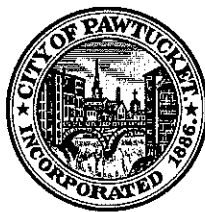


PAWTUCKET BUSINESS DEVELOPMENT CORPORATION

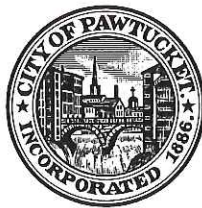
2019 ANNUAL REPORT



City of Pawtucket
Donald R. Grebien, Mayor

**2019
ANNUAL REPORT**

**PAWTUCKET
BUSINESS DEVELOPMENT CORPORATION**



Donald R. Grebien, Mayor

PAWTUCKET BUSINESS DEVELOPMENT CORPORATION

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LISTING OF PBDC OFFICERS, DIRECTORS AND STAFF

2019 Pawtucket Business Development Corporation

Officers and Directors

David Gold, President
Richard Sugerman, Vice President
Linda Dewing, Secretary
John Neary, Esq., Treasurer

Members

Agnelo H. Alves, Jr.	Kara Larson
Isaac Amponsah	* Leonard Lopes
Aime Brissette	Ryan McIntyre
Jan Brodie	Brendan McGinn
Allen Chatterton	Sherri Mercurio
John Connors	Roger Messier
Sharon Colby Camara	Brian Murtha
Scott Davis	David Odessa
Richard Goldstein	Robert Wheeler
* Judith Grant	Audrey Wendell
Jennifer Hennigan	Monika Zuluaga

*Resigned in 2019

PBDC Staff

Jeanne Boyle, Commerce Director
Jeannine Bourski, Deputy Finance Director
Michael Cassidy, Planning Consultant
Susan Mara, Director of Planning and Redevelopment
Herb Weiss, Economic and Cultural Affairs Officer
Mary Bourdeau, Administrative Assistant

PBDC Consultants

Alex Parmenidez, Progreso Latino
Rick Lefferts, Commonweal Collaborative
Attorney Keith Fayan, Fayan Law, PC
Dennis McCarthy, Small Business Development Center
Ed Soares, Community Development Program Manager



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 76 business loans, totaling \$4,326,700. These PBDC loans produced \$37,324,560 in bank financing for these businesses.

2019 LOAN PROGRAM REVIEW

Here are ten guidelines that the PBDC Committee followed when it reviewed the loan applications submitted for consideration in 2019 (on a case-by-case basis PBDC reserves the right to revise the guidelines):

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. The PBDC also has a "Micro-Loan" Program. Micro-loan applicants are qualified by the business owner's annual income.
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 of 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 \$35,000 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 no application fee, if an affirmative decision to lend is made by PBDC, the borrower will be required to pay the legal expenses for the preparation of the loan documents at the time of the closing.
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 is allowed under the PBDC loan programs.

Note: Subject to the availability of 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.

PRESIDENT'S MESSAGE – DAVID GOLD

FROM THE PRESIDENT...DAVID GOLD

Today we gather for the 26th Annual Meeting of Pawtucket's Business Development Corporation (PBDC). I want to first thank all of our board members for your time and commitment in issuing the most business loans in its history. We have played a key role in reviving Pawtucket's economic engine.

Yes, all in all, we have had a very good year. In 2019, we processed six loans for \$128,500. Since 1994 the nonprofit corporation has provided a total of 76 business loans, totaling \$4,326,700. These PBDC loans produced \$37,324,560 in bank financing for these businesses.

Pawtucket continues to be a model for urban development that emphasizes the arts. The City continued its efforts to roll out the carpet to small businesses and worked to make its loan review process less cumbersome. As the result of a six-week LEAN training program to review and streamline PBDC's existing loan process, a fillable pre-application form was created. This now allows us to track applicants through the loan process.

With the recent unveiling of a huge redevelopment plan for downtown Pawtucket which includes a professional soccer stadium, an indoor sport complex, market-rate and workforce housing, hotel, and commercial office space, word is spreading throughout the Ocean State that Pawtucket is the place to operate a business. This \$400 million project, considered to be the largest economic development initiative in the City's history, will have a major impact throughout the City's historic downtown and spur the possibility of more requests for funds from the PBDC.

Pawtucket has seen a major resurgence in the past few years due to our geographic locations due to our strategic location between Boston and Providence. We continue to promote our community as an affordable alternative to these major cities.

