

PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.

WEDNESDAY, JULY 15, 2015

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, 1st Floor, Providence, Rhode Island, on July 15, 2015. The meeting was called to order at 12:22 PM, with Brett Smiley, Chairman, presiding. A roll call of the members and legal counsel was conducted. The Chairman indicated that a quorum was present.

MEMBERS IN ATTENDANCE

Members in attendance included Brett Smiley, PEDP Chairman and designee of Mayor Jorge Elorza and Chief Operating Officer, City of Providence, Kas DeCarvalho, Esq., Juana Horton, Daniel Baudouin, Allyson Cote, Mark Feinstein and Councilwoman Sabina Matos, and William Tracey.

MEMBERS ABSENT

Members not in attendance were Adriana Dawson, John (Jack) Bentz, Sussy DeLeon, Stephen DelSesto, Esq., Gary Glassman and Shomari Husband.

STAFF MEMBERS IN ATTENDANCE

Staff members in attendance included Kathy Cosentino and Arthur Speaks.

OTHERS IN ATTENDANCE

Others in attendance included John J. Garrahy, Esq., Moses Afonso Ryan Ltd., PEDP legal counsel; Mark T. Ryan, Esq., Moses Afonso Ryan Ltd.; Donald Gralnek, Executive Director, Providence Economic Development Partnership (PEDP); Sally Brito, Director of Fiscal Operations, City of Providence Department of Planning and Development; Thomas Hoagland, PEDP Acting Assistant Director and contract underwriter; and Paul Grimaldi, Providence Journal.

MEETING MINUTES

The minutes of the June 17, 2015 PEDP Board of Directors meeting were submitted for review and approval. A motion was made by Kas DeCarvalho, Esq. and seconded by Juana Horton to approve the minutes of the June 17, 2015 Board of Directors meeting. Motion passed by unanimous vote, without any amendments.

REPORT OF THE CHAIRMAN

Mr. Smiley stated that he would move this along quickly because we do have a substantive topic for today in Executive Session. So to be brief, we will take an agenda item out of order, number 5.a., which is the confirmation of Donald Gralnek as the Executive Director of PEDP. In the previous administration, the Economic Development Director also served as the Executive Director of PEDP. After much discussion and debate with Mayor Elorza and internally here in city government, we decided to put forward Donald Gralnek for that position. The city's new Economic Development Director started two (2) days ago. We are excited for him to be a new member of the team. Mayor Elorza's vision for his role is perhaps a little different than in the past whereby he is being asked to do business development on behalf of the city to attract new business, talent and workforce. He will spend more time on the road traveling to Boston and New York getting people to think about Providence as an alternative to elsewhere. Mr. Gralnek is someone who is intimately familiar with the tools available to city government and as someone who did an exceptional job taking the Providence Redevelopment Agency (PRA) to a new level. We thought he was a more appropriate fit to lead this organization to resolve some of the final compliance issues with HUD and also to be the in-house person to see economic development happen. This is a little bit of a change of plans from what we originally envisioned. Based upon the talent that we have been able to attract, we think Don is the best fit for that role.

Mr. Smiley introduced Sally Brito, the new fiscal advisor to the department, who was also introduced at the last meeting. Ms. Brito and Mr. Gralnek will be working together on devising a budget for this board, which is a commitment that we plan to keep.

Mr. Smiley stated that we remain under review with HUD, which is not a formal status but simply to say that there are some outstanding compliance issues. We have been working on them for many years and it is nothing new. The city has issued an RFP for a consultant to work through the back-log relating to CDBG/HUD and PEDP. The Elorza administration remains committed to working through legacy issues PEDP has had for a long time and getting a clean bill of health from HUD. We hope to resolve the back-log by the fall. Mr. Smiley is willing to answer any questions or share the RFP if the board knows anyone with the skill set.

REPORT OF THE EXECUTIVE DIRECTOR

Mr. Smiley indicated that we would skip agenda item since there is no Executive Director for the moment.

NEW BUSINESS/EXISTING LOAN REQUESTS

The first agenda item of New Business entertained by the Board of Directors was the confirmation of Donald Gralnek as Executive Director and authorization for him to sign documents on behalf of PEDP. Mr. Smiley asked if there were any questions or discussion relative to this matter. It was expressed that at the retreat there was a discussion of this board being more of a policy board and having a smaller role with the HUD loans. It was stated that the message the board is receiving with this appointment and with the city's Economic Development Director not also serving with this board, is that the role of this board is not an overall economic advisory board but now looks like it has a smaller role in that capacity and a larger role relative to the HUD loans. It was questioned whether that perception was correct. Mr. Smiley responded that he does not think so. A specifically mandated function of this board is the loans and the day-to-day operation of that remain a work in progress or an area we want to improve and we felt that the skill set to do that job is more appropriately vested in Mr. Gralnek than Mark Huang, who is the new Economic Development Director. Mr. Smiley fully anticipates that Mr. Huang will participate with this board. It is still Mayor Elorza's desire to elevate the discussion and access the experience and talent on this board and for this board to provide more broad-based economic development advice. It was requested that Mr. Huang come to the next meeting to be introduced to the PEDP board so that we can see how we will work with him on broader economic development policy. Mr. Smiley responded that this was good advice.

