

Minutes
Portland Development Corporation
March 21, 2019

A meeting of the Portland Development Corporation (PDC) Board of Directors was held at 4:00 p.m. on Thursday, March 21, 2019, in Room 209 of Portland City Hall. Present from the Board was its President Tim Agnew and Board Directors Tom Dunne, Blaine Grimes, Jeffery Hicklin, Steve Lovejoy, Laura Reading, Mayor Ethan Strimling, Julie Viola (arriving as noted herein), and Briana Volk. Board Directors James Dowd and Jon Jennings could not be present. Present from the City staff were Associate Corporation Counsel Michael Goldman, Business Programs Manager Nelle Hanig, and Senior Executive Assistant Lori Paulette. Also present were PDC Underwriters Vin DiCara and David McLaughlin.

Item #1: President's Comments

President Agnew noted that Items #4 and #5 do not need to be acted on today; discussion only.

Item #2: Review and accept Minutes of February 21, 2019 meeting.

On motion made by Mayor Strimling, seconded by Mr. Hicklin, the Board voted 5-0-3 (Dunne, Grimes, Volk abstained) to accept the Minutes as presented.

Item #3: Review and vote on loan application from:

- a) **Cove Street Arts at 71 Cove Street; and,**
 - b) **Calendar Island Sailing at Fore Points Marina, 58 Fore Street.**
- Note: Pursuant to 1 M.R.S.A. 405(6)(F) and 5 M.R.S.A. 13119—A, the Board may go into executive session to discuss confidential information regarding these loan applications.**

Mayor Strimling had to leave the meeting (returning as noted herein) and Ms. Viola arrived at this point.

President Agnew noted that the Board would first hear presentations on these two loans, followed by questions/answers, and then would go into executive session to discuss confidential information for both, after which the Board would come out of executive session and then vote on the items.

Cove Street Arts

Ms. Hanig noted that Gallery Acquisition Co., Inc., d/b/a Cove Street Arts (CSA), will be opening late Spring at 71 Cove Street showcasing art in multiple forms and media, as well as having a commercial art gallery, library/bookstore, events, workshops, educational programs, and studio space. The owner of CSA is John Danos, who is also the owner of Greenhut Gallery since July 2016, both under the umbrella of Gallery Acquisition Co. Inc. She then introduced Mr. Danos.

Mr. Danos thanked the Board and noted that the location of CSA is the former Angela Adams showroom and then described the space, adding that the size and flexibility of the space allows for the uses Ms. Hanig described above, as well as music and film screening shows, which Portland needs. The overall goal is to educate and promote Maine contemporary art, both now and historically, for all ages. Mr. Danos indicated that Indigo Arts Alliance will be opening across the street from CSA, and he anticipates that artists in residency would move from there to CSA to showcase and market their art in the gallery.

Regarding why opening this kind of venue now, Mr. Danos indicated that the population is growing, as well as tourism growing annually. Portland's foodie scene has exploded, and he thinks that the art scene can do the same thing. He compared the future art scene here to be Fenway Park, not Hadlock Field.

Ms. Viola asked about the size and scope, and Mr. Danos said that Green~~h~~-Hut Gallery is a quarter of the size of CSA. This will allow for more events, from whiskey tasting to film screening, among others at CSA. It will be the venue for an African Film Festival that Indigo will putting on. It will highlight more and more artists.

Mr. Dunne asked about revenue coming in to pay the loans, and if Mr. Danos had confidence that that revenue would be enough for loans, staff, etc. Mr. Danos said that the driver for sales are the shows which he anticipates having 3 to 6 per month with broad price ranges, while at Green~~h~~-Hut there is one a month. With the critical mass occurring in this area, becoming an art destination will happen and its already starting.

Seeing no further comments/questions, President Agnew thanked Mr. Danos and the Board will now hear about Calendar Island Sailing.

Calendar Island Sailing

Ms. Hanig introduced this loan request noting that the business began in 2017 running one sailing yacht out of South Portland, providing custom tours. It now owns two more sailing yachts and will be docked in Portland – two at Fore Points Marina and one at Jones Landing Marina on Peaks Island. The business is owned by Sandra Pablo and managed by her and her son Nathan Pablo, who she then introduced.

Ms. Pablo said that although they ~~v~~are “from away”, her and her son made the decision to plant roots here and then started this business. They have three unique boats with pedigree and history, built in Maine, and providing custom tours for a few hours, overnight, or a few days. All are completely custom trips and catered. They work with hotels, inns, and restaurants, as part of their marketing. She noted that they financed the boats personally and

are debt free. They also have family charters to support fund raisers, and partners with the community on various projects.

(Mayor Strimling rejoined the meeting at this time.)

Mr. Pablo said he is on the operations side of the business. He attended Maine Maritime Academy and thought he would be gone from Maine after the four~~s~~ years there; ten years later he is still here. Mr. Pablo noted that he worked on the waterfront for seven years and saw a void for small boat excursions, where you could sail without feeling cramped on a boat. He noted that overnight trips are a tremendous draw; on Peaks Island there is only opportunity to take a Ferry or rent a kayak now; and, last year, they also worked with Aucocisco School, which was a positive learning experience for students.

Ms. Grimes agreed that there is that kind of niche, noting that it is difficult to find a boat for 10 to 20 passengers, and then asked about capacity of their boats. Mr. Pablo said that two are 6-passenger boats, and the larger one is 12-passengers, which is currently going through the Coast Guard for its okay.

