

PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.

WEDNESDAY, JUNE 19, 2013

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 June 19, 2013. The meeting was called to order at 12:22 PM, with Mayor Angel Taveras, Chairman, presiding. Roll call of the directors was conducted, which also included John J. Garrahy, Esq., PEDP legal counsel, James Bennett, Executive Director, and Stuart MacDonald, Department of Economic Development.

MEMBERS IN ATTENDANCE

Members in attendance included Mayor Angel Taveras, Daniel Baudouin, William DiStefano, Jr., Kas DeCarvalho, Mark Feinstein, Juana Horton, Gerald Massa, Councilwoman Sabina Matos, Janet Raymond and Clay Rockefeller.

MEMBERS ABSENT

Members not in attendance were Joseph Caffey, Adriana Dawson, Gary Glassman, Stephen Lane, and Paul Mithun.

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, Gail McGowan, and Arthur Speaks.

OTHERS IN ATTENDANCE

Others in attendance included Gonzalo Cuervo, Deputy Chief of Staff, City of Providence and Representative for Mayor Angel Taveras (PEDP); John J. Garrahy, Esq., Moses Afonso Ryan, PEDP legal counsel; Ann Gooding, Director of Communications, Department of Economic Development; Thomas Hoagland, consultant to PEDP.

MEETING MINUTES

The minutes of the April 17, 2013 PEDP 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 April 17, 2013 Board of Directors meeting. Attorney John Garrahy noted that there was one blank on page six (6) of the meeting package [page 4 of the meeting minutes] and questioned if anyone remembered who made the motion. It was noted that there was also blanks on the last page of the meeting minutes for the motion to adjourn. Daniel Baudouin stated that he could be added for adjournment purposes. Mayor Taveras stated that unless a member knows for sure that they made the motion(s), he would rather leave the name blank. Motion passed by unanimous vote.

REPORT OF THE CHAIRMAN

Mayor Taveras stated that he has a brief report. The city has passed its budget and 1) there is a freeze of the commercial tax rate; 2) two (2) new positions have been created in the Department of Inspections and Standards to streamline permitting; and 3) the Kennedy Plaza construction will not begin until next year. Mayor Taveras is currently working on on-line permitting. Mayor Taveras briefly discussed the Tax Stabilization for parking lots, which is for the re-development of parking lots and not the development of additional surface parking lots, which he is working on getting to the city council as it requires council approval. Mayor Taveras also discussed the TIGER grant for the street cars and the work that is being done with CCRI for English immersion programs. Mayor Taveras will report further on the budget in the future. The state budget at first glance does not provide the assistance that we needed, but he is having the numbers looked at by his staff.

Mayor Taveras noted that the Johnson and Wales University (JWU) new parking garage building is an

interesting project to take note of. The Providence Redevelopment Agency (PRA) is taking over the Arnold Building, which is the narrow building on Washington Street. This building has been an eyesore for ten (10) years or more. The building is unique and Mayor Taveras wants to preserve it. The city is also working on the Dynamo House. There is nothing new to report at this point on the Superman Building; the owners are working on state leases for the building, which is good. Janet Raymond thanked the mayor and his staff and recognized Daniel Baudouin for his efforts on the commercial tax freeze. Mayor Taveras thanked Ms. Raymond and stated that there is no one thing that he can do and that there is no one fix.

A discussion followed concerning the two new positions that were created in the Department of Inspection and Standards, their titles and responsibilities. Mayor Taveras requested that Gonzalo Cuervo bring the official titles to the next meeting. James Bennett stated that the fire staff is now in the same building as Inspection and Standards and that their space is being built out now, which is helping with the backlog. Clay Rockefeller stated that the backlog is still pretty substantial. Mr. Baudouin commended the mayor on the commercial tax freeze and the statement that the city made in doing so. Mr. Baudouin also expressed support of the reinstatement of the historic tax credit program and added that it is unfortunate that its reinstatement is so limited.