Mr. Gralnek responded that it did not seem to him that it was not an either/or situation. Part of re-formatting or re-positioning PEDP is to integrate it more closely with what the city's economic development plans are. The question is how do we integrate with Mr. Huang in supporting his efforts. It will be a board issue regarding policy issues and it will be a staff issue regarding mechanics issues. Mr. Gralnek did not think when the administration spoke to him that it was in any way diminishing the board's role. It was expressed that the board understands that the day-to-day operations are an important role to do but that not long ago Mayor Elorza and the Economic Development Director were here having conversations regarding the broader scale and it seems that we are now shifting our focus and that the loan portfolio will be a larger part rather than strategic planning.

Alternately, it was also expressed that the board was encouraged to see PEDP is not going to be under the Economic Development Director and that is not what is best for the planning department. It was also expressed that the board would like Mr. Huang to come to the meetings often and keep us informed and that the idea of keeping it separate is liked. Mr. Smiley stated that Mayor Elorza asks

frequently what we are doing regarding feedback from the retreat. He has not forgotten about that. Mayor Elorza and Mr. Smiley are both a little frustrated that it is taking a little bit longer. It was not anticipated in January that it would take until May to hire the new Director of Economic Development. We are re-orienting the city's entire economic development apparatus and resources. Without testing the board's patience, the administration hopefully can ask for a little bit of more time for this and integrate him into this entity in a way that is appropriate for his role and also keep the day-to-day operations running on-time. It was expressed that a member knows Mr. Gralnek, having dealt with him on a couple of levels, and was impressed thus far. The board was unsure that it understood the reasoning for the change, but trusts leadership. Additional support was expressed by the board adding that they met Mr. Huang this morning and was very impressed. A suggestion was made that Mr. Huang have an item on our agenda each month, listed as a Report from the Executive Director. In addition, it was expressed that Mr. Gralnek has done a great job for PRA, so in terms of keeping the wheels rolling, that is the skill set that we need. It was further expressed by the board that they would not want to be on the board if it is just responsible for the loans and that they want to remain if the board is responsible for strategy also.

It was questioned whether Mr. Gralnek will remain with the PRA as well as retain his other responsibilities. Mr. Smiley responded in the affirmative. Where the directors are in the hierarchy of the department was questioned. Mr. Smiley responded that the Bonnie Nickerson, Director of the Department of Planning and Development, Mr. Gralnek, Executive Director of PRA and PEDP hopefully, and Mark Huang, Director of the Department of Economic Development are piers and equals. It was questioned if they all report to Mr. Smiley. Mr. Smiley responded in the affirmative, noting with certainty that Mayor Elorza communicates with them on a regular basis.

Upon a motion made by Councilwoman Sabina Matos and seconded by Daniel Baudouin, it was voted to confirm Donald Gralnek as Executive Director of PEDP and authorize him to sign documents on behalf of PEDP. Motion passed by unanimous vote.

LOAN COMMITTEE RECOMMENDATIONS

The next agenda item entertained by the Board of Directors was the presentation of the Loan Committee recommendations from its July 2015 meeting. Mr. Smiley introduced the agenda item and Mr. Hoagland presented the recommendations. There were two (2) recommendations for approval by the committee. The first recommendation for approval was of a request for additional funding from Jamel MEP, LLC d/b/a Ramaraya Cafeteria, Manuel Peguero, 1005-1007 Broad Street, Providence, Rhode Island, 02907. The request is for an increase in the existing loan from \$150,000.00 to \$200,000.00, which is recommended for approval as presented. The committee also recommended for approval the loan payments being suspended until December 31, 2015, as requested by staff. Mr. Hoagland stated that the loan was approved last fall and was later amended to exclude construction costs in order to avoid the Davis-Bacon Act. Therefore, this matter came back for the approval of a reallocation of the loan funds. Upon a HUD review of the loan, it was determined that the project is subject to the Davis-Bacon Act. There is some difficulty in going backwards and applying the Davis-Bacon Act to work to construction work that is already completed. During this process, there has been a delay in the project and it is going to take more dollars to complete the construction. Also, the Borrower incorrectly believed that they acquired the parking lot behind the building. However, the PRA documents are clear. The acquisition of the lot is critical to the operation of the business and increases our collateral value. Of the additional \$50,000.00 being requested, \$18,000.00 is to acquire the lot. As completed, the loan will have a fifty-seven percent (57%) loan to value.

