

PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.

WEDNESDAY, SEPTEMBER 18, 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 September 18, 2013. The meeting was called to order at 12:34 PM, with Joseph Caffey, Vice-Chairman, presiding. Roll call of the directors was conducted.

MEMBERS IN ATTENDANCE

Members in attendance included Mayor Angel Taveras, Joseph Caffey, Daniel Baudouin, Kas DeCarvalho, Mark Feinstein, Gary Glassman, Gerald Massa, and Councilwoman Sabina Matos.

MEMBERS ABSENT

Members not in attendance were Adriana Dawson, William DiStefano, Jr, Juana Horton, Stephen Lane, Paul Mithun, Janet Raymond 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, 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; Dan McGowan, WPRI.com.

MEETING MINUTES

The minutes of the June 19, 2013 PEDP Board of Directors meeting were submitted for review and approval. Upon a motion made by Kas DeCarvalho and seconded by Councilwoman Sabina Matos, it was voted to approve the minutes of the June 19, 2013 Board of Directors meeting. Motion passed by unanimous vote.

REPORT OF THE CHAIRMAN

Joseph Caffey stated that since the chairman was not yet present, we would move to the Report of the Executive Director.

REPORT OF THE EXECUTIVE DIRECTOR

Jim Bennett stated that he would be brief and then hand over the report to the Assistant Director. Mr. Bennett stated that progress was made with HUD. Stuart MacDonald was at HUD yesterday. Mr. Bennett then deferred to Stuart MacDonald. Mr. MacDonald stated that he had the final meeting with HUD yesterday to go over the portfolio review and finish it. We are in good shape and will be able to start lending shortly – within the week or next week. We previously wrapped up the ineligible expenditures and settled with HUD for \$528,000.00, which he believes was previously reported to the board. There will be a reduction of our future CDBG grants over a three (3) year period in the amount of \$175,000.00 each year. We are ready to start lending; there is a new loan request on today's agenda. HUD has approved us and if we get board approval, the loan approval will go up to HUD for approval so we are open for business. It was questioned whether going forward all loan requests will go to HUD. Mr. MacDonald stated that it was surprising to him yesterday that they are going to review our first couple of loans because prior to that they said they do not want to review our loans as much as Mr. MacDonald likes the idea of having big brother over our shoulder. HUD has indicated that it is our portfolio and we are ultimately responsible for managing it. It was questioned whether we have a sense of the timing for the HUD review. Mr. MacDonald responded that we would have a response the same day or the next couple of days.

Daniel Baudouin commended the staff for their effort and stated that he is sure it took a lot of time and effort. Mr. MacDonald responded that it took a year.

Councilwoman Sabina Matos stated that metrics on how we are doing were requested at the last meeting and she questioned if there is a status on this matter. Mr. MacDonald responded that he thinks her question is relative to the status of the IIP loans. Councilwoman Matos indicated that it was not and explained the discussion from the last meeting. Mark Feinstein added that the metrics will be a way to look at our progress. Mr. MacDonald indicated that there will be a report on the Mayor's 20-point economic development plan, which we will probably have at the next meeting. There will also be a report on the IIP loans, for which we may also have a presentation by Betaspring.

Kas DeCarvalho mentioned the mayor's zoning ordinance overhaul or re-zoning and questioned the PEDP board's involvement. Mr. MacDonald responded that PEDP is part of the planning department and planning ran the last meeting for the re-zoning. If Mr. DeCarvalho is questioning the board's involvement, he cannot answer that question.

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 September 2013 meeting. A report of the actions was provided in the meeting packages. Review of the recommendations for approval was first considered.

The first recommendation for approval was the loan request of Lopco, Thomas J. Loptosky, Jr., 67 Seymour Street, Providence, Rhode Island, 02905, in the amount of \$48,000.00. Mr. MacDonald presented the request. The business asked for a lot more financing however the underwriting generated a lower loan amount. The concern here was whether the PEDP financing is enough for the Borrower and his accountant has indicated that it is. The Loan Committee has recommended approval of \$48,000.00.

