

**Fairfax County Board of Supervisors
Economic Initiatives Committee (EIC)
Fairfax County Government Center
Board Auditorium
February 1st, 2022**

Meeting Summary

Board Members present: EIC Chairman Supervisor John W. Foust, EIC Vice-Chairman Supervisor Daniel G. Storck, BOS Chairman Jeffrey C. McKay, BOS Vice Chairman Penelope A. Gross, Supervisor James R. Walkinshaw, Supervisor Walter L. Alcorn, Supervisor Rodney L. Lusk, Supervisor Pat Herrity, Supervisor Kathy L. Smith

Chairman’s Opening Remarks

The session opened with EIC Chairman Supervisor John Foust reviewing the meeting’s agenda. Supervisor Foust spoke to the impact of the COVID-19 pandemic on small businesses in Fairfax County. The supervisor introduced the agenda with a brief comment on the “aggressive” approaches that had been taken to support businesses in the county.

Item 1. Fairfax Thrive – Small Business Technical Assistance Grant Program

The first speaker was Rebecca Moudry, Executive Director of the Department of Economic Initiatives (DEI). Rebecca spoke to update the Board of Supervisors on the progress made towards development of the THRIVE program; a program previously brought to the board at the July Economic Initiatives meeting. The THRIVE program is a small business technical assistance program. During her presentation, she presented the work that had been accomplished to better understand community needs, market shifts, and engage with industry experts to inform the creation of the program. Her presentation started with a brief description of the department’s definition of small business and the reach of those entities in the county.

The Department of Economic Initiatives defines a small business as an entity that has fewer than fifty employees. Almost 95% of businesses, in the county are small businesses. Small businesses employ approximately 205,000 citizens in Fairfax County. There are 115,000 small businesses that are non-employer establishments. 71% of small businesses continue to experience large or moderately negative impacts of the pandemic. The survey also found that between November 2021 and January 2022, there was a 30% percent increase in businesses reporting substantial negative effects. Small businesses also continue to report decreased operating revenue. Overall, business needs are shifting from financial assistance to workforce development. Small businesses will need support with workforce development to identify and hire new employees as they return to pre-pandemic operational capacity.

The THRIVE program has been designed to accelerate the lengthy recovery timeline (recovery that will continue beyond a six-month timeframe) by delivering ARPA (American Rescue Plan Act) funded targeted assistance. Eligibility will be limited to Fairfax County small businesses that meet ARPA’s definition of “negatively impacted”. The program will deliver services to help negatively impacted businesses build capacity, address economic and consumer shifts, and support business planning. Services

will be rendered by a technical assistance provider in an identified area such as brand development, financial planning, real estate planning, staff retention, and e-commerce. Businesses will apply to the program, receive counseling to uncover their needs, and be matched with a provider. An external program administrator will manage and report on the program's success. The THRIVE program seeks to serve up to 620 businesses with up to \$10,000 worth of technical assistance. The Department of Economic Initiatives will ask for seven million dollars to fund the direct counseling, targeted outreach, and administration elements of the program.

THRIVE will be the third part of the Department of Economic Initiatives recovery continuum that includes: relief to small businesses; recovery to impacted sectors; and stabilization efforts. The Department of Economic Initiatives will finalize the program and bring the details to the Board for approval in the spring and launch the program in the summer.

Chairman Jeffrey McKay asked for clarification on the connotation of "not returning to normal business operations". The chairman asked that language assistance be considered as a component of the program's direct assistance. He also suggested that the program include high-level services to meet needs. To understand the program's reach, the Chairman inquired about the percentage of Fairfax County small businesses that are eligible for the program. In her response, Moudry stated that the number was determined by the department's experience with the PIVOT grant program. The department believes that fewer businesses will apply to the program because they will not receive direct cash assistance. County Executive Brian Hill confirmed that the 620 businesses projected to be served by the program could be expanded by an additional vote of the Board.

Supervisor Stork commented that business owners do not usually seek out support. He spoke to the necessity of outreach to encourage business owners to participate in programs and connect with local business assistance organizations. Supervisor Gross complimented Rebecca's presentation and asked about the timeline presented, and whether a social services element should be included in programming. In response to Supervisor Gross's question, Moudry gave justification for the implementation timeline. The second question was forwarded to the Department of Family Services for comment. Supervisor Lusk made favorable comments about the program and suggested that elements of the GrubStake community program be incorporated.

Supervisor Lusk also asked how the program intends to serve businesses whose needs exceed the \$10,000 allotted per program participant, how product businesses would be assisted, and if current partnerships with George Mason's Small Business Development Center informed program decision-making. Moudry's response spoke to how outreach and expansive eligibility will support the program's intent and support product-based companies and businesses with the greatest need. She also informed the Board that George Mason's Small Business Development Center, and other partners, had helped to inform the development of some of THRIVE's components.

