

112TH CONGRESS
1ST SESSION

H. R. 2872

To amend the Small Business Investment Act of 1958 to improve the New Markets Venture Capital Program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 8, 2011

Ms. VELÁZQUEZ introduced the following bill; which was referred to the Committee on Small Business

A BILL

To amend the Small Business Investment Act of 1958 to improve the New Markets Venture Capital Program, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Job Creation and Urban Revitalization Act of 2011”.

6 (b) TABLE OF CONTENTS.—The table of contents for
7 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Increased investment in job creating small business concerns.
- Sec. 3. Updating definition of low-income geographic area.
- Sec. 4. Expanded uses for operational assistance for small business concerns located in areas of high unemployment.

- Sec. 5. Definition of area of high unemployment.
 Sec. 6. Nationwide distribution of companies to generate new employment opportunities.
 Sec. 7. Limitation on time for final approval.
 Sec. 8. Elimination of matching requirement for areas with high unemployment and areas designated as an urban manufacturing revitalization area.
 Sec. 9. Urban manufacturing revitalization areas.
 Sec. 10. Simplified formula for operational assistance grants.
 Sec. 11. Expanding operational assistance to conditionally approved companies.
 Sec. 12. Authorization of appropriations.
 Sec. 13. Streamlined application for New Markets Venture Capital Program.

1 **SEC. 2. INCREASED INVESTMENT IN JOB CREATING SMALL**
 2 **BUSINESS CONCERNS.**

3 (a) DEVELOPMENTAL VENTURE CAPITAL AND PAR-
 4 TICIPATION AGREEMENTS.—Section 351 of the Small
 5 Business Investment Act of 1958 (15 U.S.C. 689) is
 6 amended—

7 (1) in paragraph (1) by inserting after “geo-
 8 graphic areas” the following: “or encouraging the
 9 growth or continuation of small business concerns
 10 located in areas of high unemployment”; and

11 (2) in paragraph (6)(B) by inserting after “geo-
 12 graphic areas” the following: “or in small business
 13 concerns located in areas of high unemployment”.

14 (b) PURPOSES.—Section 352 of the Small Business
 15 Investment Act of 1958 (15 U.S.C. 689a) is amended—

16 (1) by striking paragraph (1) and inserting the
 17 following:

18 “(1) to promote economic development in low-
 19 income geographic areas and to create job opportu-
 20 nities in areas of high unemployment by encouraging

1 developmental venture capital investments in smaller
2 enterprises and small business concerns primarily lo-
3 cated in such areas; and”]; and

4 (2) in paragraph (2)—

5 (A) in the matter preceding subparagraph
6 (A) by inserting after “geographic areas” the
7 following: “and small business concerns located
8 in areas of high unemployment”];

9 (B) in subparagraph (B) by inserting after
10 “geographic areas” the following: “or in small
11 business concerns located in areas of high un-
12 employment”]; and

13 (C) in subparagraph (C) by inserting after
14 “smaller enterprises” the following: “and small
15 business concerns”].

16 (c) ELIGIBILITY, APPLICATIONS, AND REQUIRE-
17 MENTS FOR FINAL APPROVAL.—Section 354 of the Small
18 Business Investment Act of 1958 (15 U.S.C. 689c) is
19 amended—

20 (1) in subsection (a)(3) by inserting after “geo-
21 graphic areas” the following: “or investing in small
22 business concerns located in areas of high unemploy-
23 ment”];

24 (2) in subsection (b)—

1 (A) in paragraph (1) by inserting after
2 “geographic areas” the following: “or in small
3 business concerns located in areas of high un-
4 employment”; and

5 (B) in paragraph (4) by inserting after
6 “smaller enterprises” the following: “or small
7 business concerns”; and

8 (3) in subsection (d)—

9 (A) in paragraph (1)—

10 (i) by striking “Each” and inserting
11 the following:

12 “(A) IN GENERAL.—Except as provided in
13 subparagraphs (B) and (C), each”; and

14 (ii) by adding at the end the fol-
15 lowing:

16 “(B) SMALL BUSINESS CONCERNS LO-
17 CATED IN AREAS OF HIGH UNEMPLOYMENT.—
18 Each conditionally approved company engaged
19 primarily in development of and investment in
20 small business concerns located in areas of high
21 unemployment shall raise not less than
22 \$3,000,000 of private capital or binding capital
23 commitments from one or more investors (other
24 than agencies or departments of the Federal

1 Government) who met criteria established by
2 the Administrator.”; and

3 (B) in paragraph (2)(A) by inserting after
4 “smaller enterprises” the following: “or small
5 business concerns”.

6 (d) OPERATIONAL ASSISTANCE GRANTS.—Section
7 358 of the Small Business Investment Act of 1958 (15
8 U.S.C. 689g) is amended—

9 (1) in subsection (a)(1) by inserting after
10 “smaller enterprises” the following: “and small busi-
11 ness concerns”; and

12 (2) in subsection (b)(1) by inserting after
13 “smaller enterprises” the following: “and small busi-
14 ness concerns”.

