

2022 -- H 7170

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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2022

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A N A C T

RELATING TO STATE AFFAIRS AND GOVERNMENT -- RHODE ISLAND COMMERCE
CORPORATION

Introduced By: Representative Anastasia P. Williams

Date Introduced: January 26, 2022

Referred To: House Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Section 42-64-13.1 of the General Laws in Chapter 42-64 entitled "Rhode
2 Island Commerce Corporation" is hereby amended to read as follows:

3 **42-64-13.1. Assistance to urban communities for economic revitalization.**

4 (a) The Rhode Island commerce corporation shall, in furtherance of its responsibility to
5 assist urban communities, provide for the establishment of an urban enterprise equity fund, the
6 establishment of an urban business incubator, and such other programs and activities as the
7 corporation may deem appropriate to assist with urban revitalization.

8 (b) For purposes of this section, the following words and terms shall have the following
9 meanings:

10 (1) "Equity" shall mean cash or cash equivalents, through personal or other assets that are
11 either pledged to or become part of a small business venture. Equity constitutes resources that are
12 considered part of the balance sheet of the small business.

13 (2) "Equity Financing" shall be a loan from an institution, bank, non-bank or any other
14 resource, by which terms and conditions are established for repayment of the debt. For the purposes
15 of this legislation, "Equity Financing" shall be deeply subordinated on the balance sheet of the
16 business, and by this deep subordination is converted to equity on the balance sheet. "Equity
17 Financing" by virtue of its subordination shall be the last loan to be paid out of the cash flow of the
18 business.

1 (3) "Fund" shall mean a revolving loan fund used to provide equity to assist start-up and
2 existing businesses in securing resources from lenders including, but not limited to, private sector
3 lending institutions, and federal and non-federal public sector lenders.

4 (4) "Small business" shall mean any corporation, partnership, sole proprietorship, or other
5 business entity qualifying as "small" under the standards contained in 13 C.F.R. § 121.101 et seq.

6 (5) "Urban" shall mean any community, which exceeds two thousand (2000) persons per
7 square mile as established by the most recent federal census.

8 (c) Establishment of an Urban Enterprise Equity Fund.

9 (1)(i) In order to provide "Equity Financing," commonly referred to as either "Equity" or
10 "Equity Debt," to assist small businesses finance investments, the general assembly establishes the
11 urban enterprise fund.

12 (ii) This fund will be located at and administered by the commerce corporation, referred to
13 as the corporation, hereinafter for the purposes of providing equity financing to assist small
14 businesses in obtaining additional resources for capital investments. Seventy-five percent (75%) of
15 the fund financing shall be targeted to urban small businesses located in enterprise zones
16 established pursuant to chapter 64.3 of title 42. The corporation shall be responsible for the
17 establishment of "the urban enterprise fund" and for the adoption of rules and standards and
18 guidelines, eligibility qualifications, and performance measures for the fund. Such rules shall limit
19 the amount of equity financing from the fund in any small business to an amount not to exceed one
20 hundred thousand (\$100,000) dollars and shall provide, inter alia that the corporation be allowed
21 to take stock, stock options, stock warrants, equity or other ownership interests in the small business
22 to which it is providing such Equity Financing.

23 (2) Nothing herein provided with regard to equity and Equity Financing shall be deemed
24 to prevent or restrict the corporation or other private lenders from providing additional financing
25 to the small business under traditional methods, conventional financing with or without credit
26 enhancements for the purposes of fulfilling the necessary instruments to finance the small business.

27 (3) In the implementation of the provisions of this paragraph, the corporation is encouraged
28 to utilize credit enhancements such as the U.S. Small Business Administration's (SBA) Guaranteed
29 Loan Program in conjunction with SBA's participating lenders to make the small business financing
30 transactions in the best interest of the Small Business.

31 (4) The corporation will annually report the status and performance of the Urban Enterprise
32 Equity Fund to the general assembly on or before the first Tuesday of November.

33 (d)(1) Establishment of an urban business incubator. There is hereby authorized,
34 established, and created an urban business incubator to be located in an enterprise zone, as defined

1 in chapter 64.3 of this title, or state designated opportunity zone and/or health equity zone. The
2 incubator shall be designed to foster the growth of businesses through a multi-tenant, mixed-use
3 facility serving companies in a variety of industries including, but not limited to: services,
4 distribution, light manufacturing, or technology-based businesses. The incubator shall provide a
5 range of services designed to assist these new businesses, including, but not limited to: flexible
6 leases, shared office equipment, use of common areas such as conference rooms, and will provide
7 (directly or indirectly) easily accessible business management, training, financial, legal,
8 accounting, and marketing services.

9 (2) The incubator shall be established as a non-business corporation, and shall have tax
10 exempt status under U.S. Internal Revenue Code § 501(c)(3), 26 U.S.C. § 501(c)(3), and shall have
11 an independent board of directors. The board of directors, in consultation with the corporations,
12 shall adopt guidelines and performance measures for the purposes of operating and monitoring the
13 incubator. One incubator shall be located within the 25 Bough Street project that will integrate
14 urban entrepreneurship, innovation, workforce development and youth mentorship. The project
15 resides in the city of Providence's Olneyville neighborhood which is comprised of seventy-three
16 percent (73%) Black, indigenous and people of color; forty-one percent (41%) of the families living
17 below the poverty level and within a Providence zip code of 02909; and has the highest per capita
18 COVID-19 cases in the state. Olneyville is also within a former state enterprise zone and in the
19 current state designated opportunity and health equity zones. A second incubator shall be located
20 at the former Urban League of Rhode Island site located at 246 Prairie Avenue within the Upper
21 South Providence neighborhood. This neighborhood is comprised of ninety-one percent (91%)
22 Black, indigenous and people of color, with thirty-six and four-tenths percent (36.4%) of families
23 living below the poverty level. Upper South Providence is also within a former state enterprise zone
24 and in the current state designated opportunity and health equity zones.

25 (e) The general assembly shall annually appropriate the sums it deems necessary to carry
26 out the provisions of subsections (c) and (d) of this section.

27 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF

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1 This act would require the installation of two (2) urban business incubators, one at the 25
2 Bough Street project in the Olneyville neighborhood of Providence, and the other at the former
3 Urban League of Rhode Island site located at 246 Prairie Avenue in the Upper South Providence
4 neighborhood.

5 This act would take effect upon passage.

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