

Background: Creation of the Virginia Community Development Financial Institution (CDFI) Fund

During the 2021 Special Session (I) of the General Assembly, Chapter 552, Item 114 Q.1-4 was adopted providing \$10,000,000 in General Funds to the Department of Housing and Community Development (DHCD) to establish a special, non-reverting Fund to provide grants to community development financial institutions (CDFIs), community development enterprises (CDE), or other such similar entities as permitted by law, whose primary purpose is to provide financing in the form of loans, grants or forgivable loans to small businesses or community revitalization real estate projects in Virginia. The amount appropriated for the CDFI Fund constitutes a one-time appropriation. Subsection Q 2 of Chapter 2, Item 115 (2022 Special Session I) requires the Department on or before December 1 of each year to report to the Secretary of Commerce and Trade, the Governor, and the Chairs of the House Committee on Appropriations and the Senate Committee on Finance and Appropriations on the Fund, including the amount of funding committed to projects from the Fund.

CDFIs and the Virginia Ecosystem

The CDFI Fund operates through the Virginia Small Business Resiliency Fund (VSBRF). The purpose of the VSBRF is to support Virginia-based CDFIs and build their capacity to support communities and businesses across the state. CDFIs are private financial institutions that deliver responsible, affordable financing to help people and communities underserved by mainstream finance join the economic mainstream. CDFIs can be revolving loan funds, banks, bank holding companies, credit unions, or venture capital firms. Virginia is home to approximately two dozen CDFIs as certified by the US Department of Treasury. The [Virginia CDFI Coalition](#) was established in early 2021 to build awareness about the fund, build relationships to address the financial needs of the underserved in the Commonwealth, and discuss program design. Very recently, the organization achieved its 501 c 3 as the Coalition works to support the CDFI ecosystem in Virginia and how they can support access to capital and technical assistance to support housing activities, small business development, and entrepreneurial support. Staff support for the VSBRF is provided through the Community Revitalization Office at DHCD.

VSBRF Program Design

The Virginia Small Business Resiliency Fund (VSBRF) was created to provide a funding stream that is both highly targeted and highly flexible so that dollars reach those that need assistance the most and enable the broadest impacts. The VSBRF seeks to increase capital access for underserved COVID-19-impacted businesses; including those owned and operated by women, people of color, and immigrants.

experiencing the highest rates of closures. The VSBRF aims to build new capacity in the eligible institutions and support the creation and/or expansion of programs and products. The pandemic also highlighted the fact that many of the sectors that were the most impacted do not have access to the financial and banking resources that will allow them to build a resilient business, whether by staying open, reopening, or expanding. Through grants made to both existing and emerging CDFIs, the VSBRF goals include: serving small businesses adversely impacted by the COVID-19 pandemic, with an emphasis on those sectors which have been disproportionately impacted or historically economically disadvantaged; increasing economic activity in distressed communities around the Commonwealth, and increasing the capacity of the CDFI sector to serve these target markets in Virginia.

Application and Award

On November 8, 2021, DHCD received sixteen (16) applications totaling \$16,960,139 in grant requests for a total of \$9,700,000 in available VSBRF funds. Staff reviewed applications and scored them according to the following criteria:

- Leverage and Critical Criteria
- Project Objectives
- Organizational Capacity and Readiness, and
- Projected Impacts and Outcomes

Due to limited funding the decision was made to reduce all requests for the maximum award of \$2 million to \$1,500,000 in order to fund more organizations and to increase the coverage of the VSBRF funding around the state. Grant announcements were made in January 2022 and the thirteen (13) awarded grantees went under contract in February 2022, as listed below. Grant projects, organizations, coverage area, activities, and budget are included as Appendix A.