15 **SEC. 3. UPDATING DEFINITION OF LOW-INCOME GEO-**
16 **GRAPHIC AREA.**

17 Section 351 of the Small Business Investment Act
18 of 1958 (15 U.S.C. 689), as amended by section 2 of this
19 Act, is further amended—

20 (1) by striking paragraphs (2) and (3);

21 (2) by inserting after paragraph (1) the fol-
22 lowing:

23 “(2) LOW-INCOME GEOGRAPHIC AREA.—The
24 term ‘low-income geographic area’ has the meaning
25 given the term ‘low-income community’ in section

1 45D(e) of the Internal Revenue Code of 1986, ex-
2 cept that, without regard to that meaning, the term
3 includes an area of high unemployment.”; and

4 (3) by redesignating paragraphs (4) through
5 (8) as paragraphs (3) through (7), respectively.

6 **SEC. 4. EXPANDED USES FOR OPERATIONAL ASSISTANCE**
7 **FOR SMALL BUSINESS CONCERNS LOCATED**
8 **IN AREAS OF HIGH UNEMPLOYMENT.**

9 Section 351 of the Small Business Investment Act
10 of 1958 (15 U.S.C. 689), as amended by this Act, is fur-
11 ther amended in paragraph (4) (as so redesignated by sec-
12 tion 3 of this Act) by inserting after “business develop-
13 ment” the following: “and, with respect to a small busi-
14 ness concern located in an area of high unemployment,
15 assistance that assists the concern with retooling, updat-
16 ing, or replacing machinery or equipment”.

17 **SEC. 5. DEFINITION OF AREA OF HIGH UNEMPLOYMENT.**

18 Section 351 of the Small Business Investment Act
19 of 1958 (15 U.S.C. 689), as amended by this Act, is fur-
20 ther amended by adding at the end the following:

21 “(8) AREA OF HIGH UNEMPLOYMENT.—The
22 term ‘area of high unemployment’ means a geo-
23 graphic area that the Administrator determines has
24 an unemployment rate that exceeds the national un-
25 employment rate.”.

1 **SEC. 6. NATIONWIDE DISTRIBUTION OF COMPANIES TO**
2 **GENERATE NEW EMPLOYMENT OPPORTUNI-**
3 **TIES.**

4 Paragraph (3) of section 354(c) of the Small Busi-
5 ness Investment Act of 1958 (15 U.S.C. 689c(c)) is
6 amended to read as follows:

7 “(3) GEOGRAPHIC EXPANSION.—In selecting
8 companies under paragraph (1), the Administrator
9 shall consider the need to promote investment na-
10 tionwide and shall, to the extent practicable, select
11 at least 1 company from each geographic region of
12 the Small Business Administration.”.

13 **SEC. 7. LIMITATION ON TIME FOR FINAL APPROVAL.**

14 Section 354(d) of the Small Business Investment Act
15 of 1958 (15 U.S.C. 689c(d)) is amended in the matter
16 preceding paragraph (1) by striking “a period of time, not
17 to exceed 2 years,” and inserting “2 years”.

18 **SEC. 8. ELIMINATION OF MATCHING REQUIREMENT FOR**
19 **AREAS WITH HIGH UNEMPLOYMENT AND**
20 **AREAS DESIGNATED AS AN URBAN MANUFAC-**
21 **TURING REVITALIZATION AREA.**

22 Section 354(d)(2)(A)(i)(III) of the Small Business
23 Investment Act of 1958 (15 U.S.C. 689c(d)(2)(A)(i)(III))
24 is amended by inserting after “under paragraph (1)” the
25 following: “, except that this subclause shall not apply to
26 a company the Administrator determines is primarily serv-

1 ing small business concerns located in an area of high un-
2 employment or in an area designated as an urban manu-
3 facturing revitalization area under subsection (f)”.

4 **SEC. 9. URBAN MANUFACTURING REVITALIZATION AREAS.**

5 (a) IN GENERAL.—Section 354 of the Small Business
6 Investment Act of 1958 (15 U.S.C. 689c), as amended
7 by this Act, is further amended by adding at the end the
8 following:

9 “(f) URBAN MANUFACTURING REVITALIZATION
10 AREAS.—

11 “(1) IN GENERAL.—In approving companies
12 under this section to participate in the New Markets
13 Venture Capital Program, the Administrator may
14 approve a company to serve, throughout all States,
15 solely small business concerns located in areas des-
16 ignated as an urban manufacturing revitalization
17 area under paragraph (2).

18 “(2) DESIGNATION.—For purposes of para-
19 graph (1), the Administrator may designate an area
20 as an urban manufacturing revitalization area if—

21 “(A) the area is a low-income geographic
22 area;

23 “(B) the Administrator determines the
24 area is an urban area; and

1 “(C) the Administrator determines there
2 is, or was during the preceding 10-year period,
3 a substantial presence of businesses in the area
4 the primary business of which is classified in
5 sector 31, 32, or 33 of the North American In-
6 dustrial Classification System.

7 “(3) CONSIDERATION.—In approving a com-
8 pany under paragraph (1), the Administrator shall
9 give priority to a company that demonstrates a
10 strong commitment to and experience in revitalizing
11 and redeveloping urban areas through investment in
12 and the provision of management and technical as-
13 sistance to small business concerns in those areas.

