

**COUNCIL ON DEVELOPMENT FINANCE**

**February 22, 2016**

**PUBLIC HEARING 419**

**THOSE PRESENT:**

Mr. Andrew Lubin, Chairperson  
Honorable Nancy Cook  
Rep. Bryon Short  
Mr. Jack Riddle  
Sen. Nicole Poore  
Mr. Fred Sears  
Mr. Tarik Haskins  
Mrs. Richelle Vible  
Director Bernice Whaley  
Mr. Tim McLaughlin  
Mr. Lawrence Lewis, DAG

Mrs. Rachael Mears  
Mr. James Pennewell  
Mrs. Amber Mudri  
Ms. Kimberly Cruz  
Mrs. Christina Dirksen  
Ms. Patricia Cannon  
Mrs. Barb DeHaven  
Mr. Joe Zilcosky  
Mr. Dave Archer  
Mr. David Root  
Ms. Emily Baird

**ALSO PRESENT:** **Zenbanx Holding Ltd.** – Mr. Thomas Hugh, Mr. Frank Sanchez, Mr. Arkadi Kuhlmann, and Mr. Stephan Klee (Mr. Kuhlmann and Mr. Klee available via conference call); **1320 CBW, LLC** – Mr. Jay Freeberry; **New Castle County** – Mr. Stephen Reuble, Ms. Carrie Casey, and Ms. Diana Brown; **Nanticoke Memorial Hospital** – Mr. Steve Rose; Ms. Vicki Ford, Office of Management and Budget; Mr. Edward Black, Department of Justice; Mr. Tim Ratsep, Department of Natural Resources and Environmental Control; Mr. James Wechsler, WSFS; Ms. Angela Tilghman, United States Department of Agriculture; Mr. Jason Gonzalez, DuPont; Mr. John Flaherty, and Mr. Nick Wasileski, Delaware Coalition for Open Government

**LOCATION:** Buena Vista

**TIME:** 9:00 A.M.

**CALL TO ORDER:**

The meeting was called to order at 9:00 A.M. by Chairperson Lubin, on Monday, February 22, 2016.

**OLD BUSINESS:**

Mr. Lubin made a motion that the minutes of both the December 15, 2015, and January 25, 2016, Council on Development Finance meetings be approved as presented. Mr. Riddle approved the motion; Mr. Sears seconded the motion, which was then adopted by unanimous vote.

Mr. Sears wanted to express his appreciation to the Governor, Director Whaley, DEDO staff, and Chairperson Lubin regarding the effort put forth to retain business in Delaware following the DuPont Dow merger. Mr. Lubin also expressed his thanks regarding the efforts of all those involved to help keep jobs within the state.

Mr. Lubin put forth the four applications that came before the Council at the January meeting for recommendation, as those projects were not able to be voted upon at that time because a quorum

was not present due to weather-related issues. He encouraged comments from Senator Cook and Mr. Riddle, who were in attendance at January's Council on Development Finance meeting.

**EnviroKure, Inc. ("EnviroKure" or the "Applicant")** – The Applicant is requesting a Delaware Strategic Fund performance grant in an amount not to exceed \$55,437.00, and a Capital Expenditure grant in an amount not to exceed \$255,484, for a total of \$310,921. The Applicant proposes to use the funds for the creation of 12 full-time Delaware positions as it establishes its new location in Harrington, Delaware.

Ms. Cannon presented this request to the Council. She stated that EnviroKure intended to establish a facility in Harrington, Delaware that utilizes poultry waste by-product, turning it into an organic liquid fertilizer for agricultural, turf, and home & garden use. Ms. Cannon stated that this facility would create 12 new manufacturing jobs, as well as positively impact Delaware's agricultural economy and ecosystem. She also stated that the fertilizer is a zero-waste product that removes tons of chicken manure that negatively impacts the Chesapeake Bay watershed, and in doing so, removes phosphorus and transports it to areas of the country where it is a vital agricultural necessity.

Mr. Pennewell stated that during his financial analysis, the Applicant reflected the growth of an industry transitioning from the research to the commercialization phase, and, while the project is not yet profitable, it anticipates a net profit in 2017.

