

COUNCIL ON DEVELOPMENT FINANCE

October 16, 2017

PUBLIC HEARING 434

THOSE PRESENT:

Mr. Andrew Lubin, Chairman
Hon. Nancy Cook
Mr. Tarik Haskins
Mr. Kevin Kelly
Hon. Edward Osienski
Hon. Nicole Poore
Mr. Jack Riddle
Mr. Richard Rowland
Mr. Fred Sears

Mr. Cerron Cade, Chairperson, DEDA
Ms. Linda Parkowski
Mr. Ken Anderson
Ms. Patty Cannon
Mr. Michael Chesney
Mrs. Leilani Decena-Shepherd
Mrs. Jodie Green
Mr. Lawrence Lewis, DAG
Mrs. Amber Mudri
Mrs. Amy Reville
Mrs. Jordan Schulties
Mr. Joe Zilcosky

ALSO PRESENT:

Talos Tech, LLC

Dr. Hansan Liu, Founder and President

First State Community Loan Fund (FSCLE)

Mr. Vandell Hampton, President, CEO
Mr. Pedro Moore, Consultant

West End Neighborhood House, Inc. (GROW Delaware)

Mr. Paul Calistro, Executive Director
Mr. Matt Parks, Discover Bank

Ms. Erin Innes, OMB; Mr. Art Jenkins, CGO; Erin Goldner, Hope Street DE;

LOCATION:

Buena Vista Conference Center
661 S. DuPont Highway, 1st Floor
New Castle, DE 19720

TIME:

9:00 a.m.

CALL TO ORDER:

The meeting was called to order 9:00 a.m. by Council Chairman Andrew Lubin, on Monday, October 16, 2017.

OLD BUSINESS:

Chairman Lubin announced and welcomed the two new members on the Council, Rep. Edward Osienski and Mr. Kevin Kelly.

Chairman Lubin asked the Council if there was any comments, suggestions and/or recommendation regarding the August 14, 2017, minutes of the Council on Development Finance meeting. Mr. Jack Riddle made a motion to approve the minutes, Mr. Fred Sears seconded the motion, which was then adopted by unanimous vote.

NEW BUSINESS:

Talos Tech , LLC (“Talos Tech” or the “Applicant”) – The Applicant is requesting \$50,000 from the Delaware Strategic Fund Delaware Technical Innovation Program for a Small Business Innovation Research (SBIR) grant. The business is located in Newark, Delaware.

DEDA staff, Ms. Patty Cannon, Development Director and Business Ombudsman, gave a brief overview explaining the terms SBIR and STTR, including a detailed explanation of DEDA’s due diligence confirming that projects considered have met the requirements according to Delaware Code.

Ms. Cannon introduced Dr. Hansan Liu, Founder and President of Talos Tech. He explained that Talos Tech is perfecting the life expectancy of two types of batteries, but that he is only requesting transition funding for one. He went on to explain that these batteries will last 10 years and be a benefit to the military because they will not have to go into dangerous areas to change the battery every year.

Chairman Lubin asked if there were any questions or comments from the Council; there were none.

Motion Made By: Mr. Sears
Seconded By: Senator Nancy Cook

Chairman Lubin asked if there were any members of the public that would like to comment on this application; there were none.

MOTION: After duly considering, inter alia, the nature of the business, that the Applicant is a “small business” within the meaning of 87A Del. C. §8735A(b)(3), that the Applicant has won a Phase I award in the Federal SBIR Program, that the Applicant has submitted a proposal for a Phase II SBIR award but has not yet received such award, that the Applicant’s principal place of business will be located in the State of Delaware; and that the research to be conducted will benefit the Delaware economy, and other requirements under applicable statutory and regulatory provisions, the Council shall recommend to Mr. Cerron Cade, Chairperson of The Delaware Economic Development Authority, approval of a grant in an amount not to exceed Fifty Thousand Dollars (\$50,000) to be disbursed from the Delaware

Technical Innovation Program (“DTIP”), to be used for the Project, contingent upon the approval remaining in effect through and including October 16, 2018.

Approved By Vote of 9 to 0

First State Community Loan Fund (“FSCLF” or the “Applicant”) – The Applicant is requesting a grant from the Strategic Fund in the amount of \$500,000. The Applicant proposes to use the funds to re-capitalize existing loan programs. All funds will be used to support Delaware based small businesses.

Mrs. Jordan Schulties, Director of Business Finance, gave an overview of the SSBCI program and its history, clarifying that even though the next two projects have completed the Strategic Fund Application that the funds would be coming out of the SSBCI appropriation for recycled funds. Because the federal allocation agreement expired in 2017 and recycled SSBCI funds now belong to the Delaware Strategic Fund, which is why these projects are following the process used for the Delaware Strategic Fund. Council members had several questions related to funding under the SSBCI program; Mrs. Schulties and Mr. Cade were able to provide answers.

Mr. Ken Anderson, Director of Entrepreneurial and Small Business Support, presented the general overview of the project to the Council. Mr. Anderson stated that staff favorably recommends approval of a Delaware Strategic Fund grant in an amount of \$500,000 for use in its lending operations. He continued by stating that DSBDT’s Business Finance Unit has reviewed FSCLF’s financials, giving them a favorable review.

