

***PROVIDENCE ECONOMIC DEVELOPMENT PARTNERSHIP, INC.***  
***TUESDAY, SEPTEMBER 22, 2015***  
***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, 2<sup>nd</sup> Floor, Providence, Rhode Island, on September 22, 2015. The meeting was called to order at 12:13 PM, with Brett Smiley, Chairman, presiding. A roll call of the members and legal counsel was conducted. 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. (Treasurer), Juana Horton (Secretary), Daniel Baudouin, Allyson Cote, Adriana Dawson, Stephen DelSesto, Esq., Mark Feinstein, Shomari Husband, and Councilwoman Sabina Matos.

**MEMBERS ABSENT**

Members not in attendance were John (Jack) Bentz, Sussy DeLeon, and William Tracey.

**STAFF MEMBERS IN ATTENDANCE**

Staff members in attendance included Donald Gralnek, Executive Director, Providence Economic Development Partnership (PEDP); and Kathy Cosentino.

**OTHERS IN ATTENDANCE**

Others in attendance included Mark T. Ryan, Esq. and Stephen A. Izzi, Esq., Moses Afonso Ryan Ltd., PEDP legal counsel; Sally Brito, Director of Fiscal Operations, City of Providence Department of Planning and Development; Thomas Hoagland, PEDP Acting Assistant Director and contract underwriter; Emily Crowell, Deputy Director of Communications, City of Providence; Russ Ricci; Diane Lynch and Kelly Ramirez, Social Enterprise Greenhouse (SEG); and Dan McGowan, WPRI.

Chairman Smiley first noted that attorney John Garrahy advised this board for an extended period of time and that we are now going to be advised by attorney Mark Ryan, who is his partner at the firm of Moses, Afonso, Ryan.

Prior to commencing the meeting agenda, Chairman Smiley requested that introductions be conducted, with the directors of the board also providing a brief background, due to new individuals being present at today's meeting.

**MEETING MINUTES**

The minutes of the July 15, 2015 PEDP Board of Directors meeting were submitted for review and approval. A motion was made by Juana Horton and seconded by Kas DeCarvalho, Esq. to approve the minutes of the July 15, 2015 Board of Directors meeting. Motion passed by unanimous vote, without any amendments.

**REPORT OF THE CHAIRMAN**

Mr. Smiley stated that there is a robust agenda today that hopefully starts to finally show the results of this board's desire to continually move PEDP forward. There will be a report from legal counsel about debt collection to clear our books up, which has been a long standing process. Don Gralnek will provide an update on how we are doing with HUD and some past outstanding issues. There will be some policy decisions, which was very clearly stated as the will of this board to do more than just approving loans but to be talking about economic development policy and helping set some direction for the mayor. This is a month or two later than he hoped for, but we are starting to see some of the changes we discussed at length at our retreat. What we understand the role of the board to be is evolving this into a broader, more policy-oriented board with still a very key and clear role to lend to businesses in Providence, taking the collective experience and wisdom of those at the table to provide

guidance to city leadership to making policy and to use the funds available to make an impact on employment and investment in the city.

#### REPORT OF THE EXECUTIVE DIRECTOR

Donald Gralnek stated that we have spent the last six weeks trying to resolve some unresolved matters and many have been resolved. We have set a course for the agency to follow that hopefully results in more business loans being made, a more transparent process, the board being more engaged with respect to what is going on and a more streamlined process. Mr. Gralnek provided a brief review of today's agenda items. Mr. Gralnek introduced the members of Social Enterprise Greenhouse (SEG) that are present today for a matter later in the agenda. Mr. Gralnek introduced the report on the repositioning of PEDP that Thomas Hoagland is presenting.

Mr. Hoagland began by stating that the board is well aware of the negative aspects that PEDP has undergone of the last few years. We think it is time now and we are comfortable now with HUD, that we have begun a two-prong approach to re-positioning PEDP: 1) a much more aggressive collection and clean-up of the portfolio; and 2) developing a marketing approach and updating our literature and website. We are also recommending that our name be changed to be more reflective of what we do. Mr. Hoagland suggested three (3) alternate names for the organization: 1) Providence Business Loan Fund; 2) Providence Economic Development Loan Fund; or 3) Providence Small Business Loan Fund. The economic development partnership language is not descriptive of who we are and what we are trying to accomplish.

A discussion followed with regard to the name change and marketing efforts. The board expressed that we have to re-energize our marketing efforts but that it was not in favor of the name change since it is the board's desire to be more than a loan fund. It was expressed that the board could oversee the loan fund but that the organization itself should not be called the loan fund. It was suggested that the organization might be a two-tiered organization. There would not be an approval today of the name change and it would be just for discussion. Mr. Gralnek stated that we would come back to the board in October with respect to the overarching organization.