Mr. Lubin asked if there were any questions from the Council regarding EnviroKure.

Mr. Sears asked if the Council and project members were convinced that the project would be profitable in the near future. Ms. Cannon stated that the Delaware Department of Agriculture Secretary, Secretary Kee, was in attendance at January's CDF meeting, and at that time he stated that the worst case scenario for the project would be that, even if the Applicant is not profitable, the project still removes tons of chicken manure from the local ecosystem. Mrs. Mears added that the liquid fertilizer is a very marketable product, and Ms. Cannon stated that EnviroKure has already signed a five-year deal with Willard Agri-Service, based in Delaware, for distribution. Ms. Cannon stated that at the pilot plant in Philadelphia, the Applicant is currently unable to keep up with the requested demand for its product.

Chairperson Lubin asked if there were any public comments; there were none.

**Motion Made By: Mr. Riddle**  
**Seconded By: Sen. Cook**

**MOTION:** After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible

person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of a Delaware Strategic Fund performance grant in an amount not to exceed Fifty Five Thousand Four Hundred Thirty Seven Dollars (\$55,437.00), and a capital expenditure grant in an amount not to exceed Two Hundred Fifty Five Thousand Four Hundred Eighty Four Dollars (\$255,484.00), for a total not to exceed Three Hundred Ten Thousand Nine Hundred Twenty One Dollars (\$310,921), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including February 21, 2017.

**Approved By Vote of 8 to 0.**

**Proximity Malt, LLC (“Proximity Malt” or the “Applicant”)** – The Applicant is requesting a Delaware Strategic Fund performance grant in an amount not to exceed \$133,575, a Capital Expenditure grant in an amount not to exceed \$1,500,000, and a Hazardous Substance Clean Up Act grant (formerly known as Brownfields) for the lesser of \$100,000 or 50% of the total costs of environmental assessment and remediation at the eligible site, for a total of \$1,733,575. The Applicant proposes to use the funds for the creation of 23 full-time Delaware positions as it establishes its new location in Laurel, Delaware.

Mrs. DeHaven presented this request to the Council. Proximity Malt is a malt processing company headquartered in Milwaukee, Wisconsin, seeking to establish a barley originating and malt processing, packaging and distribution facility in the Mid-Atlantic region. The Applicant has identified a location at a former grain storage facility in Laurel, Delaware, which is ideal in supplying craft brewers of the region, as well as utilizing local agriculture for the procurement of barley for the malt process. She stated that barley is an ideal crop for the region as it is used as a winter ground cover that reduces soil erosion. Proximity Malt anticipates refurbishing and establishing the facility in Laurel in time to take advantage of the May 2017 barley harvest, and expects to employ 23 new full-time staff of the skilled labor level or higher. Mrs. DeHaven added that the Laurel facility has also been recognized by Delaware DNREC as eligible for a Hazardous Substance Clean Up Act grant.

Ms. Cruz stated that the financial analysis review covered the period of 2015 projected through 2020. The Laurel facility is to be placed in service by February 2017 and expects to have the liquidity and growth in sales to cover its debt. Ms. Cruz stated that, overall, Proximity Malt projects to be in a sound financial position upon the successful execution of the financial performance detailed in their business plan; therefore, DEDO recommends approval of their application.

Mr. Lubin asked if there were any questions from the Council regarding Proximity Malt.

Mr. Lubin asked for comment on the NGP Global Agribusiness Partners (NGP), a partner of Proximity Malt, as listed in the project evaluation. Ms. Cruz stated that there is a \$60 million equity investment on behalf of NGP to be allocated over multiple years. She added that NGP is an agribusiness enterprise that promotes and financially assists businesses that maintain an

agricultural focus. Mr. Sears asked if NGP is located in Milwaukee. Ms. Cruz stated that she was uncertain about the precise location, but that NGP is not located in Milwaukee.

Mr. Riddle asked if Proximity Malt has already purchased the Laurel facility. Mrs. DeHaven stated that it has.

Chairperson Lubin asked if there were any public comments; there were none.

