

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

***WEDNESDAY, NOVEMBER 19, 2014***

***DRAFT 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, 1<sup>st</sup> Floor, Providence, Rhode Island, on November 19, 2014. The meeting was called to order at 12:24 PM, with Joseph Caffey, Vice-Chairman, presiding. A roll call of the members, PEDP legal counsel and PEDP consultant was conducted. It was noted that a quorum was present.

**MEMBERS IN ATTENDANCE**

Members in attendance included Gonzalo Cuervo, representative for Mayor Taveras, Joseph Caffey, Kas DeCarvalho, Allyson Cote, Mark Feinstein, Councilwoman Sabina Matos and William Tracey.

**MEMBERS ABSENT**

Members not in attendance were Mayor Angel Taveras, Daniel Baudouin, John Bentz, Adriana Dawson, Gary Glassman, Juana Horton.

**STAFF MEMBERS IN ATTENDANCE**

Staff members in attendance included: James S. Bennett, Director of Economic Development, City of Providence and Executive Director, PEDP; Kathy Cosentino; Gail McGowan and Arthur Speaks.

**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; and Thomas Hoagland, PEDP contract underwriter.

**MEETING MINUTES**

The minutes of the October 15, 2014 PEDP Board of Directors meeting were submitted for review and approval. Upon a motion made by Gonzalo Cuervo and seconded by Councilwoman Sabina Matos, it was voted to approve the minutes of the October 15, 2014 Board of Directors meeting without any amendments. Motion passed by unanimous vote.

**REPORT OF THE CHAIRMAN**

Gonzalo Cuervo stated that since Mayor Taveras was not present today, there would not be a Report of the Chairman.

**REPORT OF THE EXECUTIVE DIRECTOR**

Jim Bennett stated that there were several things for him to discuss that have been going on. First is the transition, which we are all going through. They are very interested in looking at transition documents. The focus has been on the report of Inspection and Standards. Permitting has been the bane of every mayor's existence for quite some time. Jeff Lykins, the Director of the Department, has put a matrix online that documents turn-around time. Three (3) years ago, the turn-around time for permitting was forty-five (45) days, which is now down to eight (8). He has done an amazing job and the Fire Department coming into the building has also helped and with everything being a one-stop shop.

It is starting to happen in the city. Councilwoman Matos and he attended the ribbon cutting for a \$40 million project – The Promenade. It will consist of 196 apartments and will finish the Guerra property. They are inherently going to go fast. We are still short on housing. Johnson & Wales University is still short on housing. This will be another housing project for the city.

The Value Hotel has come in from Wichita, Kansas and is going to build a hotel. They are going through the tax stabilization process. In addition, Victor Plating, a big property that is just off I-95, just went under a purchase and sales. They are from Chicago and his sense is that it will be high-end housing.

The I-195 project, you may have just seen in the paper, is a \$50 million project that could grow to double if the project gets off the ground. They are in negotiations to acquire Club Karma and The Colosseum. This project is again a housing project even though they call it student housing.

Parcel 12, which is owned by PRA, is to be developed into a hotel. Donald Gralnek has done a great job attracting a hotel here. Jim Karam is the developer.

There are three (3) bidders for the Flynn School, which near the hospital district.

The crown jewel of what this department has been working on is the South Street Station. It is the largest private investment ever. The lease has been signed by the state and Brown University. We are now negotiating various liens that date back to 2005. There is a reason why they call Providence the favorite city in America. It is hot and it is going to be a great place to be. The question was raised relative to this project being the site of our PEDP loan and whether the property was taken by eminent domain and if not, how did all of this happen from under our liens. Mr. Bennett responded that some liens have to be negotiated out.

#### NEW BUSINESS

There were no agenda items under new business.

