

## MINUTES

### Regular Meeting Development Finance Committee

March 5, 2009

A regular meeting of the Development Finance Committee was held at 8:30 a.m. on March 5, 2009. The meeting was chaired by Chuck Lutz.

#### Attendance

Members Present: Michele Foster, John Gridley, Bob Lind, Arlen Nissen, Steve Studt, Bob Winthrop,

Members Absent: Farooq Bhatti, Eva Stevens, Patrick Born, Andrea Brennan, John Wolf

Staff Present: Judy Cedar, Miles Mercer, Nila McDonald, Kathy Watson, Mathew Hendricks

#### Approval of Minutes

A motion to approve the minutes of the November 20 meeting was seconded and approved.

#### African Development Center– 1927 South 5<sup>th</sup> Street

Judy Cedar, Senior Project Coordinator in CPED's Business Development section presented a report on a proposed \$200,000 Great Streets Gap Financing loan.

Discussion occurred regarding the project's commercial space vacancy rate, the project's lack of cash flow, tax credit issues, lack of a capital campaign plan, lack of equity by the borrower and security for loan loss provisions.

A motion was made to indicate that the loan under discussion seemed to have less financial strength than many projects the committee has reviewed in the past. ~~disagree with the staff recommendation to approve the loan.~~ The motion was seconded and approved. The committee gave the following reasons for indicating the relative weakness of the loan ~~not agreeing with staff.~~ These reasons include:

- Lack of equity, at \$25,000 it translates to .02% of all funds
- Lease-up risk (5% vacancy is ambitious for office vacancy in current economy)
- Lack of structure for the capital campaign
- Tax exemption will not be 100%, if at all and isn't reflected in proforma
- There is an uncertainty (but a probability) that there will be future loan losses that will cause ADC more cash flow problems in the near-term future
- No security provisions for the loan
- The proforma doesn't show how cash flows in year 0 when construction is underway

The DFC stated they realize that their job is to review only the financial proposal and this project may merit Council approval based on policy decisions.

#### Adjourn

There being no additional business to come before the Committee, the meeting was adjourned.

Minutes recorded by Kathy Watson