14 “(4) COORDINATION.—The Administrator shall
15 work to coordinate and make available to small busi-
16 ness concerns served by a company approved under
17 paragraph (1) the resources provided under the en-
18 trepreneurial development, contracting, and financ-
19 ing programs of the Administration.

20 “(5) INCREASING PROCUREMENT OPPORTUNI-
21 TIES.—The Administrator shall designate at least 1
22 procurement center representative or commercial
23 market representative to identify procurement op-
24 portunities for small business concerns served by a
25 company approved under paragraph (1).”.

1 (b) CAPITAL REQUIREMENT.—Section 354(d)(1) of
2 the Small Business Investment Act of 1958 (15 U.S.C.
3 689e(d)(1)) is amended by adding at the end the fol-
4 lowing:

5 “(C) SMALL BUSINESS CONCERNS LO-
6 CATED IN URBAN MANUFACTURING REVITAL-
7 IZATION AREAS.—Each conditionally approved
8 company engaged primarily in development of
9 and investment in small business concerns lo-
10 cated in areas designated as urban manufac-
11 turing revitalization areas under subsection (f)
12 shall raise not less than \$2,000,000 of private
13 capital or binding capital commitments from
14 one or more investors (other than agencies or
15 departments of the Federal Government) who
16 met criteria established by the Administrator.”.

17 **SEC. 10. SIMPLIFIED FORMULA FOR OPERATIONAL ASSIST-**
18 **ANCE GRANTS.**

19 Subparagraph (A) of section 358(a)(4) of the Small
20 Business Investment Act of 1958 (15 U.S.C. 689g(a)(4))
21 is amended—

22 (1) by striking “shall be equal to” and all that
23 follows through the period at the end and inserting
24 “shall be equal to the lesser of—”; and

25 (2) by adding at the end the following:

1 “(i) 10 percent of the resources (in
2 cash or in kind) raised by the company
3 under section 354(d)(2); or

4 “(ii) \$1,000,000.”.

5 **SEC. 11. EXPANDING OPERATIONAL ASSISTANCE TO CONDI-**
6 **TIONALLY APPROVED COMPANIES.**

7 Section 358(a) of the Small Business Investment Act
8 of 1958 (15 U.S.C. 689g(a)) is amended by adding at the
9 end the following:

10 “(6) GRANTS TO CONDITIONALLY APPROVED
11 COMPANIES.—

12 “(A) IN GENERAL.—Subject to the provi-
13 sions of this paragraph, upon the request of a
14 company conditionally approved under section
15 354(c), the Administrator is authorized to make
16 a grant to the company under this subsection.

17 “(B) REPAYMENT BY COMPANIES NOT AP-
18 PROVED.—If a company receives a grant under
19 this paragraph and does not receive final ap-
20 proval under section 354(e), the company shall
21 repay the amount of the grant to the Adminis-
22 trator.

23 “(C) DEDUCTION FROM GRANT TO AP-
24 PROVED COMPANY.—If a company receives a
25 grant under this paragraph and receives final

1 approval under section 354(e), the Adminis-
2 trator shall deduct the amount of such grant
3 from the amount of any immediately succeeding
4 grant the company receives for operational as-
5 sistance.

6 “(D) AMOUNT OF GRANT.—No company
7 may receive a grant of more than \$50,000
8 under this paragraph.”.

9 **SEC. 12. AUTHORIZATION OF APPROPRIATIONS.**

10 Section 368(a) of the Small Business Investment Act
11 of 1958 (15 U.S.C. 689q(a)) is amended—

12 (1) in the matter preceding paragraph (1) by
13 striking “fiscal years 2001 through 2006” and in-
14 serting “fiscal years 2012 and 2013”;

15 (2) in paragraph (1)—

16 (A) by striking “\$150,000,000” and in-
17 serting “\$75,000,000”; and

18 (B) by inserting before the period at the
19 end the following: “, of which not less than 50
20 percent shall be used to guarantee debentures
21 of companies primarily serving small business
22 concerns located in areas of high unemploy-
23 ment”; and

24 (3) in paragraph (2)—

1 (A) by striking “\$30,000,000” and insert-
2 ing “\$15,000,000”; and

3 (B) by inserting before the period at the
4 end the following: “, of which not less than 50
5 percent shall be used to make grants to compa-
6 nies primarily serving small business concerns
7 located in areas of high unemployment”.

8 **SEC. 13. STREAMLINED APPLICATION FOR NEW MARKETS**
9 **VENTURE CAPITAL PROGRAM.**

10 Not later than 60 days after the date of enactment
11 of this Act, the Administrator of the Small Business Ad-
12 ministration shall prescribe standard documents for a New
13 Markets Venture Capital company final approval applica-
14 tion with respect to section 354(e) of the Small Business
15 Investment Act of 1958 (15 U.S.C. 689e(e)). The Admin-
16 istrator shall ensure that the standard documents are de-
17 signed to substantially reduce the cost burden of the appli-
18 cation process for companies.

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