Organization	Project Name	Award
ECDC Enterprise Development Group	Enterprise Development Group’s Small Business Resiliency Fund	\$1,500,000
Freedom First Federal Credit Union	Freedom First Federal Credit Union’s Small Business Fund	\$1,500,000
Local Initiatives Support Corporation	Local Initiatives Support Corporation’s Small Business Capital Access Fund	\$1,500,000
Virginia Community Capital	Virginia Community Capital’s Economic Equity Fund	\$1,500,000

Latino Economic Development Center	Latino Economic Development Center's Small Business Recovery Program in Fairfax County	\$955,820
Community Business Partnership	Community Business Partnership's Small Business Resiliency Program	\$700,000
Southeast Rural Community Assistance Project, Inc.	Southeast Rural Community Assistance Project's Virginia Small Business Resiliency Fund	\$589,180
Foodshed Capital	Expanding Food and Farm Micro-and-Small-Business Lending in Virginia	\$555,000
Community Investment Collaborative	Community Investment Collaborative's Microloan Program	\$550,000
Bridging Virginia	Alternative Lending Products & Technical Assistance for Underinvested Small Businesses in the Greater Richmond Region	\$150,000
Appalachian Community Capital Corporation	Building Capacity for CDFIs to Support Underserved Small Businesses in Appalachian Virginia	\$100,000
Peoples Advantage Federal Credit Union	People's Advantage Federal Credit Union's Small Business Lending Initiative	\$100,000
TOTAL:		\$9,700,000

Activities and Impacts

As of September 30, 2022, staff have received two quarterly reports from VSBRF grantees. As reported, two hundred and forty six (246) loans averaging approximately \$46,000/each have been made or leveraged with VSBRF funds. This infusion of capital has supported thirty-eight (38) new businesses and the expansion or retention of a further one hundred and sixty-eight businesses (168). Further, three hundred and forty-eight (348) jobs have been retained and one hundred and forty-six (146) jobs created. A leading CDFI has stated that the VSBRF funds have allowed their lenders to be more flexible in how they underwrite loans, knowing that they have appropriate reserves, and that none of the "riskier" loans has performed any differently than more traditional loans.

Of particular note is the number of technical assistance (TA) hours provided to entrepreneurs. Since program activities began in March more than twenty three hundred (2,300) hours of TA have been provided to small businesses around Virginia. Some grantees have utilized VSBRF funds to translate their

training materials and curriculums into multiple languages to better serve their target markets. Freedom First Federal Credit Union is using their increased capacity to open a new branch in the City of Lynchburg, which will enable their team to provide targeted services and financial assistance to a broader area of the state. The Latino Economic Development Center, serving Northern Virginia, has provided approximately one hundred and fifty (150) hours of technical assistance, which is building their pipeline of bankable businesses, and they have been able to hire additional staff to work with this influx of new entrepreneurs. They are currently looking for additional TA providers for legal and IT services as demand for training increases.

As VSBRF funding provides Virginia's small business focused CDFIs with the ability to meet the needs of entrepreneurs and small business owners more effectively staff anticipates each reporting period will continue to yield both qualitative and quantitative outcomes that are impacting the lives of real Virginians.

Appendix A: Awards, Organizations, Budget, and Coverage

<i>Applicant</i>	<i>Locality/Coverage Area</i>	<i>Funding Request</i>
Enterprise Development Group’s Small Business Resiliency Fund		
ECDC Enterprise Development Group	County of Arlington and the Cities of Alexandria, Fairfax, and Manassas	\$1,500,000 VSBRF <u>\$3,946,000 ECDC</u> \$5,446,000 TOTAL
<p>Enterprise Development Group (EDG) will increase its volume of financial products among underserved populations in Northern Virginia, primarily immigrant communities and entrepreneurs of color who were disproportionately impacted by economic impacts of the COVID-19 pandemic. EDG will provide lending technical assistance pre- and post-loan, deploy microloans up to \$50,000 and restructure loans to support borrowers at risk of default. Further, EDG will leverage loan capital 2:1 to deploy a total of \$4.9 million in microloans, helping 54 businesses to acquire funding.</p>		

