

TO: Eric Campbell, City Manager
FROM: G. Chris Brown
DATE: March 9, 2020
RE: Consider Approval of Assignment by the City of Harrisonburg to the Commonwealth of Virginia ex rel. the Virginia Economic Development Partnership Authority of the City's collection rights under a Commonwealth' Development Opportunity Fund Performance Agreement dated July 31, 2015.

Summary: The Commonwealth of Virginia has requested that the City assign its collection rights in a Commonwealth's Development Opportunity Fund agreement dated July 31, 2015, to the Commonwealth.

Background: In 2015 a local company named Axonai, Inc. was awarded a grant of \$75,000 from the state through its Commonwealth's Development Opportunity Fund. The City provided an additional \$50,000 grant and a BPOL waiver in the amount of \$25,000. The grant conditions were memorialized in a Performance Agreement dated July 31, 2015 between Axonai, the City, and the Harrisonburg IDA (now EDA). The Performance Agreement required that, among other things, Axonai make a capital expenditure of \$1,500,000 for furniture, fixtures, and machinery, and equipment at its facility in Harrisonburg, and create and maintain 29 new jobs. Axonai was successful in creating the new jobs but did not make the required capital expenditures. The Commonwealth is now seeking the repayment of the \$75,000 grant due to Axonai's failure to meet the required capital expenditure and has requested that the City assign to the Commonwealth the City's collection rights under the Performance Agreement. The City's Economic Development Director recommends that the City not try to recoup any of its grant funding since Axonai was successful in creating and maintaining the required 29 jobs.

Key Issues: Approval of attached Assignment of the City's rights under the Performance Agreement.

Environmental Impact: none

Fiscal Impact: none

Prior Actions: Award of Commonwealth Development Opportunity Fund Grant and local grant in 2015.

Alternatives: (a) Approve requested Assignment and authorize the City Manager to execute the Assignment.

(b); or

(c)

Community Engagement: none

Recommendation: Staff recommends that City Council approve the attached Assignment as requested by the Commonwealth.

Attachments:

1. Assignment
2. Performance Agreement dated July 31, 2015RE:

Review:

The initiating Department Director will place in Legistar, in sequence of transmittal, the names of each department that must initial their review in order for this item to be placed on the City Council agenda. The completion of review only addresses the readiness of the issue for Council consideration. This does not address the recommendation for approval or denial of the issue.

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