**Motion Made By: Mr. Riddle**  
**Seconded By: Sen. Cook**

**MOTION:** After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of a Delaware Strategic Fund performance grant in an amount not to exceed One Hundred Thirty Three Thousand Five Hundred Seventy Five Dollars (\$133,575), and a capital expenditure grant in an amount not to exceed One Million Five Hundred Thousand Dollars (\$1,500,000), and a Hazardous Substance Clean Up Act grant (formerly known as Brownfields) for the lesser of One Hundred Thousand Dollars (\$100,000) or Fifty Percent (50%) of the total costs of environmental assessment and remediation at the eligible site, for a total not to exceed One Million Seven Hundred Thirty Three Thousand Five Hundred Seventy Five Dollars (\$1,733,575), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including February 21, 2017.

**Approved By Vote of 8 to 0.**

**The Davey Tree Expert Company ("Davey Tree" or the "Applicant")** – The Applicant is requesting a Delaware Strategic Fund performance grant in an amount not to exceed \$50,050. The Applicant proposes to use the funds to relocate and create a total of 25 full-time Delaware positions as it transitions after the acquisition of the Kern Brothers Tree Service and Landscaping Company based in Wilmington, Delaware.

Ms. Cannon presented this request to the Council. Davey Tree recently acquired Kerns Brothers Tree Service and Landscaping, and intended to create 25 new jobs, in addition to the 26 existing

jobs, within Delaware. She stated that it was promising that Davey Tree intended to remain in Wilmington and not move employees from Delaware to its office in Aston, Pennsylvania.

Ms. Cruz stated that during financial analysis, it was shown that sustainability and sales increased between 2012 and 2014. She added that while there was a slight decrease in working capital during the period of 2012 to 2014, total assets increased by approximately 25%. Ms. Cruz stated that DEDO favorably recommends approval for the Strategic Fund performance grant request.

Mr. Lubin asked if there were any questions from the Council regarding Davey Tree.

Mr. Lubin asked about the revenues from Davey Tree National. Ms. Cruz stated that the revenues increased between 2012 and 2014, and were on track in the first quarter of 2015.

Chairperson Lubin asked if there were any public comments; there were none.

**Motion Made By: Mr. Riddle**  
**Seconded By: Mr. Sears**

**MOTION:** After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of a Delaware Strategic Fund performance grant in an amount not to exceed Fifty Thousand Fifty Dollars (\$50,050), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including February 21, 2017.

**Approved By Vote of 8 to 0.**

**Massey's Landing Properties, LLC ("Massey's Landing" or the "Applicant")** – The Applicant is requesting a Delaware State Small Business Credit Initiative (SSBCI) participation loan in an amount not to exceed \$660,000. The Applicant proposes to use the funds in conjunction with funding from M&T Bank towards the construction of a luxury RV park located near Rehoboth Bay, Delaware.

Mr. Zilcosky presented this request to the Council. Massey's Landing is a proposed luxury RV park that will include rental cottages and campgrounds located on the Rehoboth Bay. Also to be

included on the property is a restaurant, ice cream shop, pool, and facilities for outdoor activities. The Applicant expects to hire 10 full time and 30 seasonal employees. Massey's Landing expects to be completed in time for the 2016 summer season.

Mr. Pennewell stated that during financial analysis, a review of financial projections, bank underwriting, and personal financial statements of the developers was conducted. He stated that once the campground is operational, the bulk of revenue and expenses would be from the campground, with additional revenue being supplied by the restaurant and sales from similar facilities on the resort grounds. Mr. Pennewell stated that the Applicant expects profitability beginning in the first year and moving forward, with a net profit margin of 39% within the first year and potentially up to 45% by the sixth year of operation.

Mr. Lubin asked if there were any questions from the Council regarding Massey's Landing.

Mr. Lubin asked about the remaining funds within the SSBCI loan fund, and whether this product should be approved by the Treasury. Mrs. Mears stated that the SSBCI loan fund is a revolving loan fund, and that \$8.7 million has been spent and that \$8.6 million has been received. She stated that these dollar amounts are a reflection that those funds are already being returned.