Freedom First Federal Credit Union’s Small Business Fund		
Freedom First Federal Credit Union (FFFCU)	Albemarle County, Alleghany County, Amherst County, Appomattox County, Augusta County, Bath County, Bedford County, Bland County, Botetourt County, Buckingham County, Craig County, Floyd County, Franklin County, Giles County, Highland County, Montgomery County, Nelson County, Pulaski County, Roanoke County, Rockbridge County, Buena Vista City, Charlottesville City, Covington City, Lexington City, Lynchburg City, Radford City, Roanoke City, Salem City, Staunton City, Waynesboro City, Blacksburg Town, Christiansburg Town, Pulaski Town, Vinton Town	\$1,500,000 VSBRF <u>\$12,091,000 FFFCU</u> \$13,591,000 TOTAL
<p>Freedom First Federal Credit Union (FFFCU) will deploy \$1.5 million in small and microloans, establish a loan loss reserve and establish an Individual Development Account program for business purposes with a focus placed on small loans and women-, minority- and/or immigrant-owned businesses in distressed communities. This funding is part of a \$13 million lending initiative for over 70 businesses.</p>		

Local Initiatives Support Corporation's Small Business Capital Access Fund

Local Initiatives Support Corporation (LISC)	Cities of Chesapeake, Colonial Heights, Hampton, Hopewell, Newport News, Norfolk, Petersburg, Portsmouth, Suffolk, Virginia Beach	\$1,500,000 VSBFRF <u>\$1,030,000 LISC</u> \$2,530,000 TOTAL
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LISC Virginia and LISC Hampton Roads will create the Small Business Capital Access Fund to provide 0% interest, no-fee recoverable grants between \$10,000-50,000 to small businesses, with priority consideration given to minority-, woman-, veteran- and immigrant-owned small businesses. LISC will expand their respective target markets into the Tri-Cities (Petersburg, Hopewell and Colonial Heights) and the Greater Hampton Roads (Chesapeake, Hampton, Newport News, Norfolk, Portsmouth and Suffolk). Capacity will be improved through the contract of business coaches to provide critical assistance to 60 small businesses.

Virginia Community Capital Economic Equity Fund 2022

Virginia Community Capital (VCC)	Commonwealth of Virginia	\$1,500,000 VSBFRF <u>\$3,540,000 VCC</u> \$5,040,000 TOTAL
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Virginia Community Capital (VCC) will expand its Economic Equity Fund Initiative (EEF), providing low-cost financing for small-, women-, and minority-owned businesses across Virginia that were disproportionately affected by COVID-19. Funding will assist VCC to deploy an additional \$1.5 million through EEF to support 15 or more businesses, expand its loan loss reserve and build internal capacity by hiring a technical assistance provider specifically for EEF clients and borrowers.

Latino Economic Development Center’s Small Business Recovery Program in Fairfax County

Latino Economic Development Corporation of Washington, DC (LEDC)	Fairfax County	<table> <tr> <td>\$955,820</td> <td>VSBRF</td> </tr> <tr> <td><u>\$389,600</u></td> <td><u>LEDC</u></td> </tr> <tr> <td>\$1,345,420</td> <td>TOTAL</td> </tr> </table>	\$955,820	VSBRF	<u>\$389,600</u>	<u>LEDC</u>	\$1,345,420	TOTAL
\$955,820	VSBRF							
<u>\$389,600</u>	<u>LEDC</u>							
\$1,345,420	TOTAL							

Latino Economic Development Corporation’s (LEDC) project will be funded in different tiers. LEDC will deploy \$40,000 of the VSBRF funding to conduct a market study to determine small business financing and target market needs in Fairfax County. Once market validation is complete, LEDC will receive the second tier of funding in the amount of \$915,820 to hire lending and technical assistance staff to provide comprehensive, culturally and linguistically competent technical assistance to their target market, expand loan loss reserves and create a \$575,000 revolving loan fund to assist 45-60 low- to moderate-income Latino and/or other underserved small businesses in Fairfax County.