These are exciting times as we see large development projects throughout the City, including the Narragansett Park Plaza, the 180- unit Freight Street development, the long-awaited commuter rail, and the relocation of Seven Stars Bakery to our historic downtown.

The City's Department of Planning and Redevelopment is aware of other developers considering purchases within the City and, hopefully, the PBDC can be of assistance with their financing. The role of the PBDC will continue to grow and be more integral in keeping and attracting new businesses. The PBDC will provide the necessary funds needed to keep projects moving and developing within the City; keeping with our mission to provide gap financing and job creation.

As you know, most of what is happening is the result of Mayor Donald R. Grebien and his staff, Jeanne Boyle, Herb Weiss, Mike Cassidy and Mary Bourdeau, who have

been extremely helpful in allowing the PBDC to be a vital part of Pawtucket's renaissance.

This year, I look forward to PBDC continuing its efforts to reach out to businesses to promote our low-interest program. I hope to see the number of loan reviews increase significantly this year.

In addition, I would like to thank Rick Lefferts of Commonweal Collaborative for his continued efforts in providing the PBDC with detailed loan reviews, due diligence and financial analysis services during the past year.

Also, our legal counsel, Keith Fayan, continues to do an excellent job in representing our legal interests. Dennis McCarthy of the Small Business Development Center is a key member of our team, working closely with PBDC staff assisting applicants in preparing their loan applications.

Moving forward into 2020 as PBDC's President, I will continue to work on behalf of Mayor Donald R. Grebien to help bring new business to our City and help those already here to expand through PBDC's low-interest loan program.

THE PAST YEAR'S ACTIVITIES

Annual Meeting: PBDC put its annual meeting on hold this year and began to restructure the meeting as a working retreat to include its annual meeting. A retreat would allow a facilitator to work members to further refine its goals, vision and mission. At PBDC's December 2019 meeting, it was announced that the date for this Workshop/Annual Meeting was scheduled for Wednesday, February 12, 2020, from 3:00 p.m. to 6:00 p.m. at the City's Visitor Center.

PBDC's Officers continued to serve in their positions: David Gold, President; Richard Sugerman, Vice President; Linda Dewing, Secretary; John Neary, Esq., Treasurer. The slate was unanimously approved.

Colonial Mills Request: Colonial Mills relocated to the City of East Providence this year. PBDC approved the owners request to sign the lender's consent form, allowing the company to proceed with the purchase of a building in East Providence.

Partridge Snow & Hawn sent a letter requesting PBDC to amend its Promissory Note to allow the company to continue paying off its loan. After a Board discussion, PBDC Board directed its attorney, Keith Fayon, a letter to the owner noting that with this relocation, federal law does not allow the City to carry the loan balance of \$39,578.67 and it must be paid in full.

CDBG Allocations: The City of Pawtucket has \$250,000 in Community Development Block Grant (CDBG) funding. This funding was allocated from CDBG's July 1, 2019-June 30, 2020 grant cycle. During CDBG's last fiscal cycle (July 1, 2018-June 30, 2019), \$ 250,000 was allocated for use as business loans.

Hose Company No. 6: Ms. Jeanne Gaudette, owner of the Hose Company No. 6 attended PBDC's August meeting asking PBDC to forgive the balance of her \$10,341.59 loan. About a year and a half ago, the owner had applied for a demolition permit to tear down the historic fire station to construct a Dollar Store. She noted that the City demolition delay ordinance was able to delay it for six months. The development project was then stalled when the developer unexpectedly died.

Since that time, the owner has been trying without success to sell this historic property and code violations were too costly to repair.

The PBDC Board approved a motion to allow the existing PBDC mortgage to be assumed by a new buyer of the property with the condition that the loan would be forgiven upon the rehabilitation of the existing building and the creation of new jobs by the new business.

Ultimately, the owner chose to tear down the historic firehouse and PBDC Attorney Fayon noted that there was no legal recourse to petition the Superior Court for an injunction preventing the demolition. He noted that the value of the raw land is sufficient to cover PBDC's lien.

Lean Review Process: PBDC staff participated in a six-week training program to review the existing loan process to streamline the process. A presentation of the recommended changes were made at PBDC's January meeting.

As a result of this training, in 2019, PBDC staff created a fill-able pre-application form for a tracking sheet to follow applicants through the loan process. Meeting notices to PBDC members also include loan write-ups before the upcoming meeting. Quantifiable goals for PBDC were determined.

