

PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.

WEDNESDAY, NOVEMBER 14, 2012

DRAFT MEETING MINUTES

A meeting of the Providence Economic Development Partnership, Inc. (PEDP) Board of Directors was held at the office of the Department of Planning and Development, 444 Westminster Street, 1st Floor, Providence, Rhode Island, on November 14, 2012. The meeting was called to order at 12:20 PM, with Joseph Caffey, Vice-Chairman, presiding. Roll call was conducted.

MEMBERS IN ATTENDANCE

Members in attendance included Mayor Angel Taveras (arrived late), Joseph Caffey, Daniel Baudouin, Adriana Dawson, Kas DeCarvalho, William DiStefano, Jr., Gary Glassman, Juana Horton, Stephen Lane, Gerald Massa, Councilwoman Sabina Matos, and Janet Raymond.

MEMBERS ABSENT

Members not in attendance were Mark Feinstein, Paul Mithun and Clay Rockefeller.

STAFF MEMBERS IN ATTENDANCE

Staff members in attendance included: James Bennett, Director of Economic Development and Executive Director, PEDP; Stuart MacDonald, Director of Fiscal Operations, Department of Planning and Development (DPD) and Assistant Director, PEDP; Kathy Cosentino, Amber Ilcisko, Gail McGowan, and Arthur Speaks.

OTHERS IN ATTENDANCE

Others in attendance included Robert Shumeyko, Director, Boston Regional Office, U.S. Department of Housing and Development (HUD); Cedric Kam, Economic Development Specialist, Boston Regional Office, HUD; Laura Schiffer, Senior Financial Analyst, Boston Regional Office, HUD; Nancy Smith Greer, Field Office Director, Providence Regional Office, HUD; Gonzalo Cuervo, Deputy Chief of Staff, City of Providence and Representative for Mayor Angel Taveras; John J. Garrahy, Esq., Moses Afonso Ryan, PEDP legal counsel; David Ortiz, Press Secretary, City of Providence; David Salvatore, Providence City Council; Jake Bissaillon, Chief of Staff, Providence City Council; Garry Bliss, Director of Community Development, City of Providence Department of Planning and Development; Ann Gooding, Director of Communications, Department of Planning and Development; Thomas Hoagland, consultant to PEDP; Judith Reilly, Providence resident; Alisha Pina Providence Journal; Dan McGowan, GoLocalProv; Jim Hummel, Hummel Report; Eric Weis, East Coast Greenway.

MEETING MINUTES

The minutes of the October 23, 2012 PEDP Special Board of Directors meeting were submitted for review and approval. Upon a motion made by Juana Horton and seconded by Kas DeCarvalho, it was voted to approve the minutes of the October 23, 2012 Special Board of Directors meeting. Daniel Baudouin, Janet Raymond and Juana Horton abstained from voting in connection with this matter due to not having been in attendance at said meeting. Motion passed by vote.

Vice-Chairman Caffey turned the meeting over to James Bennett for the introduction of the HUD representatives. Mr. Bennett stated that there is no better working relationship with HUD, which is extremely transparent, and we are working together as a partnership. Mr. Bennett introduced Robert Shumeyko, Director of HUD, who in turn introduced Cedric Kam, Laura Schiffer and Nancy Smith Greer. Mr. Shumeyko stated that technical assistance was asked for, which HUD is giving to ensure that the city does the best it can with the federal funds. Job one is compliance and Mr. Kam will be giving a 101, 102 and maybe 202 level overview of CDBG funding. At this point, HUD is very happy with the efforts of the mayor and city to fix the problems that it has had in the past.

Mr. Kam provided the members with a presentation regarding CDBG funding and economic

development. The CDBG funding goes back to 1974. The primary objective is to benefit low-to-moderate income persons. PEDP is a sub-recipient of the city and as the sub-recipient it runs the program for the city.

At 12: 37 P.M., Mayor Taveras arrived at the meeting. Mayor Taveras thanked all for being here today and apologized for being late as he was attending a funeral. Mayor Taveras also thanked HUD for all the help that is being provided, as their assistance is helping to create jobs in the city. The representatives from HUD were introduced to the mayor by Mr. Shumeyko.

