2015
ANNUAL REPORT

PAWTUCKET
BUSINESS DEVELOPMENT
CORPORATION

Donald R. Grebien, Mayor

PAWTUCKET BUSINESS DEVELOPMENT CORPORATION
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Rhode Island's
Creative Community

2015 Pawtucket Business Development Corporation

Officers and Directors

David Gold, President/Director
Richard Sugerman, Vice President/Director
Linda Dewing, Secretary/Director
Richard Lavallee, Treasurer/Director
Richard Goldstein, Director
Aaron Hertzberg, Director

Members

Travis H. Auty
Isaac Amponsah
Moshe Berman
Aime Brissette
Gerald Charbonneau
Allen Chatterton
Derick Daley
Scott Davis
Ronald Deighan
Jack Galvao
Zachary Gerber
Jennifer Henningan
Jason Hogue
Kevin Kazarian
George Kelley
Michael Laznick
Ryan McIntyre
Roger Messier
Brian Murtha
John Neary
Lisa Pardini
Norma Soares
Carlos Tobon

PBDC Staff

Barney Heath, Director of Planning and Redevelopment
Herb Weiss, Economic and Cultural Affairs Officer
Mary Bourdeau, Administrative Assistant

PBDC Consultants

Rick Lefferts, Commonweal Collaborative
Attorney Keith Fayan, Fayan Law, PC
Allen L. Duquette, Jr., CPA, Allen Duquette and Associates, Inc.

MISSION STATEMENT

The Pawtucket Business Development Corporation (PBDC) serves as a gap financing resource for small and medium-sized businesses in the City of Pawtucket. Its purpose is to encourage businesses to increase or retain employment, renovate existing commercial buildings, expand the tax base and promote private enterprise. PBDC acts as a stimulus for economic development while prudently managing the financial resources available to businesses.

Since the PBDC was revived in 1993, the nonprofit corporation has provided 66 business loans, totaling $3,843,700. These PBDC loans produced some $29,726,003 in bank financing for these businesses.

2015 LOAN PROGRAM REVIEW

In 2015, one new loan was approved totaling $200,000. A closing for this loan has not yet been scheduled. Also during this year there was a review and discussion of a loan application, but for a variety of reasons the loan was not approved. PBDC also considered one loan modification. In 2015, there were also 3 loan payoffs.

Here are ten guidelines that the PBDC Committee followed when it reviewed the loan applications submitted for consideration in 2015:

1. PBDC will loan a maximum of $100,000 per borrower. This guideline may be waived by the Loan Review Committee if extenuating circumstances exist.

2. The primary focus of the Revolving Loan Program is to provide financing to small and medium-sized companies. To qualify, the business must be located in Pawtucket or relocating to the City. It must create or retain jobs and must demonstrate the need for the funds as well as the financial strength to repay the loan.

3. The Loan Review Committee will consider the total project costs that will be incurred by a potential borrower by weighing the leveraging of other funds, the availability of additional capital, the equity invested, the number and quality of the jobs created or retained, the impact on local taxes and the total amount of PBDC funds required.

4. PBDC will require an overall project leveraging ratio of $1.00 of private funds (debt or equity) injected into the project for every $1.00 of PBDC funds. The leveraging ratio for ventures funded exclusively under the commercial/retail program may be lowered to $0.50 of private funds to $1.00 of PBDC funds. The leveraging of

projects involving the acquisition and improvement by real estate will only require $3.00 of private funds to $1.00 of PBDC funds.

5. Equity from business owners or stockholders of not less than ten percent (10%) will be required in all of the loan categories with the exception of commercial/retail ventures, which require twenty percent (20%).

6. Ventures supported by PBDC loan programs should result in the creation or retention of jobs. It is expected that no less than one (1) job shall be created or retained per $20,000 of PBDC funds. This job generation should be reflected in the business plan and financial projects prepared by the company.

7. Transaction costs of undertaking the loans made by PBDC will be passed through to the borrower. While there is a nominal application fee, if an affirmative decision to lend is made by PBDC, the borrower will be required to make a good faith deposit. Transaction costs will be minimized whenever possible.

8. Borrowers will be made aware and shall acknowledge that since federal funds may be involved in the financing that certain monitoring of financial statements and employment records will occur.

9. Ineligible businesses and uses of PBDC loan funds under these programs include the following: certain types of service companies (e.g., publishers) and passive investment.

