

***PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.***

***WEDNESDAY, FEBRUARY 19, 2014***

***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, 1<sup>st</sup> Floor, Providence, Rhode Island, on February 19, 2014. The meeting was called to order at 12:19 PM, with Mayor Angel Taveras, presiding. A roll call of the members was conducted.

MEMBERS IN ATTENDANCE

Members in attendance included Mayor Angel Taveras, Joseph Caffey, Daniel Baudouin, Mark Feinstein, Gary Glassman, Gerald Massa, and William Tracey.

MEMBERS ABSENT

Members not in attendance were John Bentz, Adriana Dawson, Kas DeCarvalho, Juana Horton, Councilwoman Sabina Matos, and Clay Rockefeller.

STAFF MEMBERS IN ATTENDANCE

Staff members in attendance included: 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; Lynne McCormack, Director of Art Culture and Tourism, City of Providence; and Thomas Hoagland, PEDP consultant.

Mayor Taveras welcomed William Tracey, a new member to the board, and asked him to give a brief personal background to the board, which he did.

MEETING MINUTES

The minutes of the September 18, 2013 and November 20, 2013 PEDP Board of Directors meetings were submitted for review and approval. Upon a motion made by Joseph Caffey and seconded by Gerald Massa, it was voted to approve the minutes of the September 18, 2013 Board of Directors meeting with no amendments. Motion passed by unanimous vote. Upon a second motion made by Joseph Caffey and seconded by Daniel Baudouin, it was voted to approve the minutes of the November 20, 2013 PEDP Board of Directors meeting with no amendments. Motion passed by unanimous vote.

REPORT OF THE CHAIRMAN

Mayor Taveras provided a brief recap of his state of the city address. There is a copy of some of the highlights in today's package on pages 13 and 14. Mayor Taveras stated that we have a new website: [www.providenceri.com/putting-providence-back-to-work](http://www.providenceri.com/putting-providence-back-to-work). The website is tracking the city's progress on the mayor's 20-step action plan for economic development that was announced last March. ProvSmart was launched for online permitting and plan review, which will significantly cut permitting time for both small and large projects. We have been talking about fixing the long permitting times for a long time. We haven't just talked about it, we did it. Tomorrow the Storefront Improvement Program announcement will take place, which is one of the action plan items. The announcement will take place at Los Andes at 10:30 a.m. Mayor Taveras invited all the members to attend. Mayor Taveras stated that we are continuing the comprehensive zoning updates and are continuing to rewrite the zoning ordinance. The hope is that it will guide the future development and support smart growth, sustainability, and public transit. The same goes for mass transit. The EB-5 finance center that he

mentioned previously has opened in Providence, the only one of its kind here. The Arnold Building has changed hands from PRA. The building is the last real eyesore on this street and is one of the most unique buildings in the world. Once re-developed, people will feel really good about saving it. There is \$600 million in new construction and construction in the city. Mayor Taveras provided a brief list of those projects stating that a lot is going on in the city and the he is doing everything he can to celebrate that fact. Given the results of the IIP Program and the jobs that have resulted from the program, the mayor wants to propose another \$1 million for second-round funding through Cherrystone, Slater and Betaspring, noting that we can add other incubators as well. We will discuss this matter further today as it is later on the meeting agenda. The city is improving and we have to do everything to accelerate it. The IIP and Storefront programs will help do that as well as the new zoning and permitting. Daniel Baudouin commended Mayor Taveras, Jim Bennett, Jeff Lykins and the fire staff for streamlining the time to get permits and fire approvals.

#### REPORT OF THE EXECUTIVE DIRECTOR

Jim Bennett wanted to reemphasize the Mayor's State of the City and 20-point plan as well as on the permitting and the dramatic turnaround in permitting times. Mayor Taveras added that the permitting times have been reduced by eighty percent (80%) from seventeen (17) days a year ago to two (2) days. Also, for large projects of over \$100,000.00, permitting took on average forty-five (45) days a year ago, which has now been reduced to nine (9) days. Mr. Bennett continued by stating that we now have a pipeline of loans and we are in back in business. There is \$3 million in loan applications, which are diversified. We received \$1.2 million in payoffs, which Stu was responsible for, which were from problem loans that we did not think that we would get back. The payoffs create liquidity. The South Street Station project is headed up by Don Gralnek (PRA). It is a \$200 million project for the Dynamo House and garage. Mr. Bennett stated that he thinks it is dramatic. This week he is going to Dallas to meet with private equity guys. At the conference, certain local cities are spotlighted. It was a strict application process and we got in. Mr. Bennett will be making a presentation on Providence. There will be 1,000 attendees at the conference.