Mr. Kam continued his presentation by reviewing the criteria for selecting CDBG activities, as well as reviewing eligible and ineligible activities, National Objectives, Low/Mod benefits and other federal regulations. Mr. Kam noted that funding provided to non-profits is very limited. Funding can only be provided for real estate and cannot be provided for working capital. The National Objective to meet for non-profits is generally Low/Mod Jobs (LMJ). Mr. Kam proceeded to review Economic Development activities and qualifying CDBG Economic Development Activities. Examples were provided of typical CDBG-Funded Economic Development Activities. Qualifying business assistance, façade improvements, microenterprise assistance, Economic Development infrastructure projects, job training and placement activities, and Special CDBO Activities were reviewed. Prohibited Economic Development Activities were also reviewed. The CDBG underwriting guidelines were presented as well as the main criteria to underwriting business loans. A summary of CDBG Economic Development Activities was then provided. All Economic Development Activities must be determined to be an Eligible Activity, must be determined to meet a National Objective, and must meet the Public Benefit criteria.

Advanced CDBG Economic Development Activities were then reviewed, which are the Section 108 Guaranteed Loans, which are a financing tool of CDBG. This type of financing is a loan and not a grant. With these types of guaranteed loans, a community borrows money from private investors and HUD provides a 100% guarantee to investors who purchase the notes at the public offering. Communities either use the loan to carryout activities or re-loan the funds to a third party. Typical uses of these funds and Eligible Activities for the Section 108 funds were reviewed. A community can borrow up to five times its annual CDBG allocation for a period of up to twenty (20) years. Because this type of financing is a loan, the community has to pledge its future CDBG funds plus meet the underwriting standards and pledge other assets or security. The public offering for permanent financing is usually once a year and each year that the interest is paid back will therefore have a different rate. The flow of funds, sources of repaying the Section 108 loans, forms of additional security, credit subsidy/annual appropriation, economic development project financing, and Section 108 underwriting requirements were reviewed by Mr. Kam.

Questions of the members were answered. With regard to the level of oversight HUD has on a day-to-day basis, Mr. Shumeyko responded that HUD does internal monitoring as opposed to audits and relies upon the audits that are provided to HUD. Providence is in league with states and cities such as Boston and as such, HUD considers its activities more risky. The more complex the activities are, the more the likelihood that there will be issues, which is why HUD provides technical assistance to ensure we do the best we can.

Stephen Lane left the meeting at 1:12 P.M.

Mr. Kam continued with providing a review of the Section 108 requirements as well as of examples of

Section 108 projects. One such Section 108 project was one funded in Providence for the expansion of Providence Performing Arts Center (PPAC). A \$2 million Section 108 loan was funded in 1994, which the city has since repaid. The city of Providence has not utilized the Section 108 loan program in quite a long time.

Additional questions of the members were answered relative to program administration in other cities and towns and whether it is done by staff or a board or loan committee; partnerships with other federally funded entities; common threads in other communities of smaller projects; the correlation between type of business funded and loan success rates; and given Providence being rated number one for food, that should be the type of business funding that we would want to have in our portfolio to invest in and build our economy. Mayor Tavares thanked Mr. Kam and stated that the presentation was very helpful and will also be for future board members. Mayor Taveras also appreciates the examples that were provided.

A member expressed that there should be an on-going dialogue regarding best practices. The board should be provided a list of what they should keep an eye on at the board level, especially since the members are not necessarily lenders or community development experts. HUD responded by saying that it does not get involved in personnel matters or what a community's programs should look like.

Mayor Taveras thanked Mr. Shumeyko again for HUD's help and support, which will help strengthen and support the city's program.