Mark Feinstein questioned the level of detail that we are going to get into with the Loan Committee having already reviewed the request. Mr. Feinstein indicated that there are extremely tight margins here and suggested that the Borrower avail himself of SBDC assistance. Concern was expressed with regard to the financials presented in the loan write-up. A discussion followed with regard to the history of the business and the business financials. Mr. DeCarvalho indicated that he would need to recuse himself from the vote and discussion of this agenda item and stepped out of the meeting. At 12:47 P.M., due to the discussion of financial information, a motion to enter into executive session was made by Gonzalo Cuervo and seconded by Councilwoman Matos and it was voted to enter into executive session in accordance with the R.I.G.L. 42-46-5. Motion passed unanimously by roll call vote. Open meeting resumed at 1:05 P.M.

Mayor Angel Taveras entered the meeting at 1:01 P.M., addressed the board and apologized for being late.

PEDP legal counsel, John J. Garrahy, requested that it be indicated in open session that no votes were taken in Executive Session. Upon a motion made by Councilwoman Matos and seconded by Mr. Feinstein, it was voted to approve the recommendation of the Loan Committee in connection with the loan request of Lopco. Mr. Garrahy requested that the motion include the approval being subject to the terms and conditions outlined in the loan write-up so that the motion incorporates all the loan terms and collateral positions.

Gary Glassman expressed that based upon what the board has seen, he does not feel good about funding this request. Joseph Caffey stated that the board is welcome to sit in on the Loan Committee meetings to see what takes place at those meetings. Mr. DeCarvalho had previously indicated that he was recusing himself from this agenda item. Mr. Glassman voted nay in connection with this agenda item. Motion passed by vote.

Mr. Feinstein indicated that he had expressed in executive session but would like to also state in open session that we need to hear more of the Loan Committee discussion and comfort levels and/or concerns and the like. Mayor Taveras questioned whether he would like to join the Loan Committee. If we re-do the review of the loan requests, then that is like two (2) boards doing the same thing. Mayor Taveras wants the board to ask questions but wants to avoid the board becoming another loan committee. Mr. Feinstein requested the role of the board and the level of detail for the board with loan approvals. Mr. Baudouin questioned whether the committee receives more financials than in today's meeting package. Mr. Feinstein questioned whether the loan committee now receives as much detail as the committee did before with financials and other documentation. Kathy Cosentino responded in the negative, indicating that the copies of the loan committee documentation in today's meeting package is a copy of exactly what is received by the committee. Mayor Taveras stated that more of a description could be added to the Loan Committee Report that is included in the board packages. Mayor Taveras stated that we should look into whether we can partner with Johnson and Wales (J&W) for the completion of the applicants' business plans, to which it was responded that we already have. Mayor Taveras suggested that we could make the referral to J&W a requirement of the loan application. It was questioned whether this applicant was referred for technical assistance to which Mr. MacDonald responded that he has a CPA, who is his advisor. Mr. MacDonald added that the applicants receive a list of resources in the application packages.

The next recommendation for approval was the request of staff in connection with the loan to Pisaturo Real Estate, LLC d/b/a Irving relative to Loan #2 (\$34,000.00 dated August 2013), for a change to the loan approval that was granted due to a typographical error in the loan write-up stating that PEDP's collateral position in the assets of the business would be a first position security interest. PEDP's collateral position is a third position security interest behind the senior lender and the original PEDP financing, which PEDP was aware of. Mr. MacDonald presented the request and stated that the Borrower has two (2) PEDP loans. Mr. MacDonald stated that the change applies to the previous or first loan and does not apply to the second loan. This is a form issue and not a substance issue and the loan was underwritten properly. When questioned, Ms. Cosentino provided clarification that the change is relative to the Borrower's second loan and reviewed the collateral positions pledged. In addition, Ms. Cosentino reported to the committee that PEDP's collateral position on the commercial real estate has improved since the loan approval was granted as one of the senior lenders subordinated its mortgage position to PEDP's mortgage for this loan only (Loan #2 in the amount of \$34,000.00 dated August 2013), thereby advancing PEDP's position on the real estate from fourth (4th) position to second (2nd) position for the second loan only. As such, PEDP's overall collateral position for this loan has improved. A motion was made by Councilwoman Matos and seconded by Gerald Massa to approve the recommendation of the Loan Committee to approve the above outlined technical change to the loan write-up and original loan approval. Mr. Baudouin mentioned that the financials show net income as negative and questioned the reason for that. Mr. MacDonald responded that the negative net income is addressed in the write-up and we expect losses on a start-up. Ms. Cosentino added that the Borrower has had an excellent payment history on its first loan and has never missed a payment. Motion passed by unanimous vote.