Community Business Partnership’s Small Business Resiliency Program

Community Business Partnership (CBP)	Counties of Arlington, Fairfax, Frederick, Loudoun, Montgomery, Prince George, Prince William, Stafford, Washington, the cities of Alexandria, Fairfax, Falls Church, Manassas, Manassas Park, and the Towns of Clifton, Dumfries, Haymarket, Herndon, Leesburg, Occoquan, Quantico, Shenandoah, Vienna, Warrenton	<table> <tr> <td>\$700,000</td> <td>VSBRF</td> </tr> <tr> <td>\$700,000</td> <td>TOTAL</td> </tr> </table>	\$700,000	VSBRF	\$700,000	TOTAL
\$700,000	VSBRF					
\$700,000	TOTAL					

Community Business Partnership (CBP) will expand its target market into greater Northern Virginia and diversify its financial products and offerings through a revolving loan fund. CBP will increase its capacity to support its target markets, including small, women-, immigrant- and minority-owned businesses, specifically at-home business operators, through business counseling and curriculum in various languages spoken in the Northern Virginia service area. Funding of \$350,000 will be deployed to increase CBP’s lending capacity and a loan loss reserve to support the lending. CBP will leverage grant dollars to secure future lending capital and technical financial assistance to help more than 150 borrowers.

Southeast Rural Community Assistance Project’s Virginia Small Business Resiliency Fund

<p>Southeast Rural Community Assistance Project Inc. (SERCAP)</p>	<p>The Counties of Accomack, Alleghany, Amelia, Amherst, Appomattox, Augusta, Bath, Bedford, Bland, Botetourt, Brunswick, Buchanan, Buckingham, Campbell, Caroline, Carroll, Charles City, Clarke, Craig, Cumberland, Dickenson, Dinwiddie, Essex, Floyd, Fluvanna, Franklin, Giles, Gloucester, Goochland, Grayson, Greensville, Halifax, Hanover, Henry, Highland, Isle of Wight, King and Queen, Lancaster, Lee, Lunenburg, Madison, Mathews, Mecklenburg, Montgomery, Nelson, Northampton, Northumberland, Nottoway, Orange, Page, Patrick, Pittsylvania, Powhatan, Prince Edward, Prince George, Pulaski, Roanoke, Rockbridge, Rockingham, Russell, Scott, Shenandoah, Smyth, Southampton, Surry, Sussex, Tazewell, Washington, Westmoreland, Wise, Wythe</p>	<p><u>\$589,180</u> <u>VSBRF</u> \$589,180 TOTAL</p>
<p>Southeast Rural Community Assistance Project Inc. (SERCAP) will increase its available loan capital, providing accessible and affordable financing products to underserved businesses in rural areas of the commonwealth, with an emphasis on those directly impacted by COVID-19. SERCAP will provide \$150,000 in technical assistance to microenterprises, deploy \$665,000 in microloans to more than 40 businesses, and utilize \$100,000 for staff administration of programming.</p>		