10. Debt consolidation or refinancing. Note: Subject to the availability of unrestricted funds, loans to not-for-profit corporations may be possible, subject to the restriction regarding use of funds, job generation and financial covenants pertaining to for-profit entities.

FROM THE PRESIDENT…DAVID GOLD

Welcome Pawtucket Business Development Corporation (PBDC) Board members. Tonight we gather to celebrate the Pawtucket Business Development Corporation's (PBDC) twenty-second year of providing low-interest loans to Pawtucket businesses. Over the years, these loans, creating jobs increasing the City's tax revenue, have most definitely stimulated our local economy. The facts do speak for themselves. Since the PBDC was revived in 1993, the nonprofit corporation has provided 66 business loans, totaling $3,843,700. These PBDC loans produced more than $29,726,003 in bank financing for these businesses.

But this success lies at the feet of PBDC members who have given their time and commitment to serve their community on this Board, bringing their expertise in business and financing to the table every meeting.

As to loans, over the past year PBDC, along with other financial institutions, approved the loan request of Jeremy Duffy and Devin Kelly owners of Isle Brewers Guild, to finance the building of a craft brewery in a 130,000 sq. ft. under-utilized Kellaway Center mill complex. The company will partner with four to five existing Northeast "nano-breweries" to produce their craft beer. This loan has positively benefited the City in many ways. Isle Brewers Guild will have a capacity of producing 175,000 barrels (a barrel is equivalent to about 14 cases of beer). That is a lot of water that will be purchased by the Pawtucket Water Supply Board's $103 million state-of-the-art water treatment plant. Those brewing partners expect their brewery to become a major Pawtucket tourist attraction in the City's downtown, attracting retail customers to their mill to purchase craft beer, to take "sampling" tours and to attend small events and outdoor festivals. Down the road, the brewers look to develop curriculum for an on-site brewery school as well. Isle Brewers Guild will be a nice amenity for those people living in the three-mill complexes scattered throughout the City's downtown.

For 2015, improving the operation and its bylaws was also a major goal of the PBDC Board. The members, together with PBDC Attorney Keith Fayan, reviewed and enhanced the existing bylaws that were created over 20 years ago to reflect the organization's current affairs but also ensuring compliance with Rhode Island General Laws.

Our success is also tied to the staff in the Pawtucket Planning Department who deserve special recognition for their essential administrative support. This includes Planning Department Director Barney Heath, Economic and Cultural Affairs Officer Herb Weiss, Fiscal Manager and Board Officer Richard Lavallee, Administrative Assistant Mary Bourdeau, as well as Loan Consultant Richard Lefferts and Attorney Keith Fayan.

Moving forward into 2016 as PBDC's President, I will continue to lead the organization to support its mission to create a better economy for our City. This year I look forward to PBDC increasing its visibility to Pawtucket-based businesses and those outside our community to promote our low-interest loan program, with HUD's involvement and the Board's guidance and active involvement.

THE PAST YEAR'S ACTIVITIES

Annual Meeting: Mr. David Gold, PBDC's President, delivered his President's message at PBDC's 22nd Annual Meeting. The speech was delivered at the Hose Company No. 6 on February 25, 2015, and printed in the 2014 Annual Report distributed at that meeting. At the conclusion of the meeting, Mayor Donald R. Grebien welcomed PBDC members, giving them a brief update as to the City's efforts to attract and retain businesses. The Mayor thanked the outgoing PBDC President Michael Chute for his years of service, presenting him with a citation and a plaque for his leadership as president.

Mr. David Gold announced that Mayor Grebien had reappointed Mr. Richard Goldstein, Ms. Linda Dewing and Mr. Scott Davis to a five-year term. He welcomed new PBDC members: Mr. Travis H. Auty, Mr. Michael Laznik, CMA and Mr. Ryan McIntyre.

Mr. Gold announced the 2015 Slate of Officers: Mr. David Gold, President and Director; Ms. Linda Dewing, Secretary and Director; Mr. Richard Lavallee, Treasurer and Director; Richard Goldstein, Director; and Richard Sugerman, Director. The slate was unanimously approved. The proposed 2014 meeting schedule was distributed.

Mr. Michael Chute gave his last President's message (printed in the distributed 2014 PBDC Annual Report).