#### LOAN COMMITTEE RECOMMENDATIONS

The next agenda item entertained by the Board of Directors was the presentation of the recommendations from the Loan Committee from its November 2014 meeting. The recommendations for approval were first presented. The first recommendation for approval from the Loan Committee was the modified loan request of Cromwell Ventures, LLC d/b/a The Armory Kitchen, Federico Manaigo and Antonio Manaigo, 55 Cromwell Street Providence, Rhode Island, 02907, in the modified amount of \$482,000.00, in order to provide an eighty percent (80%) loan to value. The loan request was previously presented in the amount of \$550,000.00, and was recommended for approval by the Loan Committee at its October 2014 meeting, subject to: HUD approval of the loan and the job creation requirements; and all other financing being committed and the Borrower obtaining a construction loan. The recommendation for approval was tabled by the Board of Directors at its October 2014 meeting subject to HUD approval and a reasonable explanation of who the employees are and how they are being employed to the satisfaction of the committee. Thomas Hoagland presented the modified loan request and recommendation, in Stuart MacDonald's absence.

Mr. Hoagland stated that we are going to get a confirmation in writing from HUD regarding the jobs to be created. The jobs will not be employees of Cromwell Ventures but of companies created through the Cromwell culinary hub. Mr. Hoagland added that Mr. Gralnek tells him that the tax credits have been approved for this project. Our commitment is for the kitchen equipment, therefore we will be the last one in after the construction, which will be in a few years, most likely. It was questioned whether the two (2) principals will be personal guarantors of the loan. Mr. Hoagland responded in the affirmative. It was questioned whether we have financials. Mr. Hoagland responded in the affirmative. It was further questioned whether they are substantial. Mr. Hoagland responded that they are not substantial but are decent. Concern was expressed that this is a \$10 million project with virtually nothing as collateral. It was further questioned whether we know how much they are personally guaranteeing yet. Mr. Hoagland responded in the negative. The timeframe for the disbursement of the PEDP loan funds being two and one-half (2-1/2) years out was questioned. Mr. Hoagland confirmed the project timeframe.

PEDP legal counsel was questioned whether this loan could be approved subject to a financial review

by the board closer to disbursing the loan funds. Attorney Garrahy responded that the board can approve the loan in that manner, but the concern with doing so would be whether the board is actually issuing a commitment now. It was questioned if we have to set aside the money now for distribution in two and one-half years, which would mean that we would have to block off the money for that period of time and would not have access to it. A brief discussion followed relative to whether that would be the case. Mr. Bennett responded that it was a good question but that we have plenty of capacity.

William Tracey stated that he would recuse himself from the vote in connection with this loan request.

A question was raised relative to the HUD approval and what is holding that up or what they are waiting for. Mr. Hoagland responded that Mr. MacDonald has had several conversations with HUD and we have received the go ahead, just not in writing.

Attorney Garrahy stated that we usually have an expiration date of our commitment and that the board may want to have an outside date on this one, since it is different, if that is the will of the board.

A motion was made by Councilwoman Sabina Matos and seconded by Gonzalo Cuervo to approve the modified loan request of Cromwell Ventures, LLC d/b/a The Armory Kitchen, in the amount of \$482,000.00, subject to approval from HUD. The question was then raised and a discussion followed with regard to whether we want to put a timeframe into the approval. Mr. Hoagland stated that would be acceptable but that we need a reasonable date. Mark Feinstein asked if the approval could be subject to HUD approval as well as subject to re-approval by the board, noting that amending the motion was up to the author of the motion. Mr. Hoagland suggested that they come back at fifty percent (50%) completion, as opposed to a specific date. It was expressed that the concern is that it may get in the way of other approvals from additional lenders if ours is tentative. It was suggested that we put in a reporting schedule so that it is not necessarily a subject to, but we will know if the situation has changed. When we write the check eighteen (18) months from now, we will know if they are going to do what they say they are going to do.

Attorney Garrahy stated that the board is making a commitment of our funds today, so it is a binding commitment. The commitment can be subject to conditions – either a re-approval here or to certain requirements that they have to meet to obtain the funds. Mr. Garrahy would be concerned if the approval were a pre-approval, as it would effect the financing decisions of other lenders. Attorney Garrahy was then questioned relative to the original motion and whether there is a need to amend the motion. Mr. Garrahy responded that there is a motion on the floor and that the author can amend or not accept it and can go forward with the vote. Councilwoman Matos re-stated her original motion to approve the modified loan request of Cromwell Ventures, LLC, subject to HUD approval. William Tracey recused himself from the vote on this matter. Mark Feinstein voted nay in connection with the motion to approve this loan request. Motion passed by vote.