Mr. Dunne asked how many trips per season for the three boats would make it a success for the season. Mr. Pablo said that since they are all custom trips, at different price points, it is difficult to pinpoint a number of trips.

Ms. Viola asked about bookings and connections to cruise ships. Mr. Pablo said that booking is done online and phone calls, and they also offer island pickups. Ms. Pablo added that although they do not have anything formal with the cruise ships coming, their 100,000 annual passengers go right by their location.

Ms. Grimes asked about their focus for this business, and Mr. Pablo noted that the Peaks Island boat will offer 1.5 hour tours throughout the day; the two other boats at Fore Points will be focused in private/custom charters and day and overnight trips.

Ms. Reading asked about costs for tours, and Mr. Pablo noted that the Peaks Island tours are \$35 for adults and \$30 for children. Portland is \$55/hour, average is 2 hours; and \$275/hour private charter with a two hour minimum.

There was discussion about employees, and it was indicated that Captains are paid \$120/day, and deckhands are paid \$60 to \$80 a day depending on experience; and then tips on top of that. Hours per day worked depends on demand, but not more than 12 hours a day. Being a seasonal business, no benefits are provided.

President Agnew, seeing no further questions/comments, noted that he would recuse himself from voting on this item as his brother is involved with bringing Tall Ships to Portland.

Mayor Strimling asked if public comment would be taken, noting a member of the public in attendance. President Agnew asked about the will of the Board, and the Board concurred.

George Rheault of Bayside asked about public material for the loan requests, and Ms. Hanig said that the backup for the loan requests contains confidential material and is not public.

CSA Executive Session

On motion made by Ms. Viola, seconded by Mr. Dunne, the Board voted unanimously pursuant to 1 M.R.S.A. 405(6)(F) and 5 M.R.S.A. 13119—A, to go into executive session at 4:55 p.m. to discuss confidential information regarding this loan application. At approximately 5:30 p.m., the Board came out of executive session, at which time Ms. Volk had to leave the meeting.

On motion made by Ms. Grimes, seconded by Mr. Lovejoy, the Board voted unanimously to extend a loan to CSA on the terms and conditions recommended by staff and loan underwriter, with additional conditions that the PDC loan amount be the same as GPCOG's loan (which will go to its loan committee in early April), and landlord subordination and lien waiver on construction work.

Calendar Islands

President Agnew left the meeting at this time due to his previously stated conflict, noting Ms. Viola would chair until he returned.

On motion made by Mayor Strimling, seconded by Mr. Dunne, the Board voted unanimously pursuant to 1 M.R.S.A. 405(6)(F) and 5 M.R.S.A. 13119—A, to go into executive session at 5:32 p.m. to discuss confidential information regarding this loan application. At approximately 5:50, the Board came out of executive session and President Agnew rejoined the meeting.

On motion made by Mayor Strimling, seconded by Ms. Viola, the Board voted 6-1 (Dunne)-1 (Agnew abstained) to extend this loan on the terms and conditions as recommended by staff and loan underwriter.

Item #4: Discussion regarding loan risks. NOTE: Pursuant to 1 M.R.S.A. 405(6)(F) and 5 M.R.S.A. 13119-A, the Board may go into executive session to discuss PDC loans' confidential information.

President Agnew noted that this is on the Agenda to discuss the PDC current default rate at 6.5% of the total loan portfolio. Specifically, is this too low, average, or should the Board be taking on more risk.

Mr. DiCara said the nature of this Board is to take on more risk, as the Banks take on the lesser risk loans. Does the Board want to take more risk, and if so, in what areas.

Ms. Hanig noted the FAME's default is currently at 15%, while Biddeford/Saco Economic Development Corporation is at 3%.

Mr. McLaughlin suggested a grading system for the loan portfolio could be used.

In response to Mayor Strimling, Ms. Paulette noted from the PDC's inception through FYE2018, there has been a total \$689,094 in charge offs. Four loans make up the most charge offs, namely: The Madden Group - \$146K; Eastman Industries (a/k/a 410 Riverside Street) - \$195K; Nova Star Cruises - \$152K; and, FMC Cadd \$44K.

Ms. Hanig said that there are many clients she works with who don't make it to the Board because they are not ready. Oftentimes, she refers them to business counselors to assist with their business plan. However, if anyone wants to insist to come before this Board she does give them that option.

Discussion then took place about adding criteria, carving out money for micro loans, grading system, a measurement of benefit to the community versus risk, charging lower or higher interest rates.

(Messrs. Agnew and Hicklin had to leave at this point.)

Public benefit versus risk was further discussed. Mr. Dunne indicated that overall, the risk level seems to be on target, with Mayor Strimling adding that getting the word out more may provide for more lending opportunities, including getting the word out to Portland's working waterfront.

Mr. DiCara added that those who attend Portland Adult Ed may provide an area for public benefit for loans.

Ms. Hanig also noted that the BAP program has assisted immigrant-owned smaller businesses with grants for jobs, so part of a niche has been filled. Mr. Lovejoy added the possibility of partnering with CEI and StartSmart, and that credentialing may be another niche – where the immigrant population who were, for instance, medical doctors in their native country are having difficulty having their credentials approved in this country.

Ms. Viola added that there may also be cultural and religious reasons why the immigrant community will not borrow money.

It was noted that this would be further discussed at a future meeting.

Due to the time, the meeting was then adjourned at 6:20 p.m.

Respectfully, Lori Paulette