Sen. Poore asked about the five different sources of revenue that are listed in the financial analysis. Mr. Zilcosky stated that those sources include the resort campground and cottages, restaurants, tiki bar and ice cream shop, and outdoor activities. Mr. Pennewell stated that the majority of the revenue, approximately 80% will be funded from the campground itself.

Chairperson Lubin asked if there were any public comments; there were none.

**Motion Made By: Sen. Cook**  
**Seconded By: Mr. Sears**

**MOTION:** After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of a State Small Business Credit Initiative participation loan in an amount not to exceed Sixty Six Hundred Thousand Dollars (\$660,000), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including February 21, 2017.

**Approved By Vote of 8 to 0.**

**NEW BUSINESS:**

**Zenbanx Holding Ltd. (“Zenbanx” or the “Applicant”)** – The Applicant is requesting a Delaware State Small Business Credit Initiative (SSBCI) participation loan in an amount not to exceed \$2,940,000. The Applicant proposes to use the funds in conjunction with funding from WSFS to support the build out of Zenbanx’s Delaware location, development of key product features, financing to achieve its revenue targets, and support the addition of full time employees to Delaware’s workforce, bringing the total number of employees to 275, with the potential to increase employment.

Mr. Archer presented this request to the Council. He stated that Zenbanx was created in order to provide a proprietary global network to easily and securely save, send, and spend in different currencies. He stated that the purpose of the loan is to assist in the build out of the Applicant’s current Claymont, Delaware location into the firm’s global operating headquarters, also increasing the total number of employees to 275, encompassing senior management, IT developers, finance staff, risk and compliance professionals, and operation associates. Mr. Archer also stated that portions of the loan would be utilized for product development.

Ms. Cruz stated that during her analysis of the finances, she found that Zenbanx is projected to meet its financial obligations using current liquid assets. She added that while assets declined in 2015, they are projected to increase in 2016 through 2020, and that while working capital is low, this factor is typical of a startup company. Ms. Cruz stated that the Applicant expects to recognize core customer fee income beginning in 2016, and estimates a positive cash flow by the end of 2017. Ms. Cruz stated that staff favorably recommends approval of the SSBCI loan for Zenbanx.

Mr. Lubin asked if there were any questions from the Council regarding Zenbanx.

Mrs. Vible asked about whether DEDO or WSFS is the leading entity listed on the loan. Ms. Cruz stated that WSFS is the lead on the loan contributing \$3 million, with DEDO participating by contributing \$2.9 million via the loan. Mrs. Vible asked if both DEDO and WSFS would share equally in the security funding. Ms. Cruz stated that a blanket Uniform Commercial Code financing statement will be used to secure DEDO’s position by placing a lien against the Applicant’s business assets. Mrs. Mears stated that WSFS is securing their loan with a cash reserve as collateral.

Mr. Lubin asked for confirmation that the WSFS loan was for a period of two years, and the DEDO payback is over 84 months. Ms. Cruz stated that was correct. Mr. Riddle asked if there were regulations regarding the procedure in this case. Mrs. Mears stated that the Treasury does not have regulations in regard to the term of a loan, and that the application states an average of five year terms. Mrs. Mears added that this applicant is the first instance where the term has extended that five year period, but that DEDO is still within the means of what it is capable.

Mr. Lubin asked whether the funds allocated for this loan are earmarked from the current \$8.7 million in the SSBCI loan fund, or if it would be drawn from the final tranche that is to be received from the Treasury. Mrs. Mears stated that the funds for the Applicant would be drawn from the \$8.7 million. Mr. Lubin asked for further clarification, in relation to current funds in the

SSBCI loan fund, as well as the amount requested by the Massey's Landing project, another SSBCI loan. Mrs. Mears stated that the \$660,000 requested by Massey's Landing would be distributed from the previous tranche, and that some portions of the Zenbanx request would be distributed from the forthcoming tranche.