After dinner, Mr. Stefan Pryor, Rhode Island's new Secretary of Commerce, gave a briefing on the State's efforts to attract and retain businesses. He solicited comments from PBDC members about their specific economic development issues.

Bank Resolutions: The federal government requires PBDC to earn interest on its checking accounts. Because of this, the organization moved all noninterest-bearing accounts to Bristol County Savings Bank because the financial institution pays interest.

Governance: PBDC Attorney Keith Fayan provided PBDC members with a rewrite of the organization's bylaws. The existing bylaws were created in the mid-1990s. Over several meetings, PBDC members reviewed, discussed and offered additional revisions. They voted unanimously to accept the final draft of the bylaws.

Also, Mr. Richard Sugerman agreed to become PBDC's Vice President, filling a vacant position.

Grant: This year Bristol County Savings Bank provided a $5,500 grant to the Pawtucket Arts Festival to help subsidize the Arts Festival and $500 for the Mayor's Annual Dinner for the needy. The PBDC served as the fiscal agent for this grant.

Loan Activities: There were two (2) formal loan request reviews presented to the Board. One was approved and the other was denied. The most significant loan review and approval was that of Isle Brewers Guild, LLC a loan for $200,000. A commitment letter was sent to the company outlining the loan terms.

Loan Modification: After a presentation by Owner Rick Roth of Mirror Image, PBDC members agreed to a modification of his loan.

Loan Review Process: PBDC's Business Consultant Rick Lefferts provided PBDC members with a briefing on the loan application process and how he reviews loan applications (looking at business plan, credit history, determining collateral and personal guarantees and cash flow projections).

Marketing: Mr. Herb Weiss compiled information pertaining to PBDC and its loan program to be placed on the City's new website (on a PBDC page). The City's Department of Planning and Redevelopment purchased two banners and a table wrap to use at conferences and expos to promote PBDC.

New PBDC Members: Mayor Donald R. Grebien appointed three (3) new members in 2015. They were: Mr. Travis H. Auty; Mr. Michael Laznik, CMA and Mr. Ryan McIntyre.

Request for Information: PBDC Attorney Keith Fayan announced that he had reviewed a request for information from a local newspaper for a copy of PBDC's commitment loan to Isle Brewers Guild. After review, he noted that it was appropriate to comply with the request.

PBDC ANCILLARY SERVICES

Enterprise Zone Program: New England Economic Development Services, Inc. (NEEDS) provided Enterprise Zone Program management services to the City of Pawtucket from July 1, 2014, to December 31, 2014, in a concerted effort with the towns of Cumberland and Lincoln. During that 6-month period, NEEDS and City staff worked together to educate Pawtucket businesses about this State program, which offers tax credits for full-time job creation. NEEDS provided a detailed explanation about the program and assisted businesses with the administrative details of completing a program application and the Year-End Certification process. In working with Pawtucket businesses, NEEDS oftentimes made referrals to other business resources for additional assistance in the areas of workforce training, financing, and local incentives.

Year-End Certification is the process through which businesses claim State tax credits. The process officially begins in January of the year following the program year for which the credits were earned. March 15th was the deadline for Year-End Certification of credits for the prior program year.

NEEDS represented the City of Pawtucket at the monthly meetings of the Rhode Island Enterprise Zone Council (RIEZC) and any special meetings that may be called. Meeting reports were routinely provided to staff as well as monthly financial reports indicating program budget to actual.

EZP Job Creation: The most recent job creation data is for 2013. During the period July 1, 2014, to December 31, 2014, ten (10) Pawtucket businesses were active participants in the program. None of these businesses were certified for 2013 State tax credits. There were no new businesses that joined the program. *Effective July 1, 2015, Enterprise Zone tax credits could no longer be used by any entity. Thus, the program ceased to exist on June 30, 2015*.

EZP Marketing and Promotion: NEEDS marketed and promoted the program through its daily business activities within the business community.

EZP Rules and Regulations: The Rules and Regulations Committee did not meet in 2014 to amend the Rules and Regulations for the program.

PBDC STAFF SUPPORT

Accounting Services: In 2015, PBDC staff provided customer servicing, oversight of compliance with loan agreements, loan administration and accounting for 10 loan agreements. Loan administration included: a) the preparation of amortization schedules for no new loans and 1 loan modification; b) processing monthly billing and remittances for 6 current loans, 3 loan payoffs and 1 final loan settlement. Accounting services include the compilation of monthly financial statements and loan portfolio status reports, analysis and presentation of financial reports at the monthly Board meetings, processing cash receipts and disbursements, bank reconciliations and coordination of the annual independent audit. The accounting staff prepared many audit schedules and compiled the annual IRS Form 990 Tax Return to minimize professional accounting service fees.