Mark Feinstein raised the question as to whether there is a handful of metrics that we can track over time for economic development, e.g. vacancy rates and a brief discussion then followed. Mayor Taveras stated that there are such as the size of the labor force, number of permits pulled and incorporation rates, which we can talk about further. Councilwoman Matos echoed the metrics request and also requested that the metrics be tracked by neighborhood. Mayor Taveras stated that tracking by neighborhood is more difficult. Councilwoman Matos then modified her request to tracking by commercial area, e.g. Downtown, Olneyville, etc.

REPORT OF THE EXECUTIVE DIRECTOR

Jim Bennett stated that Mayor Taveras covered most of what he was going to talk about. Mr. Bennett added that Providence was ranked in the top twenty (20) undiscovered destinations. East Side Monthly did a great story on the Thayer Street businesses. PRA took the first property since 1998 – the Arnold Building – which will be sold by late July. Mr. Bennett took a look at The Sportsman’s Inn, which Clay and his group are doing, and is fabulous. Mr. Bennett stated that Mr. Baudouin did a wonderful presentation and asked him to provide this board with a brief overview. The presentation was concerning first floor vacancy rates. Eight (8) to nine (9) years ago the vacancy rate was thirty percent (30%) and now it down to ten percent (10%), which we would like to be five percent (5%). We are net new businesses opened in the downtown area. Joelle Canter of Mr. Baudouin’s office could make the same presentation here, to which the mayor responded in the affirmative. Mr. Baudouin then answered questions of the directors concerning the vacancy rate data. A brief discussion followed with regard to current and future construction projects and the impact they are having on the condition of the city’s streets as well as on area businesses. Councilwoman Matos questioned whether there was any assistance that could be provided in particular to the Olneyville area businesses due to the construction that is going to take place there over the next year. Mayor Taveras stated that the Hope Street merchants are going through the same issue right now, which has been very difficult. What the city is doing there it would have to do everywhere else. As such, the city did not offer financial assistance because it would have to offer it everywhere.

Mayor Taveras questioned if there was any New Business. Mr. Feinstein stated that since we last met it was reported that money is to be repaid to HUD for ineligible expenses and asked for additional information. Mr. MacDonald responded that \$528,000.00 in ineligible expenses is to be repaid to

HUD, which is accurate and was reported to the board on several occasions. The figure was originally \$1.5 million, but has been decreased to \$528,000.00. There are ways for us to not repay the funds, for which we are in negotiations now. If projects are being paid from the city's general fund, they can be used as an offset. Mr. MacDonald added that the expenses were not inappropriate as reported, but were ineligible. Mayor Taveras questioned whether the board saw the final letter/agreement with HUD. Attorney Garrahy responded in the affirmative and that the response was approved by the board, however the numbers may not have been final. Mayor Taveras stated that our annual CDBG allocation can be decreased in the future, which is not just for PEDP activities. We are building a better relationship with HUD and this will not be repeated again. We will have to repay HUD for the ineligible expenses with non-federal funds or with city general fund projects.

Kas DeCarvalho questioned how PEDP is doing for resources in general, noting that the negotiations and relationship with HUD has taken a whole lot of energy. He knows that there are loans and loan applications that have been stretched out with matters that are in the pipeline for six (6) to eight (8) months, which is a long time. He saw in the report that one of our Borrowers wanted us to subordinate and we missed the refinance deadline. Mayor Taveras stated that we did not miss the refinance date and that this issue was presented to him and he preferred to take it to the board to be approved. He has approved matters in the past and taken them to the board for ratification, however he wants to limit doing that. He did not think that the Borrower would lose the financing by him doing that. Mr. MacDonald added that the new 108 funds are still available. The RLF funds are still tied up. The HUD review will take place next week. Once the review is complete, the RLF funds will open up again. Managing our applicants' expectations is the issue.