Supervisor Herrity echoed the comments and suggestions made by Supervisor Lusk and Chairman McKay. In addition, Supervisor Herrity suggested that the DEI partner with the Economic Development Authority and Northern Virginia Chamber of Commerce to implement the THRIVE program. He proposed that the program be redesigned as a venture seed fund, so that the county will not be burdened with program operations for several years.

Supervisor Foust closed the discussion by remarking that ARPA funds are intended to be used for COVID-19 business recovery efforts, and that partnerships between the Economic Development Authority and Department of Economic Initiatives are worthwhile. He thanked James Quigley for attending the meeting.

Item 2. Fairfax Founders Fund – Early-Stage Innovation Assistance Program

Eta Nahapetian, Manager of Smart Community Innovation & Strategy began the discussion on the Fairfax County Founders Fund with an overview of why the program was conceived. James Quigley, Co-Founder, GoCanvas and Entrepreneur-in-Residence, Osage Venture Partners gave additional remarks on behalf of community-based entrepreneurship organizations in the county and spoke to the importance of venture capital programs.

The Fairfax Founders Fund will encourage economic mobility, job creation, investment, and strengthen the entrepreneur and start-up ecosystem in Fairfax County. The program has been developed in response to a July 2021 Board Matter brought by Chairman McKay, Supervisor Foust, and Supervisor Stork. It addressed two primary issues: 1) regional lack of early-stage equity capital, and 2) inequitable access to early-stage equity capital for women and minority owned businesses. Early-stage capital funding is usually from family, friends, and the founder’s personal savings. Founders from under-represented socio-economic groups enter market spaces with lower capital. The Kauffman Foundation has found that new black-owned businesses start with three times less capital than white-owned businesses. In 2020, venture capital investments grew overall but funding for women-led ventures decreased by 3%.

The Fairfax Founders Fund will be piloted as a solution to allow early-stage innovation businesses to access capital and provide a tool to connect businesses with resources, training, and other entrepreneurial support. It has been developed with engagement from the EAC Innovation Subcommittee, Virginia Innovation Partnership Corporation (VIPIC), Virginia Innovation Commercialization Assistance Program (ICAP), and other entrepreneurial support organizations. The Department of Economic Initiatives has proposed that \$500,000, from the Economic Opportunity Reserve, be invested to pilot the program. The initial pilot will include twenty for-profit companies, who will be awarded between \$10,000 to \$50,000. Funds will be used to support market entry and commercialization goals.

The program’s outreach will be targeted to attract interest from diverse and under-represented founders. Program applicants will be asked to demonstrate the following:

- the company is headquartered in Fairfax County
- the company’s primary business address is in Fairfax County, or the founder is a resident of Fairfax County
- gross revenue of no more than \$250,000 in the last 12 months
- the company’s product is scalable and disruptive
- show that it can access institutional investment or awards

An advisory committee comprised of venture capitalists and subject matter experts will review applications. An external entity will be contacted to administer the program. Prior to the program’s launch, the Department of Economic Initiatives will refine program details, determine administrative processes, and establish a program structure.

James Quigley shared his perspective on why programs like Fairfax Founders Fund are necessary. There are fewer organizations that are connecting entrepreneurs to resources than there were ten years ago. Mr.

Quigley suggested that early-stage entrepreneurs are still seeking mentorship and collaborative networks. The Fairfax Founders Fund could meet the needs of the entrepreneur community. The focus on product-based companies will yield greater economic impact for the revenue generated. Innovative product-based companies bring the talent necessary to support innovation in the county (ex. engineers, tech-based sales experts, marketing professionals).

Supervisor Herrity expressed his reluctance to use government funds to invest in private industry. He reiterated his suggestion that the department focus on developing communities for entrepreneurs in the county. After commenting on the board packet, he asked, "What are the metrics for success?". Chairman McKay expressed his support of the program thus far and requested additional evidence to show how the amount of support that would be provided to companies was determined.

Chairman McKay also asked that the department be clear in marketing the program's purpose to create a positive cultural and social returns in Fairfax County. He stated his belief that program metrics should reflect the social impact of the program as well. Supervisors Lusk, Storck, and Alcorn also agreed with the Chairman's comment. Supervisor Lusk expressed his excitement about the Fairfax Founders program. He believes that this program, should it be successful, will be a continuum to help to retain entrepreneurs who may relocate to other areas for support. Supervisor Storck expressed his surprise by the focus on for-profit businesses and asked "why" that was. Nahapetian clarified that for-profit businesses are more successful in acquiring capital funding.

Supervisor Walkinshaw spoke to the regional "resource curse", that has been created by the county's proximity to the federal government. He observed that the government is taking a policy stance and promoting clean technologies through federal legislation (ex. Build Back Better, America Competes). Fairfax Founders Fund could establish Fairfax County as a leading innovation hub by supporting clean technologies with its programming.

To close, Supervisor Foust recognized Eta Nahapetian for her experience and contributions to the county. Updates to the Community Revitalization Section were not presented or brought to discussion.

The meeting was adjourned.