Mr. Riddle asked if the business assets of the holding company would be in subsidiaries, and if there would be an opportunity on guarantees. Mrs. Mears stated that there would not be an opportunity for guarantees, and that intangibles would be collateralized. Mr. Riddle asked what are the working assets, adding that the intangibles appear to be held by subsidiaries of the holding company. Ms. Cruz stated that Zenbanx Holding Ltd. and Zenbanx USA Inc. are co-borrowers. Mrs. Vible asked for clarification that the holding company is the borrower. Ms. Cruz stated that was correct.

Mr. Haskins asked if the Uniform Commercial Codes would be on the assets of both Zenbanx Holding Ltd. and Zenbanx USA Inc. Ms. Cruz stated that was correct. Mr. Haskins asked if DEDO would be the only secure party on those assets. Ms. Cruz stated that was correct.

Mr. Kuhlmann stated that, in regard to the loan, Zenbanx Holding Ltd. is the top company that includes the idea and trademark assets of the firm. He stated that all financials are backed up by the holding company. Mr. Kuhlmann added that the SSBCI loan is part of a larger financing that is closing for \$12 million, and that there are additional loans that are being contributed to the company through investors. He stated that the loan is key in terms of transitioning the business and business development.

Mr. Haskins asked whether the intellectual property that is utilized by the company is owned by Zenbanx Holding Ltd. or Zenbanx USA Inc. Mr. Klee stated that the intellectual property is owned by Zenbanx Holding Ltd. Mrs. Mears stated that this fact is reflected on the balance sheet. She added that DEDO is aware of the risk in the loan, but that it also sees the upside of the idea and the impact that it could make. Mrs. Mears stated that Mr. Kuhlmann, as the former CEO of ING, brings along a wealth of knowledge and a strong leadership team.

Mr. Lubin asked if it was possible to identify other strategic relationships specific to Delaware, similar to WSFS, for the Applicant. Mr. Kuhlmann stated that there are parties within Delaware that Zenbanx works in conjunction with as suppliers and vendors that provide resources and talented people. He stated that the focus of the business operation base is in Delaware.

Mr. Riddle asked if the \$3 million payout of the bridge loan would be done through traditional equity. Mr. Kuhlmann stated that was correct. Mr. Riddle asked if it was known if the payment of the \$3 million was being made through available equity or through cash flow. Mr. Kuhlmann stated that there are other funds being contributed that are notes converting to equity. Mrs. Mears stated that the cash flow was reviewed. Ms. Cruz added that cash flow was a combination of operational cash flow and equity.

Mr. Lubin asked if DEDO is comfortable with an 84 month payback timeline. Mrs. Mears stated that it correct, after negotiations were completed to bring the payback into a comfortable place.

Mrs. Vible asked about conditions of the loan. Mr. Wechsler stated that the conditions regarding the funding of the loan evidence the other \$6 to \$7 million. Mrs. Vible amended her question, and asked what are the conditions precedent to the rejection of the application. Mr. Sanchez stated that the comment by Mr. Wechsler was in reference to the WSFS participation, and that the

previously referenced equity was in the process of being executed in the fund. Mr. Lubin asked if the \$6 or \$7 million in investor capital has been received by Zenbanx. Mr. Wechsler stated that it was received in the late stages. Mrs. Mears stated that DEDO essentially purchased a portion of WSFS transactions, and by default DEDO takes on the precedence that was held by WSFS.

Mrs. Whaley asked Mr. Kuhlmann to share the ultimate reason for the bridge loan, specifically in regard to the acceleration of the increase of employees. Mr. Kuhlmann stated that initially the focus was to build a mobile banking platform, and there was difficulty attracting talent and infrastructure in California. He stated that Zenbanx now has the ability to accelerate and consolidate the building of the operations base in Delaware, with expanded sales operations and digital marketing, building a customer base, loan facility, and sales and revenue to attract a larger equity investment. Mr. Kuhlmann stated that this SSBCI loan was fundamental to allow the business to move forward and accelerate development. He stated that projected numbers in the increase of employees and the build out of the facility in Claymont have allowed it to build a business on a national platform. Mr. Kuhlmann stated that the SSBCI loan is pivotal for the transition to make Zenbanx work.

Mrs. Mears stated that the Applicant anticipates the total number of employees to increase to 275 by the end of 2018.