Mr. Anderson introduced Mr. Vandell Hampton, President and CEO of FSCLF; Mr. Hampton then introduced his associate Mr. Pedro Moore. Mr. Hampton explained that the requested funds will allow FSCLF to leverage another 1.5 to 2 million dollars in loan capital to support small businesses throughout Delaware, targeting the underserved populations such as women and minority owned businesses. Mr. Hampton also described the technical assistance programs administered by FSCLF. In response to Mr. Kelly’s question, Mr. Hampton stated that FSCLF recycles funds and gets the funds back out in the community.

Chairman Lubin then opened the floor to questions from the Council.

Mr. Hampton responded to Mr. Sears’ questions, by explaining the collections process used by FSCLF. Mr. Hampton also explained their loan pipeline.

In response to a question from Sen. Cook, Mr. Hampton clarified that the percentages of loans by county that were in the Council’s packets were based on 2016 activity only and did not reflect their entire portfolio.

Mr. Hampton explained their participation loans as well as the nature of FSCLF’s restricted cash in response to a question from Mr. Riddle.

Chairman Lubin questioned how much FSCLF receives from other sources; Mr. Hampton advised that approximately \$400,000 to \$500,000 per year in grants as well as a few million dollars in loans from banks.

Chairman Lubin asked if there were any other questions or a recommendation from the Council.

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

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

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 \$10,000, 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 87A, Subchapter I 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 Mr. Cerron Cade, Chairperson, The Delaware Economic Development Authority, approval of a Delaware Strategic Fund performance grant in an amount not to exceed Five Hundred Thousand Dollars (\$500,000.00), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including October 16, 2018.

Approved By Vote of 9 to 0

West End Neighborhood House, Inc. ("West End" or the "Applicant") – The Applicant is requesting a grant from the Strategic Fund in the amount of \$500,000. The Applicant proposes to use the funds to leverage an additional \$1.5 million of private funds to increase the Grow Delaware Fund from \$3.5 to \$5.0 million. The Grow Delaware Fund offers flexible financing to Delaware-based small businesses with specific attention to small businesses in low-income communities, including women and minority owned small businesses.

Mr. Anderson presented the project to the Council. He also stated that DEDA staff had reviewed West End's financials and found them to be a stable entity with no adverse items noted.

Mr. Paul Calistro, Executive Director of West End was introduced by Mr. Anderson. Mr. Calistro then introduced Mr. Matt Parks of Discover Bank, the initial investor of the Grow Delaware Fund. Mr. Calistro explained the partnership between West End and the National Development Council (NDC) in administering the Grow Delaware Fund. He also explained that the Fund will serve the entire state.

Mr. Parks answered Chairman Lubin's question regarding the relationship between West End and Discover Bank.

In response to Sen. Poore's question, Mr. Calistro stated that West End has been lending money for 25 years, having two types of loan funds, and been assisting small businesses for seven years. In addition to lending they train entrepreneurs, helping individuals and communities be self-sufficient. He also stated that West End's board has confirmed that this is in line with their mission.

In answer to Mr. Riddle's questions, Mr. Calistro reassured the Council that West End will be following SBA guidelines and that there are three things that West End will be doing that is significantly different; 1) lower rates, 2) terms longer, and 3) accept riskier loans; and that the risk of the unguaranteed portion of the loans is on the CDFI.

Mr. Riddle directed a question to Mr. Parks and he answered by stating that Discover Bank provides a grant, providing risk based capital and confirmed and expanded on Mr. Calistro's earlier statement about Discover being willing to buy the SBA loans on the back end at below market interest rate.

The Council, Staff and the Applicant then discussed operational issues and reporting requirements.

Mr. Calistro stating that the Applicant will not be in competition with Grow Wilmington and FSCLF. He stated that he and Mr. Hampton have talked and West End will be working collaboratively, filling in the gaps and be a resource. They have someone working in Business Development, out in the communities from Delmar to Claymont. He also mentioned that NDC will assist them when they have a promising applicant and that he believes NDC understands the uniqueness of Delaware and is getting familiar with the entire state.

Mr. Calistro further stated that funding for every dollar in the unguaranteed portion they receive three additional dollars from the federal government, so in other words, West End will have 6 million dollars in total.

Chairman Lubin asked if there were any other questions from the Council; there were none.

Motion Made By: Mr. Sears
Seconded By: Mr. Haskins

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

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 \$10,000, 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 87A, Subchapter I 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 Mr. Cerron Cade, Chairperson, The Delaware Economic Development Authority, approval of a Delaware Strategic Fund performance grant in an amount not to exceed Five Hundred Thousand Dollars (\$500,000.00), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including October 16, 2018.

Approved By Vote of 9 to 0

EXECUTIVE SESSION:

Mr. Riddle 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 (discussion of personnel matters) 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 Mr. Richard Rowland which was then adopted by unanimous vote.

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

ADJOURNMENT:

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

The meeting adjourned at 10:10 a.m.

Respectfully submitted,

Jodie L. Green, Secretary of Council on Development Finance
JLG

cc: Members of the Council on Development Finance
Cerron Cade, Chairperson, The Delaware Economic Development Authority
Linda Parkowski, Deputy Director, Delaware Division of Small Business,
Development and Tourism
Jordan Schulties, Business Finance Director, Delaware Division of Small Business,
Development and Tourism
Lawrence Lewis, DAG

The next CDF meeting is scheduled for Monday, November 27, 2017, at 9:00 a.m. at the Buena Vista Conference Center in New Castle, Delaware.