Councilwoman Matos asked the following questions: 1) the balance of the revolving fund; 2) whether there are any plans for the 108 balance (\$6 million) and any new programs for the funds; and 3) can we have an update for the next meeting on the Storefront program. Mr. MacDonald responded that there is \$500,000.00 remaining in the revolving fund and that there is not any new loan requests to be funded with the 108 funds and deferred to Mr. Bennett with regard to any plans for the use of the funds in his pipeline. Mr. Bennett responded that there is currently no plan for the use of those funds. Councilwoman Matos questioned the procedure to bring forward ideas for new programs. Mayor Taveras stated to reach out to Mr. Bennett, which would be the most productive way since he can provide assistance with its presentation or it can be discussed under new business at a board meeting. Mr. MacDonald noted that any other increase to the 108 funding has to go to the city council. Mr. Feinstein questioned what a realistic timeline is for a loan application. Mr. MacDonald stated that for a 108 loan it is two (2) months, with the Borrower receiving an answer in six (6) weeks. The closing will then take another thirty (30) days because the money comes out of Washington. Once we are up and running, a RLF loan will be quick and will take two (2) months to close. Attorney Garrahy noted that those timeframes are dependent on the PEDP meeting dates as the loan requests have to go before two boards and as such the times may slip a little from the above.

LOAN COMMITTEE RECOMMENDATIONS

The next agenda item entertained by the Board of Directors was the presentation and approval of the recommendations from the Loan Committee from its June 2013 special meeting. A report of the actions was provided in the meeting packages. Review of the recommendations for approval was first considered. Mayor Taveras stated that each recommendation would be taken one by one. The first recommendation for approval was of the loan request in the amount of \$300,000.00 of Contract Specialties, Michael and Evelyn Guarino, Donna Fantozzi and Kathleen Gambuto, 234 Hartford Avenue, Providence, Rhode Island, 02909. Mayor Taveras introduced this loan request and presented the committee's recommendation. Mr. MacDonald added that the business is changing the way that it

does business and is transitioning to internet-based sales. This loan is a 108 loan and is already HUD approved. Sales representatives are contractors and do not count as employees. The business will be adding ten (10) jobs and most of their employees come from the neighborhood and walk to work. Mayor Taveras stated that he does not know the applicants but has visited the business. It is an amazing spot and has a significant number of employees. There is a made in USA market out there and if we can help them grow, they can be successful. They have been in business for forty-three (43) years. A discussion followed with regard to the 108 funding process. Mr. MacDonald stated that for the 108 dollars, the funds are obtained in the marketplace and someone is buying our debt, which is guaranteed by HUD. These funds are a lot less restrictive, i.e. the disbursement of the loan funds. The RLF is federal funds and is HUD dollars. We are going to follow the more restrictive disbursement procedure for the 108 loans as we do for the RLF loans. The loan to Contract Specialties will be secured by a first position mortgage on the building and a second position mortgage on the assets. Upon a motion made by Councilwoman Sabina Matos and seconded by Clay Rockefeller, it was voted to approve the loan request of Contact Specialties, in the amount of \$300,000.00, as presented, subject to the terms and conditions of the loan memorandum and the recommendation of the Loan Committee. Motion passed by unanimous vote.

The next recommendation for approval was of the loan request of Granny Squibb Company, LLC, Sally (Robin) Robinson Squibb, 259 Benefit Street, Providence, Rhode Island, 02903, in the amount of \$50,000.00. Mayor Taveras introduced this loan request and the recommendation of the Loan Committee. Mr. MacDonald added that this applicant was originally applied to the IIP without going through Betaspring. The IIP Sub-Committee recommended that the company apply to the RLF. The loan is over-collateralized. PEDP will have a first position mortgage on a \$1.2 million property. There was a discussion with the Borrower regarding whether the loan amount is sufficient and the principal does not want additional funds. The loan is too small to be a 108 and we do not expect to be out on this loan long. We do not want to fund a short term loan on a long term obligation. Upon a motion made by Daniel Baudouin and seconded by Kas DeCarvalho, it was voted to approve the loan request of Granny Squibb Company, LLC, in the amount of \$50,000.00, subject to the terms and conditions of the loan memorandum. Juana Horton noted that the company's group of advisors is impressive and that the product is being sold at Whole Foods and other markets. Motion passed by unanimous vote.

