



MINUTES

VIRGINIA SMALL BUSINESS FINANCING AUTHORITY

BOARD OF DIRECTORS MEETING

November 10, 2020, 12:00 P.M.

By Public Teleconference

(866) 845-1266, 65069804#

- I. Chairman Hopper opened the meeting and welcomed the Board and guests. Mr. Pisons was asked to conduct a roll call for the telephonic meeting:
 - A. Board Members present: Chairman John Hopper, Vice Chairman Neil Amin, Mr. Linh Hoang, Mr. Michael Joyce, Mr. Sanjay Puri, Ms. Tracey Wiley, Mr. Corey Holeman, Mr. William Smith, Mr. Ronnie Johnson, Ms. Susana Marino and Ms. Janet Aylor, as designee for Manju Ganeriwala.
 - B. Board Members absent: None.
 - C. VSBEA Staff present: Mr. Howard Pisons, Ms. Anna Mackley, Ms. Linda Tackett, Ms. Karen White, Ms. Robin Foster, and Ms. Todd Boyle
 - D. Others present: Mr. Don Ferguson (Senior Assistant Attorney General), Mr. Mike Graff (McGuire Woods LLC), Mr. Robert Howard (Gold Key/PHR), Mr. Brian Carson (Gold Key/PHR), Mr. Greg Brunner (D A Davidson), Ms. Tina Neal (Perseverance Capital), Mr. Lee Westnedge, Jr. (Williams Mullen), Mr. Michael Altman (Assistant Treasurer, Capital Beltway Express LLC/Transurban), Ms. Alethia Nancoo (Squire Patton Boggs), Mr. Johnny Hutchinson (Squire Patton Boggs), and Ms. Alexis Chandler (Squire Patton Boggs).
- II. Chairman Hopper called the meeting to order and read the Emergency Declaration allowing Commonwealth of Virginia public board meetings and hearings to be held by toll free telephonic conferencing due to the COVID19 state-of-emergency.
- III. Approval of the Minutes

With a motion by Mr. Holeman and seconded by Mr. Hoang, the October 13, 2020 Board of Directors Meeting minutes were unanimously approved by all present. Mr. Pisons called the roll for the vote. Voting aye: Chairman Hopper, Vice Chairman Amin, Mr. Hoang, Mr. Holeman, Mr. Johnson, Mr. Joyce, Mr. Puri, Mr. Smith, Ms. Wiley, Ms. Aylor. Voting nay: None. Ms. Marino had not yet joined the meeting.

Later in the meeting, Mr. Hopper noted that Ms. Mackley had brought to his attention an error in the Minutes of October 13, 2020, which indicated Mr. Hopper had chaired the meeting. The minutes will be corrected to reflect that Vice Chairman Amin chaired the October 13, 2020 meeting.

IV. The Public Hearing declared open at 12:05 p.m.

A. Tax Exempt Transportation Bond Resolution

Capital Beltway Express LLC – Ms. Mackley presented for approval a revision of the bond resolution previously approved by the Board at its October Board meeting. The revised bond resolution updated the bond issuance amount from \$375,000,000 to \$410,000,000. Ms. Mackley noted there were no other changes in the resolution from the version approved by the Board at the October meeting.

Ms. Alethia Nancoo of Squire Patton Boggs, bond counsel for the borrower, spoke briefly, indicating that the resolution previously approved by the Board in October had referenced an earlier bond amount which was subsequently updated in a version of the resolution not provided to VSBFA prior to the October meeting.

On a motion by Mr. Hoang and seconded by Mr. Joyce, the Board of Directors unanimously approved the resolution. Mr. Pisons called the roll for the vote. Voting aye: Chairman Hopper, Vice Chairman Amin, Mr. Hoang, Mr. Holeman, Mr. Johnson, Mr. Joyce, Mr. Puri, Mr. Smith, Ms. Wiley, Ms. Aylor and Ms. Marino. Voting nay: None.

B. Tourism Development Bond Application

Oceanfront South, LLC – City of Virginia Beach - \$7,500,000 - Ms. Mackley presented the project and noted this would be the Authority's second Tourism Development Bond. She explained the bond proceeds will finance a portion of the costs associated with the construction, equipping and other improvements for a 13 floor, 142,037 square foot oceanfront Embassy Suites hotel in Virginia Beach. Vice Chairman Amin recused himself in this matter.

Ms. Mackley explained that as a conduit issuer VSBFA bears no credit risk and that the Attorney General's office had reviewed the bond resolution and found it to be in order. She noted that proceeds of the bond issue will be part of an \$85,000,000 project which includes \$56,000,000 in bank financing and approximately \$22,000,000 in equity from the borrowers.

Mr. Hoang questioned a difference in the bond amount of \$6,500,000 in the application and the \$7,500,000 amount shown in the bond resolution. Mr. Graff explained that the amount shown in the bond resolution was correct and that an upwards adjustment in the issuance amount had been made in order to provide cushion for unexpected costs, surcharges, etc.

Ms. Aylor inquired about the breakdown of senior and subordinate debt. Mr. Bruner responded that \$4 to \$4.2 million of the debt would likely be subordinate debt. Ms. Aylor also asked about the stated terms of the coupon or yield on the tax-exempt bonds not exceeding 12% per year and the coupon or yield on the taxable bonds not exceeding 17% per year. Mr. Graff explained that the range in these terms would allow cushion for the bond pricing and stated the investors are paying a premium to receive 120% to 130% of the face amount. He compared this resolution to the previous tourism bond where both are priced at 120% to 130% of the face amount. He noted this transaction is extremely conservative.