The next recommendation for approval was the request of Donna Mollo d/b/a North Shore Construction for an extension of its payment moratorium due to medical issues. The Loan Committee recommendation is for approval of an additional period of six (6) months for the period of September 2013 through February 2014, with a review at that time of the principal's medical status. Mr. MacDonald presented the recommendation. After a brief discussion of the past and current payment moratoriums that have been granted (eighteen (18) and six (6) months respectively), Mayor Taveras stated that he thinks that we have given long enough to this Borrower. Mayor Taveras expressed that he is willing to provide an additional six (6) months, however enough is enough. When questioned, Mr. MacDonald stated that you try to maximize your return when making collection and write-off decisions. A discussion followed with regard to the principal's current source(s) of income as well as the collateral pledged as security for this loan. Mayor Taveras stated that we will extend the moratorium for six (6) months and then pursue her loan. A discussion followed with regard to denying the moratorium request now. It was questioned whether additional collateral could be requested as a condition of approval. Mayor Taveras stated that we should approve this request now but then move on, however he does not want to spend a lot on legal fees for the collection of this loan. In addition, we do need to have a better idea of the principal's financial condition. Upon a motion made by Councilwoman Sabina Matos and seconded by Gerald Massa, it was voted to approve the recommendation of the Loan Committee to approve the moratorium request of Donna Mollo d/b/a North Shore Construction for an additional period of six (6) months for the period of September 2013 through February 2014. Kas DeCarvalho and Joseph Caffey voted nay in connection with this agenda item. Motion passed by vote.

OTHER BUSINESS/PUBLIC COMMENT

Mr. Baudouin stated that there was one issue that has come up and we have a loan involved for a parking lot, which is Rising Sun Mills and the relocation of its tenant, Dassault Systemes. Mr. Baudouin questioned whether we are on top of this matter and whether Armory has a strategy. Mr. Baudouin stated that he does not know how much their loan is and questioned if anyone recalled the loan amount. Mr. MacDonald responded that staff has had meetings with Armory. Ms. Cosentino indicated that the loan was in the amount of \$620,000.00. Mr. Bennett questioned whether PEDP is pari passu with RIEDC, to which Mr. MacDonald responded that it is just us. Mayor Taveras stated that with respect to Dassault, we went to France and worked very hard to keep them in the city. There is a lot of money at stake. There is a clear asset here, which is the space. Dassault is going to Johnston, Rhode Island, to the FM Global site. Obviously this is going to have an impact and we may need to give Armory time to get a new tenant. It was questioned who the PEDP loan was to, to which it was responded that the loan is to the Armory Revival Company. Mayor Taveras stated that the loan is a few years old and he believes it is current. Councilwoman Matos added that they also received a tax stabilization from the city. Mr. Baudouin stated that it sounds like the staff is well aware of the situation and is on top of it.

Mr. DeCarvalho stated that he wanted to repeat his earlier statement to commend the administration for the re-zoning process and reiterated that there may be talent around the table that can participate in this effort.

Upon a motion made by Mark Feinstein and seconded by Kas DeCarvalho, the meeting was adjourned at 1:37 PM.