised of business professionals, the Board of Directors is diverse in terms of ethnicity, gender, and business type. In addition to supporting the general economic development of the community, the CDF is facilitating more than \$5 million of local projects including the HR Talent Portal Project (serving transitioning soldiers, military spouses and veterans) and the new City-County supported Black Voices History Project.

The State of North Carolina has approved up to \$2.5 million, which requires an equal match. Currently, the CDF is requesting both Cumberland County and the City of Fayetteville provide up to \$1.25 million each (\$2.5 million total). The amount of State funding is contingent on the amount provided by both or either local agency. The CDF is also pursuing additional public and institutional investment to increase the capacity and longevity of the fund.

Issues/Analysis:

Local Government support of economic development activities is carefully legislated to ensure appropriate use of public funds. Similarly, the American Rescue Plan is crafted to benefit disproportionately impacted communities. This program is tailored to positively impact Qualified Census Tracts to ensure compliance with American Rescue Plan grant guidelines. The City's Economic Development staff and Legal team will ensure that this program is constructed and administered similarly to other state-wide economic development programs that are allowed under North Carolina state law. The City cannot contract with a non-profit to undertake any activity that the City could not legally undertake itself. While the design of the program as presented roughly follows the construction of other State-wide economic development programs, City staff will work with the CDF to ensure the program complies at the detail level as well.

A Public Hearing is required by North Carolina General Statute 158-7.1(c) for City Council to make economic development appropriations. The Public Notice for this hearing was advertised in the Fayetteville Observer on December 2, 2022 to ensure a 10-day notice for the Public Hearing.

Budget Impact:

Funding was included in the second allocation of Coronavirus State and Local Fiscal Recovery Funds under the American Rescue Plan Act of 2021 and the Economic Equity Venture Capital Fund project was included in the approved project list approved by City Council on September 12, 2022.

Options:

- Conduct the Economic Development Public Hearing and authorize the City Manager to execute a contract with the CDF to support the Economic Equity Venture Capital Fund in the amount of \$1.25M
- Do not conduct the Economic Development Public Hearing and do not authorize the City Manager to execute a contract with the CDF to support the Economic Equity Venture Capital Fund in the amount of \$1.25M
- Direct staff to some other option.

Recommended Action:

Staff recommends that City Council conduct the Economic Development Public Hearing. Upon closing the Public Hearing, staff recommends that City Council move to authorize the City Manager to execute a contract with the CDF to support the Economic Equity Venture Capital Fund in the amount of \$1.25M

Attachments:

Equity Venture Capital Fund Presentation
Equity Venture Capital Fund Public Hearing Notice
Equity Venture Capital Fund Summary (Draft - Pending Legal Review)