

PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.
WEDNESDAY, APRIL 23, 2014
BOARD OF DIRECTORS 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 April 23, 2014. The meeting was called to order at 12:15 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, John Bentz, Allyson Cote, Adriana Dawson, Mark Feinstein, Councilwoman Sabina Matos and William Tracey.

MEMBERS ABSENT

Members not in attendance were Daniel Baudouin, Kas DeCarvalho, Gary Glassman, Juana Horton, Gerald Massa.

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; and Gail McGowan.

OTHERS IN ATTENDANCE

Others in attendance included Gonzalo Cuervo, Chief of Staff, City of Providence and Representative for Mayor Angel Taveras (PEDP), John J. Garrahy, Esq., Moses Afonso Ryan, PEDP legal counsel; Thomas Hoagland, PEDP consultant;

MEETING MINUTES

The minutes of the April 2, 2014 PEDP Board of Directors meeting were submitted for review and approval. Upon a motion made by John (Jack) Bentz and seconded by Joseph Caffey, it was voted to approve the minutes of the April 2, 2014 Board of Directors meeting with no amendments. Motion passed by unanimous vote.

REPORT OF THE CHAIRMAN

Mayor Taveras stated he had a couple of things to briefly discuss with the board. The opening of the Dean Hotel took place not too long ago. If you haven't had a chance to visit, they did an amazing job there. Mayor Taveras wanted to recognize their great efforts. There is a nice restaurant on the first floor, nice rooms and they kept the historic fabric of the building, which is pretty special to see. It was a Hollywood opening with a red carpet.

The Arnold Building on Washington Street is being worked on right now and is in the process of being developed. It is the last building on Washington Street to be developed. It is very unique and is going to be pretty special.

There are a lot of different projects going on around the city. In Councilwoman Matos' neighborhood, there are projects going on with several buildings in Olneyville Square at the McDonald's and Family Dollar sites, which have been vacant. At the Sears building on North Main Street, the developer's are converting the site into an LA Fitness. This site has been vacant for a long time and he is glad to see it moving forward. There are three (3) other projects he hopes he can announce soon that he is excited about. They do not necessarily involve PEDP financing. Mayor Taveras will let the board know more in the future. We will try to get more construction going on in the city; there are some real opportunities to do so. In the short time that he has been mayor, there have been the following projects: Dynamo House, ProvidenceG, Arnold Building, and the Sears building. These building have been underutilized have been and put back into use and preserved. There is a lot going on. The weather is beginning to break and we are beginning road projects. The worst roads will be done first. Last year, \$20 million was invested and another \$20 million will be completed this year as well.

Mayor Taveras is hopeful that this will also alleviate the pothole situation we have faced, along with other municipalities. Mayor Taveras opened up the discussion to questions. A question was raised with regard to the article in today's paper regarding the city going after certain stabilization projects. Mayor Taveras responded that we are just making sure that the city receives the correct payment amounts from those projects. The article stating that the city is looking for more was further questioned. Mayor Taveras responded that some of the recipients have a different understanding and the city is trying to make sure it gets the correct amounts owed. Mayor Taveras then thanked the board.

REPORT OF THE EXECUTIVE DIRECTOR

Jim Bennett thanked Mayor Taveras. Mr. Bennett said thankfully the mayor spoke before him or he would have mentioned the projects he shouldn't have. Mayor Taveras stated that he would rather not mention those in open session to ensure that they do happen since there is still something to be worked out. The projects are going to be fairly substantial. Mr. Bennett welcomed new member Allyson Cote since he was not at the last meeting. Mr. Bennett thanked her for joining the board and is looking forward to her perspective.

Mayor Taveras stated that with regard to agenda item #5, New Business, we are going to put that off to item #8, Executive Session, because as we discuss options relative to potential litigation, or whatever it might be, he thinks it is better that we do that in executive session. The matter is about what options there are and what strategy we may decide to follow and he thinks it would be more appropriate to discuss those matters in executive session. Mayor Taveras spoke with legal counsel and he thinks it is more appropriate to do so in executive session, so we will leave #5 until then.

LOAN COMMITTEE RECOMMENDATIONS

The recommendations of the Loan Committee from its April 2014 special meeting were presented for review and approval. The recommendations of the committee followed after the committee's special meeting that took place on April 17, 2014. Mayor Taveras asked Stuart MacDonald to address this matter. The first matter was the loan request of Nikki's Liquors, DMR Enterprises, Inc., Michael Iannozzi and David Iannozzi, in the amount of \$150,000.00. Mr. MacDonald provided a brief overview of the loan terms and project. The business is relocating and will have two and one-half (2-½) times more space, from 2,000 to 5,000 square-feet at a decreased rent expense, from \$81,000.00 to \$50,000.00. The reduced rent will make up the losses they have shown and the increased space and visibility will increase sales. The Loan Committee has recommended approval of the loan. The committee had a lot of questions and we answered all of them. One question was on the margins and they are almost right on. Their specialty is craft beer and the new area will be better for craft beer sales. The number of new employees to be hired was questioned, to which Mr. MacDonald responded that five (5) new employees will be hired. A motion was then made by Joseph Caffey and seconded by John Bentz to approve the loan request of Nikki's Liquors, in the amount of \$150,000.00.