Chairman Hopper asked about the performance of the 2018 bond issue. Mr. Graff responded that it has performed as expected. All payments have been made as required and the investors have been pleased.

Mr. Hopper also asked about occupancy rates on existing projects. Bob Howard, Chief Investment Officer for the borrower, reported that Virginia Beach is still within 12% of the past season in spite of the COVID19 impact during the months of March through May. He noted

that Virginia Beach led the nation in occupancy rates, adding that the Marriott opened in May and both the Marriott and the Cavalier Hotel had strong occupancy.

On a motion by Mr. Joyce and seconded by Mr. Johnson the Board of Directors unanimously approved the resolution as presented. Mr. Pisons called the roll for the vote. Voting aye: Chairman Hopper, Mr. Hoang, Mr. Holeman, Mr. Johnson, Mr. Joyce, Mr. Puri, Mr. Smith, Ms. Wiley, Ms. Aylor and Ms. Marino. Voting nay: None. Mr. Amin abstained from the vote.

V. State Economic Development Loan Fund (EDLF) Application

Churches in One Accord - \$750,000 - Review of direct loan request for funds to acquire real estate in the City of Virginia Beach. Mr. Pisons reviewed the background of the project, the community development benefits of the project and the non-profit organization which will be VSBFA's borrower. Mr. Pisons explained that the borrower will occupy 100% of the real estate and that the borrower plans to open and operate a childcare center on site once all appropriate licensing can be obtained. An affordable housing project is also planned at a later date.

VSBFA is expected to be only lender in the project with the remaining acquisition funding being provided by a \$750,000 cash grant from the City of Virginia Beach and \$50,000 in cash equity from the borrower. Mr. Pisons indicated that he had not yet reviewed written documentation of the \$750,000 cash grant award from the City of Virginia Beach but noted this would be done prior to closing. He also noted that the availability of the grant is critical given the borrower would not otherwise have sufficient funds at closing to purchase the real estate.

Mr. Pisons explained that the borrower had provided internally prepared financial statements in support of the proposed loan and he reviewed highlights of that historical financial information with the Board. Mr. Pisons indicated that because VSBFA's borrower in the transaction is a non-profit, no personal guarantees are available for this loan.

Mr. Pisons explained that an appraisal of the real estate would be required prior to the closing of VSBFA's loan, in order to validate the market value of the real estate and a satisfactory loan to value. Mr. Pisons also indicated that VSBFA had not yet received a final loan application from the borrower and he confirmed that receipt of the application would be required prior to loan closing. Mr. Pisons told the Board that if the loan was approved, he intended to make a site visit to the project prior to closing as he had not previously had the opportunity to do so.

After further discussion and various comments from several board members in support of the project, the Board agree to proceed with a motion for approval contingent on the following approval conditions: Prior to closing of VSBFA's loan: 1.) Receipt of the borrower's loan application and receipt of a satisfactory real estate appraisal indicating a current market value of the real estate which will secure VSBFA's loan; 2.) Written documentation from the City of Virginia Beach confirming the \$750,000 cash grant award to the borrower and confirming the availability of the funds at loan closing; 3.) Site visit to the project to be made by Mr. Pisons prior to loan closing.

On a motion by Mr. Johnson, seconded by Ms. Marino the loan for Churches in One Accord was approved. Mr. Pisons called the roll for the vote. Voting aye: Chairman Hopper, Vice Chairman Amin, Mr. Hoang, Mr. Holeman, Mr. Johnson, Mr. Joyce, Mr. Puri, Mr. Smith, Ms. Wiley, Ms. Aylor and Ms. Marino. Voting nay: None.

VI. Board Review and Ratification of Loan Approved by Staff

Ms. Mackley briefly outlined the staff approval for the Cuddlebugs Child Development Center CCFP loan.

On a motion from Mr. Smith and seconded by Mr. Holeman the staff approval of this loan was ratified by the Board of Directors. Mr. Pisons called the roll for the vote. Voting aye: Chairman Hopper, Vice Chairman Amin, Mr. Hoang, Mr. Holeman, Mr. Johnson, Mr. Joyce, Mr. Puri, Mr. Smith, Ms. Wiley, Ms. Aylor and Ms. Marino. Voting nay: None.

VII. Public Comments Period

Chairman Hopper asked for comments from any of the public in attendance. None were made.

VIII. Other Business

A. Rebuild VA Grant – Ms. Wiley, Mr. Pisons and Ms. Tackett provided an update on the Rebuild VA Grant program. Ms. Wiley and Mr. Pisons noted the most recent expansion in the grant eligibility criteria and indicated these latest changes had resulted in a very significant increase in grant applications and approvals. Mr. Pisons explained that applications received and subsequently denied under the previous criteria would have the opportunity to reapply based on their anticipated eligibility under the new criteria. Mr. Pisons noted the Agency and the Authority were physically handling the submission of grant applications submitted by mail, as well as handling grant inquiries. Over 400 emails and calls are being logged daily with approximately 12,000 applications having been processed to date. Ms. Tackett relayed her general impressions of the grant process and interactions with business clients, and she cited the importance of the grant to Virginia small businesses.

B. Small Business Investment Grant – Ms. Mackley provided an update on the SBIG grant, indicating that full deployment of the grant was expected based upon the applications already received. She also noted the increase in the number of applications received and processed during this fiscal year versus last year, and pointed out that the quality and number of applications had been impacted by the COVID19 emergency and the change in the legislation that reduced the grant award amount to 25% of the investment.

IX. Adjourn

With there being no further business, Chairman Hopper adjourned the meeting at 1:40 p.m.