The next recommendation for approval was the request for subordination from Healing Touch Corporation d/b/a Salon Bianco to the refinancing of one of the principal's existing first mortgage on her personal residence. The refinance request was strictly for a better rate. The re-financing commitment expired on June 10, 2013 and was cancelled on June 3, 2013 by the Lender due to PEDP's inability to take action by that date. Mayor Taveras introduced the request and deferred to Mr. MacDonald. The Loan Committee has recommended approval of the subordination request submitted as well as any future request that is submitted that is substantially in accordance with the refinancing terms currently submitted since the Borrower has indicated that another Home Affordable Refinance Program (HARP) re-financing offer may be made in the future. Mr. MacDonald indicated that the issue was raised earlier that the financing was cancelled, which the mayor addressed. The decision was made for no exceptions to be made and all requests have to go through the process established which is being presented to the board. There are a lot of positives to this Borrower and request. The refinancing would have saved the Borrower \$300 per month, the loan has been paid down significantly, and the loan balance is not being increased by the refinance.

Attorney Garrahy asked if he could speak to this matter. A lot of times this type of situation happens whereby we have a second or third position mortgage and requests are received from a Borrower for PEDP to subordinate to the refinance of the existing first mortgage on a personal residence that is

being refinanced for a better rate. We have now structured PEDP such that this type of request has to come here and the timing in this case was such that we did not meet the financing deadline. This is really a no brainer because our collateral position has not changed. The Loan Committee has also recommended to this board a change in the by-laws to allow this type of approvals by staff where collateral is not substantially or materially changed without the request having to come to the loan committee and board of directors for approval. The approval is ministerial but is a broader policy question of whether the board wants to delegate that authority to staff. It was questioned whether a motion may be made now. Mr. Garrahy stated that it is not on the agenda today for a vote but if it is the will of the board, he could draft something for the next meeting. Mayor Taveras asked that we have the changes for a future meeting so that we can discuss the matter further.

Upon a motion made by Mark Feinstein and seconded by Daniel Baudouin, the motion was made to approve the subordination request of Salon Bianco, as recommended by the Loan Committee. Mayor Taveras stated that he would recuse himself from the vote on this matter due to Everett Bianco serving on the city's licensing board to which he appointed him and asked that Gerald Massa chair this agenda vote. Kas DeCarvalho also recused himself from the vote on this agenda item. Motion passed by vote. Mayor Taveras asked that the record reflect that the motion carried with everyone present. Councilwoman Matos requested that with regard to the language change to be considered at the next meeting, that a substantial change in collateral be defined perhaps in percentages. Daniel Baudouin suggested that the loan for which the request is received has to be current and that the chairman also approve the request. Mr. Garrahy indicated that the chair also reviewing and approving the request would be an open meeting issue because he would not be acting in any official capacity.