Sen. Cook asked what is the average salary of an employee. Mr. Klee stated that the expectation for the upper level would be around \$100,000, which includes multiple layers of management.

Chairperson Lubin asked if there were any public comments; there were none.

**Motion Made By: Mr. Rowland**  
**Seconded By: Mr. Sears**

**MOTION:** After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of a State Small Business Credit Initiative participation loan in an amount not to exceed Two Million Nine Hundred Thousand Dollars (\$2,900,000), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including February 21, 2017.

**Approved By Vote of 8 to 0.**

**1320 CBW, LLC (“1320 CBW” or the “Applicant”)** – The Applicant is requesting an Hazardous Substance Clean Up Act grant (formerly known as Brownfields) for the lesser of \$100,000 or 50% of the total costs of environmental assessment and remediation at the eligible site located at 1320 Clifford Brown Walk in Wilmington, Delaware. The Applicant proposes to use the funds to aid in the remediation of the brownfields site, which will in turn allow the expanded supply of quality, affordable rental housing by providing 80 affordable rental housing units in Wilmington, Delaware.

Ms. Cannon presented this request to the Council. She reviewed the qualifications of the Hazardous Substance Clean Up Act, which allocates a matching grant of up to \$100,000 from the strategic fund in conjunction DNREC for the remediation of certified brownfields sites. Mr. Ratsep, of the Delaware Department of Natural Resources and Environmental Control (DNREC), presented information on the location of 1320 Clifford Brown Walk in Wilmington, citing its certification as a brownfields site, as well as its strategic geographic importance for residents of the city. Mr. Ratsep added that he feels that 1320 CBW is a good project to move forward.

Ms. Cruz stated that during her analysis of the finances, she found that 1320 CBW demonstrated that it was able to meet its financial obligations, assets increased, and that there is positive working capital. She stated that the projected rental income is expected to increase from 2016 onward, although the profit margin is projected to decrease slightly, but that this factor is consistent with the latter phase of a construction project. Ms. Cruz stated that the Applicant is highly leveraged, and that its liquidity met the financial obligations. Ms. Cruz stated that staff favorably recommends approval of the Hazardous Substance Clean Up Act matching grant for 1320 CBW.

Mr. Freeberry, as a member of the Chatham Bay Group real estate development firm managing the Clifford Brown Walk site, stated that the building currently being renovated is listed on the historic registry, and as a result, is eligible for historic tax credits. He stated that the building was previously a tannery, which is why the location is now certified as a brownfields site. Mr. Freeberry stated that the tax credits have led to a significant amount of funding brought to the State, including investments on behalf of the California-based computer firm, Apple Inc. He added that construction of the building is currently complete, that 24 of the apartments have already been leased within the last month, and that leasing of the building continues rapidly.

Mr. Lubin asked if there were any questions from the Council regarding 1320 CBW.

Mr. Riddle asked what amount specifically DEDO is matching, whether that money is from DNREC or an investor. Ms. Cannon stated that the funding grant is matching money already spent by 1320 CBW in order to remediate the site. She stated that in order to qualify for the grant, there is required to be a dollar-for-dollar match in remediation funds spent by the Applicant.

Mr. Lubin asked for clarification on the amounts listed in the evaluation report, specifically that \$1.2 million has been earmarked for remediation by the State, \$6.5 million was DNREC's contribution, \$575,000 spent by the Applicant, and that the grant request is to reimburse up to \$100,000 spent on remediation. Ms. Cannon stated that was correct.

Mr. Lubin asked if equity or capital was utilized by the Applicant in the \$575,000 that has already been spent on remediation. Mr. Freeberry stated that it was through a contingency budget. Mr. Lubin asked how much capital 1320 CBW will have invested into the project once it is fully completed. Mr. Freeberry stated that \$1.5 million will have been invested into what is estimated to be \$18 million project. Mr. Freeberry added that the tax credits on the property have also provided equity into the deal.

Mr. Lubin asked what amount in fees will be recovered through the company, both initially and over a 20 year period. Mr. Freeberry stated that the leasing amounts of the rental units are capped by the housing authority, and that, over a four year period, 1320 CBW was able to secure \$1 million through the housing authority.