During this time, the Borrower has not paid himself, has not been operating the business since October

and is doing the construction work himself. We are going to put a provision in of up to \$25 per hour with a maximum of \$6,000.00 for the balance of the project to allow him to pay himself with the PEDP funds. This has been reviewed with HUD and was approved.

Attorney Garrahy noted that the committee also recommended that we suspend the loan payments through December 31, 2015. Upon a motion made by William Tracey and seconded by Councilwoman Sabina Matos, it was voted to approve the request of Jamel, MEP, LLC d/b/a Ramaraya Cafeteria for additional financing to increase its existing loan from \$150,000.00 to \$200,000.00 and to suspend the loan payments through December 31, 2015. Questions were raised regarding whether this loan is a construction loan, whether inspections are completed and whether we disburse at the end. Mr. Hoagland responded in the affirmative. A question was also raised regarding the questions of the committee listed in the committee report and whether those questions were answered at the committee meeting. Mr. Hoagland responded in the affirmative and reviewed the responses. It was questioned whether the Loan Committee's recommendation for approval was provided after hearing the answers to its questions. Mr. Hoagland responded in the affirmative. Motion passed by unanimous vote.

The next agenda item entertained by the Board of Directors was the recommendation for approval by the Loan Committee of the request of Dolphin Measurement Systems for interest-only payments for a period of nine (9) months, which was approved as presented, for the period of July 2015 through March 2016. The recommendation for approval is contingent upon the submission of an updated appraisal on the real estate. Mr. Hoagland presented the recommendation. The company is developing a new methodology of measuring steel. A year ago the board approved a period of interest-only payments. The Borrower then made a period of principal and interest payments with no revenue, which came out of Ellis Waldman's (the principal's) pocket. The loan is current. It has been paid down from \$250,000.00 to \$177,000.00. The loan is well collateralized. The board noted that the recommendation for approval is contingent upon an updated appraisal. Mr. Hoagland confirmed the condition of the approval. The appraisal is in process from Washington Trust, which PEDP has not received yet. The appraiser has indicated that the updated appraisal will not be less than the original appraised value. The board questioned whether its approval of the recommendation would be contingent upon the submission of an updated appraisal. Mr. Smiley responded in the affirmative; we would want to honor the loan committee's intent, which was to have an updated appraisal. Mr. Smiley noted that there is no contingent on what the appraisal will say, just simply to have that updated appraisal. Based upon the information conversation Mr. Hoagland had with Washington Trust, the collateral position has not degraded and that the value has not diminished in any way. Upon a motion made by Juana Horton and seconded by Mark Feinstein, it was voted to approve the recommendation of the Loan Committee for the approval of the request of Dolphin Measurement Systems for interest-only loan payments for nine (9) months for the period of July 2015 through March 2016. The approval is contingent upon the submission of an updated appraisal for the real estate. Motion passed by unanimous vote.

The next agenda item entertained by the Board of Directors was agenda items from the Loan Committee that were withdrawn from the agenda and/or no action was taken. A report of an update relative to the PEDP loan to Cromwell Ventures, LLC was provided to the committee. There was no update with regard to this matter and Mr. Smiley indicated that this matter would be skipped.

EXECUTIVE SESSION

The next agenda item entertained by the Board of Directors was the agenda items under Executive Session. A motion made by Brett Smiley and it was voted to convene into Executive Session pursuant

to Rhode Island General Law 42-46-5(a)(2) and 42-46-5(a)(1) to discuss potential litigation involving PEDP and personnel matters. Motion passed unanimously by roll call vote.

Open meeting was resumed at 1:04 P.M.

Councilwoman Sabina Matos left the meeting.

Upon a motion made by Kas DeCarvalho and seconded by Juana Horton, it was voted to seal the minutes of Executive Session. Motion passed by unanimous vote.

REPORT ON ACTION TAKEN IN EXECUTIVE SESSION

The next agenda item entertained by the Board of Directors was the Report on Action Taken in Executive Session. Attorney Garrahy stated that there was action taken with respect to the matter with respect to litigation but we are not going to disclose it at this time because it would jeopardize strategy negotiations and investigation that is being taken pursuant to that motion.

Upon a motion made by Daniel Baudouin and seconded by Allyson Cote and William Tracey, the meeting adjourned at 1:06 PM.