Mr. Caffey asked the board whether there was another motion with respect to this matter to approve it again with a timeframe involved in the approval. There being no response from the board, Mr. Caffey indicated that the meeting would move on to the next agenda item.

The next recommendation for approval from the Loan Committee entertained by the Board of Directors was the request of 26 Turner Street, LLC for a reduction in the approved loan interest rate from five percent (5%) to four percent (4%), subject to legal counsel drafting appropriate provisions in the loan documents that preserves and maintains the credit-worthiness of the borrowing entity. The loan request of 26 Turner Street, LLC, Joseph and Brenda Baginski, 26 Turner Street, Providence, Rhode Island, 02908, in the amount of \$120,000.00 was previously approved at the October 2014

meetings. The request for the re-presentation of the loan was for consideration of a reduction in the loan interest rate from five percent (5%) to four percent (4%). Mr. Hoagland presented the request and recommendation of the committee. The request is due to the unusually high credit-worthiness of the Borrower.

Attorney Garrahy noted that the language in the Loan Committee's motion is too broad to mean anything to put into loan documents and questioned whether the board wants to deal with that in anyway.

It was questioned that the loan has been approved at the five percent (5%) interest rate, which was responded in the affirmative. It was questioned that the Borrower is asking for a reduction in the rate, which was responded in the affirmative. Attorney Garrahy noted that there was some discussion before the Loan Committee of the reduced rate. It was questioned if at some point in the discussions with the Borrower the loan was discussed at four percent (4%) by staff, which was affirmed. PEDP's loan rates were questioned and what currently is the default loan rates. Mr. Hoagland responded that the loan rates vary from four percent (4%) to five and one-half percent (5-½%).

A motion was then made by Kas DeCarvalho and seconded by William Tracey and it was voted to agree to the reduction of the loan as drafted from five percent (5%) to four percent (4%) together with any additional language recommended. Attorney Garrahy questioned to be clear that the motion is just on the change in the interest rate. Mr. DeCarvalho restated that the motion was to agree to the reduction of the loan from five percent (5%) to four percent (4%), adding that the approval of the recommendation was together with any additional language recommended. Motion passed by unanimous vote.

The next recommendation of the Loan Committee for approval was a second request of Plainfield Auto Sales, Inc. for the re-allocation of loan funds from acquisition of equipment to additional working capital for the balance of the loan funds in the amount of \$10,000.00, as written up and as analyzed by staff. A previous request for the re-allocation of \$35,000.00 of funds allocated for the acquisition of equipment to additional working capital was approved by the Board of Directors at its September 2014 meeting and was reported to the Loan Committee at its October 2014 meeting. Mr. Hoagland presented the request and recommendation. Mr. Hoagland stated that \$140,000.00 of \$150,000.00 has been disbursed and that the request is for the re-allocation of \$5,000.00 of the remaining funds for acquisition of equipment to additional working capital. The original allocation for acquisition of equipment was questioned. Mr. Hoagland responded that \$45,000.00 was allocated for equipment and that the Borrower used its own funds to acquire the equipment. We will still benefit from the collateral even though we did not pay directly for it because we have a lien on all assets.

A motion was made by Mark Feinstein and seconded by Allyson Cote to approve the request for the re-allocation of loan funds of Plainfield Auto Sales, Inc. Motion passed by unanimous vote.

The next agenda item entertained by the Board was the review of Recommendations for Denial. There were none.

The next agenda item entertained by the Board of Directors was the review of Loan Committee agenda items that no action was taken. There were none.

The next agenda item entertained by the Board of Directors was Other Business/Public Comment. There were none.

The next agenda item entertained by the Board of Directors was Executive Session. There were no matters for discussion in Executive Session.

Upon a motion made by Gonzalo Cuervo and seconded by Mark Feinstein, the meeting adjourned at 12:52 PM.

Posted: December 15, 2014