As part of the City's LEAN effort, and at the request of the PBDC Board, staff worked on providing the members with a better understanding of the operations of PBDC and the roles of both the Board and staff. At this meeting, the Board was provided with a copy of the PBDC mission statement, a copy of the current bylaws, and an informational sheet detailing each staff member's responsibilities, a concise explanation of the type of loans available to PBDC, CDBG financial guide lines that PBDC is required to follow.

Loan Activities: During 2019, PBDC Business Analyst Rick Lefferts reviewed the loan applications submitted by Rhody Hen, NeQter Labs, Inc., Petite Bakery, Notes Coffee Co., and Ms. Lorraine's Diner. The Board only approved three of the loans. Although the owners of Ms. Lorraine's Diner and NeQter Labs, Inc., had been reviewed, the owners decided not to go through with the PBDC's loan process.

PBDC staff internally reviewed a microloan request submitted by Insight Machine, Tu Voz es Musica, Galaxy Home Delivery and Logistics, LLC, and Shiva Shakti Yoga Shala & Wellness Center. PBDC approved these loans. SEEN Gallery had submitted a loan application for consideration but decided to not go through with the review process.

Loan Collection Procedures: During PBDC's December meeting, Board members discussed the need to develop a policy as to the issuance and term of forbearance on loans. There was also a discussion of PBDC hiring a CPA to prepare its monthly financial statements. This issue will be taken up next year.

Loan Modification: Because of increasing its line of credit used to pay operating expenses, Colonial Mills requested the lenders to this loan, including PBDC, to approve this increase and to remove his wife from the loan's guarantee. PBDC agreed to his request.

New, Reappoints, and Resignations of PBDC Members in 2019: New -- David Odessa and Monika Zuluaga. Reappointments: Aime Brissette, Jennifer Hennigan Brian Murtha, and John Neary. This year, Judith Grant and Leonard Lopes resigned from the PBDC Board.

Progreso Latino: Progreso Latino was reimbursed by the City's Community Development Block Grant to publicize PBDC's loan program to minority business owners.

PBDC Meeting Schedule: Because PBDC Staff had an administrative issue of having to prepare for both PBDC and the Pawtucket Redevelopment Agency meetings on the last week of the month, PBDC's meeting date was changed to the first Wednesday of the month.

PBDC Outreach/Loans in Process: PBDC staff continue to develop a listing of companies that have approached PBDC for information about its loan program and those who have begun or are currently in the loan process.

Rhode Island Small Business Development Center: Mr. Dennis McCarthy continues to meet potential loan applicants in the City's Planning Department to assist them with developing a business plan (if needed) and to assist in completing their application. He also attended PBDC meetings to answer Board questions pertaining to the submitted application.

Sara Bella Jewelry: The owner of the company attended PBDC's November meeting to give the Board an update as to why she is delinquent in paying her loan. She noted that there are a number of factors including a legal lawsuit and trade policies between the United States and China. Sara Bella is now closed and has filed for bankruptcy. PBDC Attorney Keith Fayan recommended that no legal action be taken at this time pending her legal issues.

Rhode Island Small Business Development Center (RISBDC). The Rhode Island Small Business Development Center (RISBDC) and the City of Pawtucket just completed its third year of an informal alliance. The alliance has been led by Herb Weiss of the City and Dennis McCarthy of the RISBDC. The RISBDC is committed to assisting small businesses throughout the City to grow and start. Chief amongst our goals is to attract capital into existing businesses, grow the top and bottom line for these companies and expand the employment levels in the City. Services have included strategic and business planning, developing financial projections, plans for traditional and digital marketing, operations including establishing bookkeeping systems, complying with Statewide regulations and accessing capital.

The RISBDC worked with 26 Pawtucket companies throughout 2019. The diversity of these companies was wide. The leading category was food related businesses, which included four retail operators and three food manufacturers who sell to the retail industry. Other categories included entertainment, exercise and training, fashion design, real estate, home care, health care, cyber security, alcohol production, transportation and pet grooming. Of the 26 that we worked with, 10 were startups.

The RISBDC supported the City in its efforts to inject capital into Pawtucket businesses through the Pawtucket Business Development Corporation and the Pawtucket Redevelopment Agency. The RISBDC and its staff helped clients with financial projections as well as with business planning. The RISBDC staff worked with the City staff to educate loan applicants about the process and eligibility guidelines required for program compliance.