Mrs. Vible asked if there are any resulting income restrictions due to the tax credits on the property. Mr. Freeberry stated that the leasing amount increases per occupant to 60% of the median household income. He stated that the Clifford Brown Walk location is the highest level of affordable housing possible in Delaware. Mrs. Vible asked if there is any Housing & Urban Development (HUD) rental subsidy. Mr. Freeberry stated that there is not.

Mr. Riddle asked if Delaware State Housing Authority is carrying the permanent financing on the property. Mr. Freeberry stated that M&T Bank is carrying the permanent financing. Mrs. Vible is there is any HUD funding. Mr. Freeberry stated that there is, in the amount of \$2.5 million. Mrs. Vible asked if there cash flow available on the part of the Applicant in order to pay off that funding. Mr. Freeberry stated that there is enough money to cover the debt service.

Mr. Sears asked who is Arbor Management, as listed in the summary. Mr. Freeberry stated that is Leon Weiner & Associates.

Chairperson Lubin asked if there were any public comments; there were none.

**Motion Made By:** Mrs. Vible  
**Seconded By:** Sen. Poore

**MOTION:** After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of an Hazardous Substance Clean Up Act grant (formerly known as Brownfields) for

the lesser of One Hundred Thousand Dollars (\$100,000) or Fifty Percent (50%) of the total costs of environmental assessment and remediation at the eligible site, to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including February 21, 2017.

**Approved By Vote of 8 to 0.**

**New Castle County (“New Castle County” or the “Applicant”)** – The Applicant is requesting an Hazardous Substance Clean Up Act grant (formerly known as Brownfields) for the lesser of \$100,000 or 50% of the total costs of environmental assessment and remediation at the eligible site. The Applicant proposes to use the funds to remediate property located at 3022 & 3028 New Castle Avenue and 224 & 230 Hillview Avenue in New Castle, Delaware, a DNREC certified brownfields site, in preparation of construction of a \$20 million state-of-the-art library.

Ms. Cannon presented this request to the Council. She gave the floor to Mr. Ratsep, of DNREC, to discuss the project. He stated that, to date, DNREC has expended over \$191,000 for the project. Mr. Ratsep stated that DNREC supports the project moving forward, and sees the library as a good addition to the community in terms of jobs and resources.

Mr. Pennewell stated that during his analysis of the finances, he found that the County is in a positive net position for 2013 and 2014, with strong working capital. He stated that the largest expense is for public safety, and that bonds for the County are the majority of the debt. Mr. Pennewell stated that, overall, the County has a positive net position.

Ms. Brown stated that the library is unique in that it is fulfilling an area that is neglected, and will provide a library and activity center, teaching café, Lego room, and, in partnership with Delaware Autism, a sensory room for families with members on the spectrum. Ms. Brown stated that the intention is to invest in the community, and to build something greater than a typical library.

Mr. Reubel stated that an environmental consultant has been working with the project since 2014, developing a brownfields agreement with DNREC and remedial action work plan. He stated that site work is ongoing, and that the Applicant anticipates exceeding the DNREC reimbursements for remediation.

Mr. Lubin asked if there were any questions from the Council regarding New Castle County.

Mr. Lubin asked if the Applicant anticipates exceeding the brownfields funding by more than \$200,000. Mr. Reubel stated that is correct. Mr. Lubin asked if there is an estimated budget on the project. Mr. Reubel stated that there is not currently a budget, and that there is a lot of soil that has yet to be removed from the site, where a majority of the soil has some level of contamination. He stated that \$191,000 of the \$625,000 has been documented in reimbursement costs. He added that a 1-foot cap, which is a part of the remedial action work plan, is to be installed on site toward the end of the project, and that New Castle County expects to exceed the figures.

Mr. Sears asked what industry was on the site previously to certify the property as a brownfield. Mr. Ratsep stated that it was a car care facility, and that part of the project includes a playground, which would require additional remedial action and drive up the total cost of the project. Mr. Reubel clarified, stating that the library site does not specifically include a playground as part of the library site, but that the Innovation Campus site may include a playground, which would require a 2-foot cap.