Expanding Food and Farm Micro-and-Small-Business Lending in Virginia

<p align="center">Foodshed Capital</p>	<p>Counties of Accomack, Albemarle, Alleghany, Amelia, Amherst, Appomattox, Augusta, Bath, Bedford, Bland, Botetourt, Brunswick, Buchanan, Buckingham, Campbell, Caroline, Carroll, Charles City, Charlotte, Chesterfield, Clarke, Craig, Culpeper, Cumberland, Dickenson, Dinwiddie, Essex, Fauquier, Floyd, Fluvanna, Franklin, Frederick, Giles, Gloucester, Goochland, Grayson, Greene, Greensville, Halifax, Hanover, Henrico, Henry, Highland, Isle of Wight, James City, King and Queen, King George, King William, Lancaster, Lee, Loudoun, Louisa, Lunenburg, Madison, Mathews, Mecklenburg, Middlesex, Montgomery, Nelson, New Kent, Northampton, Northumberland, Nottoway, Orange, Page, Patrick, Pittsylvania, Powhatan, Prince Edward, Prince George, Prince William, Pulaski, Rappahannock, Richmond, Roanoke, Rockbridge, Rockingham, Russell, Scott, Shenandoah, Smyth, Southampton, Spotsylvania, Stafford, Surry, Sussex, Tazewell, Warren, Washington, Westmoreland, Wise, Wythe, York; cities of Bedford, Bristol, Buena Vista, Charlottesville, Chesapeake, Colonial Heights, Covington, Danville, Emporia, Franklin, Fredericksburg, Galax, Hampton, Harrisonburg, Hopewell, Lexington, Lynchburg, Manassas, Manassas Park, Martinsville, Newport News, Norfolk, Norton, Petersburg, Poquoson, Portsmouth, Radford, Richmond, Roanoke, Salem, Staunton, Suffolk, Virginia Beach, Waynesboro, Williamsburg, Winchester</p>	<p>\$555,000 VSBRF <u>\$655,000 Foodshed Capital</u> \$1,210,000 TOTAL</p>
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Foodshed Capital will expand microlending and small business lending to Virginia farms and food businesses in geographies not yet served and funding activities that have traditionally lacked capital investments, including land procurement, food system infrastructure and food retail development. This project will help revitalize and boost local food systems in the wake of COVID-19 to ensure long-term food security. Funding will support loan loss reversal, capital for small and microloans; and operational support for staff. This project will leverage \$750,000 in loans to help 74 food businesses across the commonwealth.

Community Investment Collaborative’s Microloan Program

Community Investment Collaborative (CIC)	Orange County Culpeper County Madison County Rappahannock County	\$550,000 VSBFRF <u>\$1,790,718</u> CIC \$2,340,718 TOTAL
<p>Community Investment Collaborative (CIC) will catalyze its next phase of growth with additional capital for lending in four new counties, deploying \$350,000 in loan capital, \$50,000 in microgrants and \$200,000 in operations support and leverage \$1.41 million in existing loan funds to help 104 businesses get access to capital, 25 new businesses launched and 154 existing businesses grow.</p>		
<p align="center">Alternative Lending Products and Technical Assistance for Underinvested Small Businesses in the Greater Richmond Region</p>		
Bridging Virginia	Counties of Amelia, Charles City, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, King William, New Kent, Powhatan, Prince George, Sussex; Cities of Colonial Heights, Hopewell, Petersburg, Richmond; Town of Ashland	\$150,000 VSBFRF <u>\$ 81,455</u> Bridging Virginia \$231,455 TOTAL
<p>Bridging Virginia will conduct a capital access study of the Greater Richmond Region to determine a target market and strategy to achieve Community Development Financial Institution (CDFI) certification status through the U.S. Department of Treasury. Funding will support increased internal capacity with the addition of an executive director to execute identified strategic plan deliverables, increase community knowledge of small business borrowing and how to access capital. An additional \$50,000 will be leveraged to create a \$100,000 revolving loan fund in connection with technical assistance and counseling to 50 small local businesses.</p>		

Building Capacity for CDFIs to Support Underserved Businesses in Appalachian Virginia

Appalachian Community Capital Corporation (ACC)	Virginia Appalachian Regional Commission Region	<table> <tr> <td>\$100,000</td> <td>VSBRF</td> </tr> <tr> <td><u>\$ 20,000</u></td> <td><u>ACC</u></td> </tr> <tr> <td>\$120,000</td> <td>TOTAL</td> </tr> </table>	\$100,000	VSBRF	<u>\$ 20,000</u>	<u>ACC</u>	\$120,000	TOTAL
\$100,000	VSBRF							
<u>\$ 20,000</u>	<u>ACC</u>							
\$120,000	TOTAL							