It was also expressed that it is not thought that the board is useful to the administration. The board wants to discuss the big picture such as designating amounts to lend to certain industries but not individual loans. It feels like the board is only talking about loans. Mr. Smiley responded that the rest of today's agenda will address this matter. Mr. Smiley added that we will never get away from the individual loans nor does he think that we should get away from that. There is a core function of this entity, which is to make loans. We have funds available to aid in economic development, particularly to support businesses that cannot find financing otherwise. He apologizes that the board gets that impression, it is not the impression we intend to give. The time is right for a re-branding. There is clean-up from the past. The evolution of the purpose of this board, which we will be hearing from the Economic Development Director, in what he thinks are smart, larger investments and getting out of the individual loan by loan process, or maybe largely getting out of that process and not closing that door entirely. It was expressed that the board was looking forward to the rest of the agenda.

#### REPORT OF THE ECONOMIC DEVELOPMENT DIRECTOR

Mark Huang stated that this was a good segue for him to provide his report to the board. The question is what the core competency areas or sectors of the city and what are some of our goals, such as the social causes, increasing employment, and assisting children at risk and adolescents. Another goal is increasing entrepreneurship and innovation. It already exists in the city. We need to see what the board can do to promote and build upon it. Our core areas or sectors, that separate us from other cities

in the country, are the arts and food. The thought is how we streamline this program. The loan program by definition is very risky. We are a lender of last resort, which is a very risky asset class. There are going to be write-offs. At the meeting with HUD, the discussion was regarding collateral and HUD wanting the money back. If that is HUD's view of the program, the city does not want the money. To streamline our efforts, if Borrowers go through someone else with a process, we could find two, three, or four of the social enterprise funds established or setting up shop in Providence, and we would match funds. The Borrowers would have already convinced someone else that they have a process that is legitimate meaning that they have raised funds through philanthropy or an impact investor. Mr. Huang's experience is that matching programs perform better. The board expressed that most people that come to PEDP to borrow money cannot access private funds or provide a match. There has to be a balance of providing capital to those applicants and achieving public good versus matching funds.

The report of the Executive Director was then continued. Mr. Smiley stated that one of the things that we have not done is collections and it is time to address it. Mr. Gralnek provided an introduction to this agenda item. Mr. Gralnek had discussions with several lawyers whose business is collections. Mr. Gralnek worked out an arrangement with Mark Ryan to handle the collection matters. Mr. Gralnek provided an overview of the status of the PEDP portfolio. In general, there are one hundred (100) loans in the portfolio, not including the IIP loans. Forty-five (45) of those loans are in good standing, with the rest of the loans in some degree of need. Fifteen plus (15+) are in the collection process. Twelve (12) require further investigation and nineteen (19) are in special categories. Some of the loans outstanding are very complicated and require some legal skill to figure out where we stand with collateral and best next steps. Mr. Gralnek then introduced attorney Mark Ryan. Attorney Ryan reiterated Mr. Gralnek's comments. He has been working with Mr. Gralnek, Mr. Hoagland and Kathy Cosentino to review the loan files. The Borrowers have been contacted, which will continue. It was suggested by the board that the collection loans be analyzed and apply that analysis to future loans with respect to types of loans that we should not be doing and types of collateral that is not acceptable and that we update our documents accordingly.

Mr. Gralnek added that in October we will present the budget for PEDP.

At 12:59 P.M. Mr. Smiley left the meeting stating that Mr. Gralnek, Mr. Hoagland and Mr. Huang will be running the rest of the meeting.

Mr. Gralnek requested that any suggestions for names for the organization be forwarded for placement on October's agenda.

#### NEW BUSINESS/EXISTING LOAN REQUESTS

Mr. Gralnek stated that we would be taking the agenda items out of order. We will first present agenda items 6.d through 6.f. Mr. Hoagland presented these agenda items.

The first agenda item of New Business entertained by the Board of Directors was the request of Festival Ballet Providence for the review and acceptance of the certification letters submitted for goods and services provided to the Providence Public Schools in lieu of loan payments in full and final satisfaction of its outstanding loan. The loan was re-written twice. In 2006 the board approved accepting services in lieu of loan payments. We have confirmed that the services and the dollar amount of the services are equal to the value of the loan. The loan met the National Objective that HUD requires of job creation.

The next request was from Amos House d/b/a Friendship Café for an extension of the loan term. Mr.

Hoagland stated that we are renewing the balance of the loan made in 2010. The loan term will be five (5) years on a twenty (20) year amortization. The Borrower is current on its loan. The loan was to provide assistance to Amos House for the Friendship Café, which unfortunately recently closed. The loan matured in June and the Borrower is asking for more time. The Borrower asked us to consider reducing or even eliminating the interest we are charging Amos House. We will give that consideration but the loan matured in June and shows as delinquent. There is adequate collateral and they are paying as agreed.

The next request was from Latino Consulting, Inc. for an extension of its loan term. This is a similar situation as Amos House. The loan was made in 2005 to a daycare and after-school program. The loan matures on October 1, 2015 and the Borrower is asking us to renew the loan. We want to renew the loan on the existing terms and conditions. The Borrower has an excellent payment record.