Chairperson Lubin asked if there were any public comments; there were none.

**Motion Made By:** Mr. Sears  
**Seconded By:** Sen. Cook

**MOTION:** After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of an Hazardous Substance Clean Up Act grant (formerly known as Brownfields) for the lesser of One Hundred Thousand Dollars (\$100,000) or Fifty Percent (50%) of the total costs of environmental assessment and remediation at the eligible site, to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including February 21, 2017.

**Approved By Vote of 8 to 0.**

**Nanticoke Memorial Hospital (“Nanticoke” or the “Applicant”)** – The Applicant is requesting a modification to a Delaware Strategic Fund Loan that was approved in February 2009 to change DEDO's security position for a requested loan through the United States Department of Agriculture (USDA). The Applicant proposes to change DEDO's security position to reflect a loan from the USDA for the property located at 100 Rawlins Street in Seaford, Delaware.

Mr. Root presented this request to the Council. He stated that DEDO is currently in the first lien position for the property, and that approval of the USDA loan is contingent upon the security position. Mr. Root stated that the property was appraised at \$14 million in December 2015, which exceeds the combined loan value if the modification is approved. He added that both DEDO and USDA would be in a parity position. Mr. Root stated that the hospital, which was started in 1945, today contains over 100 beds and employs over 900 staff.

Mr. Pennewell stated that during his analysis of the finances covering the period of 2013 through 2015, he found that the net assets for Nanticoke have improved annually, there is a strong working capital, and that the hospital generates excessive revenues over its expenses during the review period. He stated that there is a strong ability to repay the financial obligations, and that Nanticoke is financially stable and strong.

Mr. Rose stated that the majority of the Applicant's patients are Medicare and Medicaid patients that allow for the application of a special program for Medicare-dependent hospitals. Mr. Rose stated that in 2012, Sussex County was no longer considered rural, which led to a loss of \$6 million in funding due to the reclassification. He added that the money received from the DEDO loan was used for a new office building that was completed in November 2015, of which the Applicant has already run out of space. He stated that Nanticoke has requested assistance from the USDA in order to provide parity on the building.

Mr. Lubin asked if there were any questions from the Council regarding Nanticoke.

Mr. Riddle recused himself from the project review.

Mrs. Vible asked for confirmation that the only change would be in the issue of the security position, and that the payment plan is to remain the same. Mr. Pennewell stated that was correct.

Mr. Haskins asked what is the debt service coverage ratio with both loans in place. Mr. Rose stated he is unsure, but that it is still within the bonds. Ms. Tilghman stated that the ratio would be 2.5, including the reserve amount.

Chairperson Lubin asked if there were any public comments; there were none.

**Motion Made By: Sen. Cook**  
**Seconded By: Mr. Sears**

**MOTION:** After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, of a modification of the original strategic fund loan with a change of the security position for the Delaware Economic Development Office, contingent upon the approval remaining in effect through and including February 21, 2017.

**Approved By Vote of 7 to 0, 1 in absentia.**

**EXECUTIVE SESSION:**

Mr. Sears made a motion that the Council go into Executive Session pursuant to 29 Del. C. §10004(b) to conduct a strategy session for the purpose of obtaining legal advice or opinion from an attorney-at-law, with respect to pending or potential litigation related to collection issues, which if conducted in an open meeting, would have an adverse effect on the bargaining or litigation position of the Authority, which do not constitute public records within the meaning of 29 Del. C., § 10002(1). The motion was seconded by Sen. Poore, which was then adopted by unanimous vote.

Mr. Lubin made a motion that the Council go out of executive session. The motion was seconded by Sen. Poore, which was then adopted by unanimous vote.

**ADJOURNMENT**

The meeting adjourned at 11:00 a.m.

Respectfully submitted,

Emily Baird, Portfolio Administrator

*ESB*

cc: Members of the Council on Development Finance  
Director Bernice Whaley  
Lawrence Lewis, DAG

The next CDF meeting is scheduled for Monday, March 28, 2016 at 9:00 A.M. at the Haslett Armory in Dover, Delaware.