Mayor Taveras questioned which loans were repaid. Mr. Bennett responded the loans were to Providence Black Repertory Company, Mills Tavern, and Fete, which were all problem loans for HUD for some reason. Mayor Taveras further questioned whether the Borrowers refinanced? Mr. Bennett indicated that the Providence Black Repertory [Bali Holdings] sold the building, a guarantor of Fete repaid the loan with personal funds, and Mills Tavern was a loan assumption that turned over to a large corporation that decided to repay the loan. Mr. MacDonald added that the payoffs were in the amount of \$1.6 million and therefore we have excess cash in our fund. Mr. Bennett announced the grand opening of the Dean Hotel at the former Sportsman Inn site. Mayor Taveras suggested that the board go to the hotel's website and check out its photos – the website is beautiful. The circulator will be helpful to this business as it is going to make Fountain Street narrower and more pedestrian friendly. Right now the street is a little racetrack. Mr. Bennett added that the hotel has a karaoke bar. Mayor Taveras also added that the principal asked the mayor to select some songs for karaoke.

#### NEW BUSINESS

The first agenda item under New Business entertained by the Board of Directors was the presentation by Lynne McCormack, director of Art, Culture and Tourism regarding the use of the PEDP Section 108 funds. Ms. McCormack stated that today was not quite a presentation but an initial report and she will come back to make a full presentation. Ms. McCormack wants to share how she plans to put this money out and how to incentivize design-based businesses. Ms. McCormack wants this program to be like the IIP – very structured and a competition. They have looked at the MassChallenge. Ms. McCormack will meet with HUD with Stu to see if it meets the HUD regulations. The program will

start with a call for proposals. There will be a call to the community and those companies will be uploaded to web pages. The next level will be the competition and companies will be vetted to the next levels. Access to mentors would then be provided. The next level would then be another competition followed by six (6) weeks of training. At the completion of the training, the companies would then be provided grants or loans. Ms. McCormack concluded that she was just providing a review today and will be back at the next meeting. The program is very exciting. She is confident in the program development so far. Ms. McCormack invited board participation. The amount of the investments were questioned, to which Ms. McCormack responded that \$25,000.00 would be provided to ten (10) companies and that this will be a Pilot program. The program is meant to incentivize an action, which is private investment through a match of investment. Daniel Baudouin added that he thinks using the MassChallenge is a great idea and a great model – they have been so successful. Mr. MacDonald stated that they hope to continue the program with other funding after PEDP. Ms. McCormack continued that the Creative Economy carve-out of the Section 108 is \$1 million and therefore half will be used for this program. The other investment/donations are in-kind this round. Mr. Garrahy questioned whether the competition is a loan or a grant? Ms. McCormack responded that Stu and she have to vet that and come back to the board, however she thinks it should be a grant.

The next agenda item of New Business entertained by the Board of Directors was the IIP Program and the approval of second-round funding. Mayor Taveras presented this agenda item, stating that \$1.65 million was funded through the first round funding to thirty-three (33) companies. Betaspring's previous presentation is in today's meeting package from which the statistics contained in the presentation were read. In order to grow the fte's, we should to continue to invest in the program, in a limited way. We agreed to \$1 million in funding and went to \$1.6 million, the mayor believes. Mayor Taveras recognized that all the companies went through Betaspring and stated that this is not exclusive Betaspring program funding and there is nothing stating that we cannot add other companies. Mayor Taveras asked the staff to look into the report of the state's funding of Betaspring and make sure that we are satisfied as to our investment there. Mayor Taveras suggested that if we do not have an IIP advisory committee, we should, and if we do, we should revive it. The hope is to spur development, growth and entrepreneurs, which is the real catalyst for growth in the city. Mark Feinstein noted that it is great to have these funds and that he has some concerns that he had with the first round of funding and does not think Betaspring companies should think that this funding from PEDP is automatic. The process was also a concern to the sub-committee due to the fact that when it is an open meeting, it is very difficult to discuss what is going on in a company. He also thinks that all companies should be able to apply, not just through an incubator. Mayor Taveras stated that we will separate this matter into two (2) questions: 1) funding; and 2) implementation. Daniel Baudouin stated that he thinks it is great to bring the program back and does not think that we have the ability to vet start-ups in order to not require the companies to go through an incubator.

At 12:50 P.M., Lynne McCormack left the meeting.

Joseph Caffey added that he whole-heartedly agrees, we do not have the ability to vet these companies. We have to be as transparent as possible yet protect any financial information. Mayor Taveras asked that we create a committee to develop what the program should look like. Attorney Garrahy confirmed that the PEDP by-laws allow for the establishment of ad hoc and advisory committees. Mr. Feinstein stated that we established the program so that entrepreneurs set up roots here. We should also set up other parameters for other things the city can do to incentivize companies staying here. Mr. Caffey thinks that the program should be refunded up to \$1 million and the advisory committee should look to people outside of the board to advise us. Attorney Garrahy read from the by-laws the section that grants authority to create committees and that states that those committees need not be selected from