It was then questioned how quickly the five (5) jobs are to be created. Mr. MacDonald responded that the new jobs have to be created within three (3) years but we have more flexibility. We require the Borrower to create the jobs in two (2) years, but we do not like them to know that we have more flexibility under the HUD guidelines. It was noted that the Borrower's proforma does not match that and that they are only adding \$20,000.00 to the line item. If they are giving increases to current employees, then they are not really adding new jobs. A brief discussion followed with regard to the business increasing the size of the space; the proforma also not including the increase in sales; the mix of business changing, which will also increase sales; and the analysis of the margins. It was reiterated that if we expect the business to create the five (5) jobs, it is not included or reflected in the proforma.

Mayor Taveras stated that it was so noted and that they will have to sign documents to that effect. Mr. MacDonald confirmed that that was right and that it is a default if the business does not create the jobs. Mayor Taveras asked that he make sure to track that. It was then voted to approve the loan request of Nikki's Liquors, in the amount of \$150,000.00. Motion passed by unanimous vote.

The next matter that was presented to the Loan Committee was the loan request of Julian's Restaurant, JRB, LLC, Randy Kass, Julian Forgue and Brian Oakley, in the amount of \$75,000.00. Mr. MacDonald presented the request. Mr. MacDonald began by first stating that we have seen this group recently because they asked for a substitution of collateral at the last meeting. Mr. MacDonald then corrected himself to state that the request was for a substitution of guarantors. The request is for a \$75,000.00 loan to Julian's and The Bus. Mr. MacDonald noted that The Bus already has a loan with us, for those members that were not on the board at that time. The original loan request was for Pizza J, which we could not provide a loan to because of environmental issues. We have brought the loan two (2) or three (3) times to HUD to make sure that we were within their purview. We are making the loan exclusive of the pizza place. Exclusive means that none of the money is going into the pizza restaurant or its location. We are going to get certifications in the loan documents. The loan is for working capital and equipment, which meets HUD's guidelines. Mr. MacDonald has an e-mail from HUD stating that it is okay to proceed with the loan.

Attorney John Garrahy stated that if he may, there are two (2) things that the Loan Committee is concerned with. The first is that there be specific provisions in the loan documents that none of the funds go to the other restaurant or affiliate entity because of environmental concerns, which is prohibited by HUD. Mr. MacDonald stated that the Borrower is okay with that and if we want to make it a separate affidavit, they are fine with that, too, or right in the loan documents. The second concern is that The Bus is doing some servicing in the Newport area. Questions have arisen with respect to the location of The Bus: where it is stored and maintained. We need verification that it is stored in Providence and paying taxes. Mr. MacDonald responded that HUD is okay with that too, that it is in Newport for three (3) to four (4) months. It is okay as long as we do not include the jobs that are in Newport. The jobs have to be Providence jobs. The financial statements show that it is a very profitable business. The loan that they have with us for The Bus, in the amount of \$85,000.00, they have never missed a payment. It is a well performing loan. We have the principals' guarantees, three (3) of them, one (1) of which has a substantial net worth. The Loan Committee felt that it was a very good loan and approved it.

The question was raised as to where the new jobs are going to come from. Mr. MacDonald responded that they will be in the restaurant and in The Bus when it comes here. They will sign documentation and it is right in the documents and the Note. They have created jobs with The Bus and we have closed out that activity in HUD's reporting system. Mayor Taveras asked if there was a motion in connection with this loan request. A motion was made by William Tracey and seconded by John Bentz to approve the loan request of Julian's Restaurant and The Bus, in the amount of \$75,000.00. A discussion followed. Mayor Taveras questioned Mr. MacDonald's statement that one (1) person has a substantial net worth and questioned how that fits in with being able to get two (2) letters of rejection. Mr. MacDonald responded that because The Bus is part of the collateral and The Bus is very difficult to finance. It was then questioned whether the Borrower has insurance, to which Mr. MacDonald responded in the affirmative. Attorney Garrahy stated that the Borrower has liability insurance. It was questioned whether they also have collision coverage since it is moving and not stationary and the value of it is back-up to a loan as collateral. Mr. MacDonald responded that we are a loss payee on all insurances. Attorney Garrahy added on personal property insurance. It was further questioned whether the Borrower has coverage for vandalism, fire and theft, because liability insurance is different

than collision. It was then requested that we make sure that they have the insurance, they have paid the insurance and that they have kept it up. Mr. MacDonald responded that we monitor all insurances. Mayor Taveras requested that we make sure that we are a loss payee on that. It was then voted to approve the loan request of Julian's Restaurant and The Bus, in the amount of \$75,000.00. Motion passed by unanimous vote.

Mayor Taveras stated that there were no further items with respect to that agenda item. Mayor Taveras stated that the next matter was Public Comment and opened up the meeting to any members of the public that wished to make a public comment; there were none.

Attorney Garrahy stated that we need a motion to go into executive session pursuant to R.I.G.L. 42-46-5(a)(2) to discuss possible litigation and a motion was made by John Bentz and seconded by Mark Feinstein. A roll call vote was taken. Motion passed by unanimous vote. Executive session was entered into at 12.39 P.M. and the board members left the meeting.

At 1:05 P.M., the board members returned to the meeting, and Mayor Taveras stated that the board was back from executive session and that all members were still present.

Mayor Taveras stated that we discussed generally the options related to the request from the Broad Street Revitalization, LP. No motion was made other than the motion to seal the executive session minutes, which passed. No action will be taken at this time with regard to Broad Street Revitalization, LP. We will deal with this matter at a future date.

Upon a motion made by Joseph Caffey and seconded John Bentz, the meeting adjourned at 1:06 PM.

Approved: May 21, 2014