Legal Services: PBDC Attorney Keith Fayan attended regular monthly meetings during the year to provide the Board with legal guidance in support of its deliberations, decisions and actions. Mr. Fayan also worked with Mr. Heath to review and analyze an open records request received from a local newspaper concerning a loan commitment letter issued by the PBDC. In addition, Mr. Fayan led a project during the second half of the year to review and revise the bylaws of the corporation.

Loan Activities: During 2015, Commonweal Collaborative continued to provide loan review and underwriting services to the PBDC. There were two (2) formal loan request reviews presented to the Board. One was approved and the other was denied. The most significant loan review and approval was that of Isle Brewers Guild, LLC. This business is purchasing a former mill property in Pawtucket with plans to convert it to a contract brewery, tasting room and visitor destination. In a unique situation, PBDC and Pawtucket Redevelopment Authority jointly participated in providing loans totaling $500,000. The PBDC component is $200,000 for working capital. At one meeting,

Mr. Lefferts briefed PBDC members as to how he reviews a loan.

Marketing: Upon request, PBDC staff provided information about the City's Economic Development Program, including PBDC's loan program, to companies seeking to expand or relocate to the City. Pawtucket's Department of Planning and Redevelopment, with the assistance of the Pawtucket Foundation, distributed an informational packet to businesses seeking more information about the City's overall Economic Development Program. The packet was also distributed to participants attending IEDC Focus Group sessions from February 25-27.

Also, available upon request on the City's website is "Pawtucket's Business Development Corporation Business Loan Program," outlining its loans for working capital or for the purchase of equipment and real estate is "A Quick Reference of Business Services in Pawtucket." This brochure lists key phone numbers of City departments and Statewide organizations that can provide loans to businesses. These brochures are available on PBDC's webpage on the City of Pawtucket website (www.pawtucketri.com).

On Thursdays, PBDC staffer Herb Weiss continues to attend weekly meetings of the Pawtucket Rotary Club and updates members about PBDC's program and benefits. Mr. Weiss also attended the Secretary of State's 2015 "We Mean Business" Expo at the Crowne Plaza Hotel in Warwick and GrowSmartRI's 2015 in the City of Providence, promoting PBDC's loan programs.

This year articles continued to be found in local publications (*The Times*, *The Valley Breeze* and *Providence Business News*), touting the City of Pawtucket's economic development message that the City is a great place to do business and is an artist-friendly community. PBDC staffer Herb Weiss continues to distribute a Providence Business News supplement (published in 2014, highlighting the City of Pawtucket's amenities, economic development initiatives and detailing PBDC's loan program).

The City's Economic Development page on its new website will also have a page specifically dedicated to PBDC and its loan programs. PBDC staffer Herb Weiss pulled together information for this page.

Finally, PBDC now has two banners and a table wrap to use at conferences and expos to promote the City of Pawtucket's economic development initiatives.

Streamlining the Regulatory Process: Mayor Donald R. Grebien has called on the Zoning, Fire and Planning Departments to work together to assist developers to bring their buildings up to fire and safety codes. During the first week of December 2014, the Department of Planning and Redevelopment relocated to City Hall, its offices abutting the Zoning and Building Code Department. Throughout 2015, these agencies settled into their joint locations, which allowed staff to work more closely together. Businesses seeking building code permits are now finding it easier to go through the City's regulatory process with the merging of the departments.

The monthly meetings of the Building Code/Fire Task Force, chaired by Antonio Pires, Director of Administration, and staffed by Herb Weiss, continued to meet in 2015.

Developers and property owners find these meetings beneficial to address regulatory issues they are experiencing with City officials (Building Code/Zoning, Fire and Planning) and developers.

This year, City officials and developers completed the revision of Pawtucket's Building Permit Process manual to make it more user-friendly to reflect the City's building permit process. The updated manual is available in the Zoning and Planning Departments and also available on the City's website. Also, 11 businesses met in 2015 with PBDC staffer Herb Weiss and other City regulatory officers to discuss their specific preconstruction fire code and safety issues.