NEW BUSINESS

The agenda items under New Business entertained by the Board of Directors were the review and approval of the Sub-Recipient Agreement between the City of Providence and Providence Economic Development Partnership, Inc. and the review and approval of the 2012 Action Plan. Mayor Taveras noted that the submission of the Action Plan had a November 2, 2012 deadline. Mayor Taveras submitted it to HUD with his signature and with the note that the Sub-Recipient Agreement was not yet reviewed by the PEDP Board of Directors, however, he did not want to miss the submission deadline. Garry Bliss, Director of Community Development, City of Providence Department of Planning and Development, presented these two (2) agenda items. Mr. Bliss began by stating that on an annual basis, the city submits to HUD an Action Plan for approval, which includes all grants and economic development activities. This plan will constitute the scope of work for this project. The Action Plan for PEDP is Attachment A to the Sub-Recipient Agreement. The Sub-Recipient manual will include all grants, a lot of which will not apply to PEDP. There will be a separate monitoring plan for PEDP in response to the HUD report. The process for the action plan is as follows: the plan is submitted to HUD for review and acceptance; once accepted by HUD, it is adopted as a scope of work and the agreement is executed; PEDP staff implements the plan; the city implements the monitoring plan with quarterly reporting to the board as projects unfold; and the CAPER report is submitted to HUD annually.

The PEDP action plan encompasses three (3) broad strategies: major projects with city-wide impact; neighborhood economic development; and Art, Culture and Tourism initiatives. The projected allocation of funding between the three (3) broad strategies are a second round of IIP funding and \$500,000.00 for Art, Culture and Tourism initiatives.

The question was raised if the Art, Culture and Tourism initiatives are to be limited to real estate because most are non-profits. Mr. Bliss answered no, as not all arts organizations are non-profits.

Mayor Taveras added that the message to the arts organizations and to all non-profits is that PEDP cannot fund working capital expenses to non-profit organizations.

The status of where we are at in the process with the 1,500 hours of technical assistance that is being provided was questioned. Laura Schiffer responded that a year-long commitment has been granted and the technical assistance team is coming back once a month. We are in the beginning stages and are not yet at fifty percent (50%) completion. The question was also raised as to whether the PEDP cannot make loans anymore. Ms. Schiffer responded in the affirmative. PEDP is a couple of months away from re-commencing lending as it has to meet and address the issues that arose in the first and second HUD monitoring. Since the new Section 108 loans are submitted to HUD on an individual basis for approval and the city is borrowing the money to fund those loans, HUD is allowing those loans to go through. Mayor Taveras reiterated that so it is clear, PEDP is making some loans. The question of the board being set-up with a loan committee was raised once again and whether we should have a loan committee. Mayor Taveras responded by saying that he thinks that the loans should come to the board and the staff not have the authority to grant approvals. Mayor Taveras will figure out a way that is different than what we have been doing – perhaps making the loan committee part of the board – but Mayor Taveras thinks that it is a good idea to have the loan committee. Mayor Taveras added that this is just his thinking as the Chairperson of the board. Right now, the loan committee members are not part of the board. Time issues will also be addressed for the meetings and HUD will have a lot to say about what we do and how we do it.

Upon a motion made by Kas DeCarvalho and seconded by Joseph Caffey, it was voted to accept the Action Plan as drafted with the understanding that there will be further discussion going forward as we restructure our system. Mayor Taveras asked if there were any comments or questions. The question was raised as to whether other communities have separate audits with regard to the HUD monitoring. Ms. Schiffer responded that they have separate financial audits that are performed by an outside auditor, a third-party CPA, but in-house monitoring is done by the city and closely controlled. Mayor Taveras stated that there is a motion on the floor and that he is told by legal counsel that we need to amend the motion in order for it to be effective to allow the Executive Director to execute the document on behalf of PEDP. Kas DeCarvalho stated that he wished to make that amendment and also an additional amendment to allow for any non-material clerical changes to be made pursuant to HUD. The motion to amend the motion was seconded by Joseph Caffey. The motion to amend the motion passed by unanimous vote. Upon a motion made by Kas DeCarvalho and seconded by Joseph Caffey, the amended motion passed by unanimous vote. Mayor Taveras thanked Garry Bliss, James Bennett, Stuart MacDonald, all of the staff that worked on this and HUD as well.

Upon a motion made by Janet Raymond and seconded by Kas DeCarvalho, it was voted to approve the Sub-Recipient Agreement. Mayor Taveras noted that the agreement includes the 2012 Action Plan. The motion passed by unanimous vote.

OTHER BUSINESS/PUBLIC COMMENT

The next agenda item was Other Business/Public Comment. Mayor Taveras asked if there was anyone who wished to make public comment. There being none, Mayor Taveras asked for a motion to adjourn.

Upon a motion made by Joseph Caffey and seconded by Kas DeCarvalho, the meeting was adjourned at 1:50 PM.