The next recommendation for approval was the request for the release of the business assets only in connection with the loan to Cuban Revolution. Mayor Taveras recused from the discussion and vote on this agenda item. Mr. Massa continued to chair the meeting. Mr. MacDonald presented this request. The business has gone out of business, which happens in commercial lending. The loan has been paid down to \$91,000.00. The landlord is purchasing the assets for \$15,000.00. There is an opinion value of \$12,000.00-\$14,000.00. Mr. MacDonald deferred to Mr. Garrahy. Mr. Garrahy stated that Washington Trust has a first position security interest to secure \$30,000.00 and was going to have a public sale. Washington Trust agreed to accept \$15,000.00 from the landlord. A discussion followed with regard to the Loan Committee wanting legal counsel to pursue additional collateral from the principals for this loan as well as what would happen if we did not release our security interest. Mr. Garrahy indicated that he has not yet made the overture requesting additional collateral being pledged but will be doing so. This is now a collection matter that he will pursue through whatever means necessary to collect. Daniel Baudouin recused himself from the vote in connection with this approval recommendation. A motion was made by Councilwoman Sabina Matos and seconded by Clay Rockefeller to approve the release of the business assets only of Cuban Revolution, as recommended by the Loan Committee. A discussion then followed with regard to whether there would be any implications down the road if the board is now voting to release the business assets. Attorney Garrahy stated that there is not in his opinion and that the board is not taking any action with respect to this loan. Motion passed by vote. Mayor Taveras returned to chair the meeting. Mayor Taveras stated that he has an interest in the other location of Cuban Revolution as he has made payments to that location from his campaign account. While he does not think this is a problem because he thinks that the two locations are separate entities, there has been no special treatment and he thinks it is just best to recuse on this matter.

Daniel Baudouin left the meeting at 1:27 P.M.

The next recommendation for approval was the request of DJM Wholesale, LLC d/b/a Proofed Artisan Breads for the approval of a reallocation of the approved use of the PEDP funds. Mr. MacDonald presented this request. The loan funds are being reallocated from acquisition of equipment to additional working capital. We did not have to go to HUD for this request but did and the use of the funds is not of concern to HUD, it is a departmental issue. Upon a motion made by Mark Feinstein and seconded by Kas DeCarvalho, it was voted to approve the request for a reallocation of the use of the loan funds as recommended by the Loan Committee. Motion passed by unanimous vote.

The next recommendation for approval was the request of Anne Huntington and Stephen Palumbo (deceased) d/b/a PO Art Gallery for the remaining loan balance to be forgiven due to the business ceasing operations and due to personal hardship. Mayor Taveras introduced this request and the recommendation of the Loan Committee. Mr. MacDonald added that he is making arrangements to pick up the remaining artwork. The outstanding loan balance is \$11,595.00. Kathy Cosentino added that the request for the loan balance be forgiven is due to the business ceasing operations at the end of June 2013. The Borrower's request is also due to hardship as her husband passed away from cancer linked to Agent Orange from his military service in Vietnam. The gallery is ceasing operations due to being given notice that its lease was being terminated after seventeen (17) years at the end of the month and the principal does not have the capital to relocate the gallery. In exchange for an affordable rent, the landlord reserved the right to terminate its lease at any time with a 30-day notice.

The gallery was opened in 1986. The loan was made in 1993, in the original amount of \$30,330.00, by the city in its efforts to create an arts and entertainment district. The principal states that the gallery never made a profit and has demonstrated on several occasions, including with the present request, that there is insufficient income from the operation of the gallery and of the principals to make loan payments. The principal is of meager means as survivor's benefits are her only income. As a result, various concessions in reducing payments were made since the city's only alternative would have been to foreclose on its security rights which probably would have resulted in a very minimal sale of the assets and put the gallery out of business. Given the city's efforts to establish an arts and entertainment district, it was decided to allow the business to continue in the hopes that at some point they would begin to make a profit. The principal has made every effort to repay her loan debt over the past twenty (20) years and but for its lease being terminated, would have continued to make her loan payments to PEDP. Upon a motion made by Janet Raymond and second by Juana Horton, it was voted to approve the request to forgive the remaining balance of the loan to PO Gallery, in the amount of \$11,595.00, as recommended by the Loan Committee. Motion passed by unanimous vote.

The next agenda item entertained by the Board of Directors was the agenda items withdrawn from the Loan Committee Agenda. The loan request of Lopco was withdrawn from the committee's agenda and no action was taken.

Upon a motion made by Janet Raymond and seconded by Mark Feinstein, the meeting was adjourned at 1:33 PM.