Appalachian Community Capital Corporation (ACC) will build a support network for minority- and immigrant-owned small businesses in Appalachian Virginia by working with the CDFIs that serve small minority-owned businesses in the region. Funding will support the development and implementation of a strategy to increase lending to underserved businesses, provide six CDFIs with resources to provide up to 20 hours of training for targeted businesses, and the tailoring of financial products and services to meet market and sector needs. Once this strategy is implemented, the partnering CDFIs will help 40 minority- and immigrant-owned businesses create or retain 55 jobs.

People’s Advantage Federal Credit Union’s Small Business Lending Initiative

People’s Advantage Federal Credit Union (PAFCU)	Counties of Amelia, Charles City, Chesterfield, Cumberland, Dinwiddie, Goochland, Hanover, Henrico, King and Queen, King William, Louisa, New Kent, Powhatan, Prince George, Richmond, Sussex; Cities of Colonial Heights, Petersburg; Town of Ashland	<table> <tr> <td>\$100,000</td> <td>VSBRF</td> </tr> <tr> <td><u>\$ 10,000</u></td> <td><u>PAFCU</u></td> </tr> <tr> <td>\$110,000</td> <td>TOTAL</td> </tr> </table>	\$100,000	VSBRF	<u>\$ 10,000</u>	<u>PAFCU</u>	\$110,000	TOTAL
\$100,000	VSBRF							
<u>\$ 10,000</u>	<u>PAFCU</u>							
\$110,000	TOTAL							

People’s Advantage Federal Credit Union (PAFCU), the only full-service CDFI in Virginia, will expand its offerings to include lending, affordable deposit products, and technical assistance to businesses in the Greater Richmond Region. Funding will support the addition of a small business advocate and a loan loss reserve, fund 54 businesses and deploy \$1,080,000 into the community.

Appendix B - Cumulative Outcomes through Sep 30, 2022

Applicant	TA Hours	Expanded Businesses	Retained Businesses	New Businesses	Jobs Retained	Jobs Created	Total Loans Made	Total of Loans Made	Total Value Microloans	Total of Loans Leveraged
ECDC Enterprise Development Group	304	0	10	12	17	24	22	22	\$872,700	\$1,610,585
Freedom First Federal Credit Union (FFFCU)	40	13	8	8	36	10	141	29	\$536,557.24	0
Local Initiatives Support Corporation (LISC)	24	8	1	0	24	12	9	0	\$396,000	0
Virginia Community Capital (VCC)	275	7	12	2	101	26	23	9	0	\$4,435,486
Latino Economic Development Corporation of Washington, DC (LEDC)	147.5	2	20	10	32	12	2	2	\$60,000	\$60,000

Community Business Partnership (CBP)	121	10	5	2	65	28	3	1	\$100,000	0
Southeast Rural Community Assistance Project Inc. (SERCAP)	759	2	2	0	5	0	2	2	\$90,000	0
Foodshed Capital	132	6	0	3	17	24	10	8	\$126,984	\$202,440
Community Investment Collaborative (CIC)	411	0	103	0	29	5	17	16	\$392,872	0
Bridging Virginia	40	6	3	0	15	12	10	10	\$150,000	\$120,000
Appalachian Community Capital Corporation (ACC)^	0	0	0	0	0	0	0	0	0	0
People's Advantage Federal Credit Union (PAFCU)*	48	7	2	1	7	1	7	7	\$166,189.86	0

^ Q2 Reporting not complete for ACC

1. TA Hours
2. Expanded Businesses
3. Retained Businesses
4. New Businesses
5. Jobs Retained
6. Jobs Created
7. Total Loans Made
8. Total of Loans Made
9. Total value microloans
10. Total of Loans Leveraged