It was questioned if these requests should have gone through the Loan Committee for process. Mr. Hoagland responded in the affirmative, however there was not a quorum for the meeting and we are trying to clean up the accounts. We will report these matters to the committee. It was questioned if there will be a committee meeting before the board meets again. The board suggested that it continue to move forward since it has the authority to consider these matters and so that it will not have to hear them again. Questions were raised and answered with regard to the requests.

The next request presented by Mr. Hoagland was the request of Broad Street Revitalization, LP for an extension of its loan term. The note has matured and the Borrower is making payments. The collateral was presented as well as the management having been taken over by Olneyville Housing Corporation (OHC).

The next agenda item presented by Mr. Hoagland was the request of Alley Cat Corporation for a partial release of collateral due to the sale of the property. Mr. Hoagland noted that substitute collateral has a property value far in excess of the value of our current property pledged. The second loan to the Dark Lady has been repaid and this loan has been paid down to \$42,000.00.

Mr. Gralnek stated that we request approval of agenda items 6.d. through 6.h. for housekeeping, as presented. A motion was made by Kas DeCarvalho, Esq. and seconded by Juana Horton to approve the requests as presented. The type of extension was questioned. Mr. Hoagland responded that we are not changing the amortization schedules but are extending to the balance of the original amortization schedules. Motion passed by unanimous vote. The request of Festival Ballet Providence, Amos House d/b/a Friendship Café, Latino Consulting, Inc., Broad Street Revitalization, LP, and Alley Cat Corporation were approved as presented.

The next agenda item entertained by the Board of Directors was the Social Enterprise Greenhouse Loan Fund, in the amount of \$400,000.00. The terms of the loan are to be negotiated and the documents are to be approved by the Loan Committee and the Board of Directors once completed. Mr. Gralnek presented this agenda item. The approval that we are asking for is merely to go forward with discussion with respect to this matter. We will come back when we have loan documents. We will provide a loan to Social Enterprise Greenhouse (SEG), who will be responsible for the repayment of the loan irrespective of the member business performance. A similar type of loan was established on the Providence Redevelopment Agency (PRA) side. SEG will manage collateral and not report each loan to the board.

At 1:23 P.M. Councilwoman Sabina Matos left the meeting.

Diane Lynch and Kelly Ramirez of SEG then provided a presentation to the Board of Directors. An overview of the organization and its loan process, current loan model and mission were presented. It was added that SEG can provide any type of reporting PEDP would want if it does not want to look at the individual loans.

Mr. Huang noted that PEDP would be a match. Mr. Huang also noted that in the Spring, the largest impact funding conference in the nation is coming here and that he is very impressed with the venture philanthropy here in the city. The larger vision is that the venture impactors will be impressed here and the hope is that they will invest here.

Support and excitement of the board was expressed. Questions and concern was raised with regard to how much of the PEDP portfolio we would want to invest in this; that \$400,000 is lot for SEG right now; and whether the businesses have to be in Providence and for how long. The specifics will have to be reported back to the board. The board reiterated that it wanted to ensure that the businesses will just be in Providence. The board was assured that none of our dollars will be outside of Providence. It was questioned who will control the approval decisions. It was responded that in concept, SEG will approve the loans but that our criteria will be baked into their loan documents. Mr. Hoagland added that HUD prohibits a lump sum from being provided and our funds can only be provided as lent or re-lent. SEG stated that they expect that they will be able to honor PEDP's requirements.

A motion was made by Mark Feinstein to authorize staff to enter into negotiations with SEG. It was further questioned whether the one (1) full-time equivalent job per every \$35,000.00 borrowed will continue to be a requirement. Mr. Hoagland responded that we will have to look at it. If there are less than five (5) employees and the owner is low-to-moderate, they do not have to create jobs as a micro-enterprise. In most cases, the answer will be yes, and that the HUD standards will apply. It was also suggested that the First Source also be applied to this lending, as this option provides a tremendous opportunity. Mr. Feinstein restated his motion to authorize staff to enter into negotiations with SEG along the lines of what was discussed today. Stephen DelSesto, Esq. seconded the motion. A staff recommendation of what other organizations are out there and how much of the portfolio is to be provided was then requested. Mr. Feinstein accepted the amendment to his motion. Motion passed by unanimous vote.

Agenda item 6.c., the Food Accelerator Loan Fund, in the amount \$400,000.00, with the terms of the loan to be negotiated and the documents to be approved by the Loan Committee and Board of Directors once completed was removed from the meeting agenda. There is no specific concept in mind and this matter will come back to the board.

#### EXECUTIVE SESSION

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

#### 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. Executive Session was not convened and therefore there was no report.

Upon a motion made by Daniel Baudouin and seconded by Stephen DelSesto, Esq., the meeting adjourned at 1:46 PM.

Approved: October 21, 2015