The RISBDC has extended its networking campaign to include lenders and private enterprises as well as with community partners working to generate business development opportunities including the Pawtucket Foundation, Progreso Latino and the Rhode Island Black Business Association and the Broad Street Regeneration Initiative.

Progreso Latino. During 2019, Progreso Latino met with 7 Pawtucket-based small businesses seeking information about PBDC's loan program. In addition to providing specifics details about the PBDC's loan application process, the nonprofit referred these businesses to local and statewide small-business development programs to provide additional resources.

Several companies also benefited from hospitality trainings workshops offered by Progreso Latino with over a dozen obtaining their SERVESafe certification. Of these companies, one Pawtucket wholesaler was able to maintain its certification by their participation in the workshop.

Progreso Latino has allowed PBDC to enhance its bilingual networking efforts to Hispanic-owned companies to promote its loan program and the City's economic development incentives.

PBDC STAFF SUPPORT

Accounting Services: In 2019, PBDC staff provided customer servicing, oversight of compliance with loan agreements, loan administration and accounting for nine (9) loan agreements. Loan administration included: a) the preparation of amortization schedules for no new loans and no loan modification; b) processing monthly billing and remittances for nine (9) current loans, no loan payoffs and no 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 Fayon, of Fayon Law, P.C., attended regular monthly meetings during the year to provide the Board with legal guidance in support of its deliberations, decisions and actions.

Attorney Fayon represented the PBDC concerning its loan to Petit Bakery, Rhody Hen, and Shiva Shakti Yoga Shala. Attorney Fayon also represented PBDC in conjunction with the Colonial Mills loan during its relocation to East Providence. In particular, Colonial Mills requested a forbearance of default upon relocation which was ultimately declined. Colonial Mills paid the loan balance and the PBDC discharged its mortgage on the condominium in Tiverton, RI which had been pledged as security. Attorney Fayon also provided advice to the Board concerning MUR Realty's request for loan forgiveness.

Loan Activities: Loan activity increased during 2019. PBDC Business Analyst, Rick Lefferts, reviewed the loan applications submitted by Rhody Hen, Miss Lorraine Diner, Notes Coffee Co., LLC, Petit Bakery and NeQter Labs LLC. The Board approved loans to all the applicants, however not all the loans were accepted and closed. Funded activities included acquisition of real estate, working capital, purchase of equipment and furnishings. Most businesses were start-ups, Commonweal Collaborative provided ongoing support to the administration of the loan program, including evaluating loan modification requests from existing borrowers.

PBDC staff internally reviewed a microloan request submitted Insight Machine, Tu Voz es Musica, Galaxy Home Delivery and Logistics, LLC, and Shiva Shakti Yoga Shala & Wellness Center. PBDC approved these loans.

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 assisted the Pawtucket Foundation to market and promote the opportunities of operating a business around the City's new commuter rail site.

On Thursdays, PBDC staffer Herb Weiss continues to attend weekly meetings of the Rotary Club of Pawtucket and updates members about PBDC's program and benefits.

This year articles continue to be found in local publications (*The Providence Journal*, *The Times*, *The Valley Breeze*, *Providence Business News*, *New England Real Estate Journal*) 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.

The City's Economic Development page on the City's website continues to promote PBDC's loan program on a specific page dedicated to PBDC.

Streamlining the Regulatory Process: Over three years ago, Mayor Grebien created space in Pawtucket City Hall and merged the Zoning and Code Enforcement and Planning and Redevelopment Departments together to streamline the regulatory process. Throughout 2017, staff of these agencies are working closely together in their joint spaces. Developers are finding it easier to process their applications.

Also, with the implementation of Pawtucket's e-permitting process in November 2016, owners and developers seeking building and fire code permits for projects in the City can now file electronically. During 2019, a total 3,094 permits (Building, 1126; Demolition, 18; Electric, 769; Mechanical, 498, Plumbing, 474; Solar, 208) were filed by the City's e-permitting process.

This year, City officials and developers can easily download Pawtucket's Guide to Permitting, which concisely details the City's building permit process. A hard copy of this manual is also available in the Zoning and Planning Departments. Also, eleven (11) businesses met in 2019 with PBDC staffer Herb Weiss and other City regulatory officers to discuss their specific preconstruction fire code and safety issues.