the board of directors. Mayor Taveras stated that the concern is establishing a deadline for the committee. So long as we have one and meet it, he does not want the committees to stay on indefinitely. Mayor Taveras will work with the executive director to establish the committee and will look to the outside to see who can help the board. Anyone interested in serving on the committee should notify Mr. Bennett. It was stated that only one company that was funded did not through Betaspring, which was Maternova, and it was questioned how that loan happened. Mr. Bennett responded that it was an application that was received early on and was done internally before we started the program. Mr. Bennett added that the staff does have the ability to analyze these companies but not hundreds of them and that we have Thomas Hoagland and Don Gralnek on staff, who are two business guys. Mayor Taveras stated that there should be some flexibility in the program. It was reiterated by another member that there should also not be the sense that this funding is automatic to Betaspring applicants. Mayor Taveras discussed the expansion of MojoTech yesterday to Exchange Terrace, which is a company that has thirty (30) jobs and is located in New York and Providence, with its corporate headquarters here. It was exciting to see. Mayor Taveras stated that the most important thing is that the program have a process that is transparent and protects confidentiality in terms of critical business information. It was mentioned that the venture capital forums might be another way to take advantage of the talent and expertise we have locally. The forums are private equity firms that meet once a month in an open forum and businesses compete for funding. Mr. MacDonald added that it is a shark tank. Mayor Taveras concluded the discussion by saying that he thinks that the forums is a great thing for the subcommittee to discuss. Mayor Taveras wants us to be nimble and move quickly and provide help.

At 1:00 P.M., Mayor Taveras stated that he has to leave the meeting, which will now be conducted by the Vice-Chairman. Mayor Taveras questioned whether there were any additional comments on the IIP Program, to which it was responded that there were none. Mayor Taveras stated that there was no vote necessary in connection with this agenda item. Mayor Taveras stated that he will work with Jim on setting up an IIP sub-committee and if anyone is interested in serving on the committee to let Jim know. Mayor Taveras then left the meeting.

Vice-Chairman Joseph Caffey now presides over the meeting in the mayor's absence.

The next agenda item entertained by the Board of Directors was the request of Martha Melgar, Vicmar Communications for approval of PEDP to subordinate its mortgage position to the refinancing of senior debt. Mr. MacDonald presented this request. This matter was presented at the November meeting and was taken off because the second mortgagee was going to foreclose. The foreclosure did not move forward. Mr. MacDonald reviewed PEDP's collateral position on the subject real estate. PEDP will remain in third (3<sup>rd</sup>) position to a slightly higher amount, which really does not impair us. We are not going to put \$110,000.00 to bid in at a foreclosure sale to protect a \$20,000.00 loan. We will give the Borrower the opportunity to catch up and make payments on its loan. We do not have a choice here. Mr. MacDonald recommended approval. It was questioned whether the Borrower was received any funds from the transaction. Mr. MacDonald responded that the Borrower is not getting any money, the increased amount being financed is due to fees. Mr. MacDonald stated that the business is closed and we are hoping they sell the real estate. A payment plan will be set up for \$80-\$100 per month. The collateral pledged as security for the loan was questioned and reviewed. Mr. MacDonald stated that the principal is judgment-proof and that the loan is technically defaulted. The principal is in a tough spot now. It was suggested that we use whatever leverage we have now to get a promise to start paying something to us since the Borrower needs our signature for the subordination.

Gerald Massa left the meeting at 1:09 P.M.

Attorney John Garrahy stated that the monthly payment right now is \$398.00 and that we could amend the Note. A forbearance is what we would be doing and we could require that the Borrower make payments. It was suggested that the modified payments would be \$100.00 per month. Mr. MacDonald stated that he likes the idea and that there is some quid pro quo here. We could hold the subordination in escrow until the forbearance is signed. Mr. MacDonald questioned what amount the monthly payment should be, to which it was responded that the payment should be whatever she can afford. The amount of the monthly payment was left to staff to determine from discussions to be held with the Borrower. Attorney Garrahy suggested that the motion to approve the subordination request be subject to staff negotiating a monthly payment that is affordable to the Borrower and something that is acceptable to PEDP. Upon a motion made by Mark Feinstein and seconded by William (Bill) Tracey, it was voted to approve the request of Vicmar Communications, Inc. for PEDP approval to subordinate its mortgage position to refinancing of senior debt as submitted to the Borrower. The approval is subject to staff negotiating an affordable monthly payment for the Borrower. The PEDP's subordination is to be held in escrow until a Forbearance Agreement is entered into by the Borrower. Motion passed by unanimous vote. It was then questioned whether the \$20,000.00 for this loan is in our non-performing asset, to which Mr. MacDonald responded that it is not a write-off and that we do not accrue the interest, we calculate it and it is part of the loan balance. Mr. MacDonald also responded that it is a non-performing asset.

#### OTHER BUSINESS/PUBLIC COMMENT

Mr. Bennett stated that there are a lot of events that Ann Gooding puts together that she could get the information for to Kathy Cosentino to inform the board of. The members do not have to attend those events, the notifications will be intended to keep the members up to speed.

Ms. Gooding added that there is an SBA event tomorrow, a workshop at 244 Weybosset Street, the Hatch Entrepreneurial Center. It is a networking event. PEDP has a partnership with SBA that was started eighteen (18) months ago. The mayor will be there between 9:30 and 10:00 a.m. It was requested that if there is an event that would be helpful to have a board member attend, to note that in the notification to prioritize the invitations.

There was no other business or public comment.

Upon a motion made by Daniel Baudouin and Mark Feinstein, the meeting adjourned at 1:15 PM.