



**ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
FRIDAY, SEPTEMBER 19, 2019 – 10:00 A.M.**

MEMBERS PRESENT: Linda Forte, Chair
Damon Hodge
Kwaku Osei

MEMBERS ABSENT: Thomas Stallworth

OTHERS PRESENT: Pierre Batton (DEGC/EDC)
Lily Hamburger (DEGC/EDC)
Gregoire Eugene-Louis (DEGC/EDC)
Gay Hilger (DEGC/EDC)
Denise Hundley (DEGC/EDC)
Jennifer Kanalos (DEGC/EDC)
Glen Long (DEGC/EDC)
Rebecca Navin (DEGC/EDC)
Mariangela Pledl (DEGC/EDC)
Martha Potere (DEGC/EDC)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
FRIDAY, SEPTEMBER 19, 2019
DETROIT ECONOMIC GROWTH CORPORATION
500 GRISWOLD, SUITE 2200 – 10:00 A.M.**

CALL TO ORDER

Noting that a quorum was present, Chairperson Forte called the meeting of the Finance Committee of the Economic Development Corporation to order at 10:13 a.m.

APPROVAL OF MINUTES

Ms. Forte asked if there were any additions, deletions or corrections to the minutes of the September 6, 2019 Finance Committee meeting. Hearing none, the Committee took the following action:

On a motion by Mr. Hodge, seconded by Mr. Osei, the Committee unanimously approved the minutes.

PROJECTS

Streetscape Mitigation Loan Fund Program

Mr. Batton advised that there would be three presentations today for three loans from the Streetscape Mitigation Loan Fund Program and that Exhibit D, loan to Stokes Enterprise LLC, has been withdrawn from the agenda. This Program, which was approved by the Board on August 27, 2019, was implemented to support the financial stability of Detroit's businesses during the streetscape improvement construction projects on key commercial corridors in Detroit's neighborhoods. The EDC, in coordination with the City of Detroit (the "City"), foundations and other partners, will fund zero-interest loans and technical assistance to qualifying businesses.

Mr. Batton called on Ms. Hamburger for the first loan presentation.

Ms. Hamburger reviewed the terms of the proposed loan to Love.Travels.Imports as follows:

**EXHIBIT A
SUMMARY OF PROPOSED TERMS**

Borrower Name:	Love.Travels.Imports
Borrower Business Location:	19452 Livernois, Detroit, MI 48221
Date:	9/16/2019
Request:	\$10,000.00 Commercial Business Loan
Rate:	0%
Fee:	\$0.00
Repayment:	Principal Only



Term: 72 Months – Straight Line Amortization, payments begin Month 13; principal balance forgivable after 24 on-time payments or equivalent.

Security: N/A

Analyst’s Rating: 7.4 – Moderate Risk

Analyst/Officer: Lily Hamburger

LOAN PURPOSE AND BUSINESS DESCRIPTION/HISTORY

Yvette Jenkins, the founder and owner of Love.Travels.Imports is seeking a \$10,000.00 commercial business loan from the Economic Development Corporation of the City of Detroit Streetscape Mitigation Loan Fund to support business expenses throughout the construction season and the holiday shopping season, which is a key moment in the year for her business. The property’s physical location is 19452 Livernois, Detroit. EDC financing will support rent, payroll, and inventory for the holiday season.

Love.Travels.Imports is a retail shop selling ethically made and sourced clothing, homewares, and gifts from around the world. Yvette was a participant in the Revolve program and opened her business in this location in 2013 with and has poured herself and her personal finances into its development and growth. She has evolved her e-commerce site to improve online sales, and she participates in markets and pop ups around town. **Revenue for Love.Travels.Imports from January 2019 through July 2019 is down 69% in comparison to the comparable time frame in 2018.** The owner has not drawn any salary during this time, though she had projected to pay herself monthly.

SOURCES AND USES

Uses of Funds	Amount
Rent	\$1,000.00
Payroll	\$3,000.00
Inventory	\$6,000.00
Sources of Funds	
EDC Streetscape Mitigation Fund	\$10,000.00

SOURCE OF REPAYMENT

Primary: Cash Flow from Love.Travels. Imports

Secondary: None

COLLATERAL AND CONDITIONS

Business Assets: N/A

Real Estate: N/A

Conditions: Closing contingent upon EDC Board approval. Borrower will be required to engage in technical assistance to improve financial planning, marketing and accounting.



- Reporting:**
- 1.) Quarterly Profit/Loss Statement and Balance Sheet prepared by CPA
 - 2.) Annual Business and Personal Financial statement/tax return

Ms. Forte noted that there is no security for this loan. Ms. Hamburger replied that per the Program Guidelines approved by the EDC Board, any loan above \$10,000 requires collateral.

Mr. Batton called on Mr. Eugene-Louis to present the second loan.

Mr. Gregoire-Louis reviewed the terms of the proposed loan to Flagship Boutique LLC as follows:

EXHIBIT B SUMMARY OF PROPOSED TERMS

Borrower Name:	Flagship Boutique LLC
Borrower Business Location:	19456 Livernois, Detroit, MI 48221
Date:	9/6/2019
Request:	\$20,000.00 Commercial Business Loan
Rate:	0%
Fee:	\$0.00
Repayment:	Principal Only
Term:	72 Months – Straight Line Amortization, payments begin Month 13; principal balance forgivable after 24 on-time payments or equivalent.
Security:	2005 Lincoln Navigator
Analyst's Rating:	7.83 – Moderate Risk
Analyst/Officer:	Gregoire Eugene-Louis

LOAN PURPOSE AND BUSINESS DESCRIPTION/HISTORY

Tarik (Ty) Haygood started his began in the fashion business in 2003, when he began selling custom clothing in local retail stores such as Strictly Sportswear, 4 Men and City Man. In 2011, Ty opened The Flagship Boutique. The Flagship is an urban clothing store showcasing Ty's in-house brand District 81, along with other Detroit based clothing brands. Streetscape construction has greatly impacted the business. The flagship has been forced to temporarily lay off four employees and pause a remodeling of the showroom floor. **Revenue for Flagship Boutique is down 40% year over year, March – June 2018 compared to March - June 2019.**

Tarik (Ty) Haygood, owner of Flagship Boutique, is seeking a \$20,000.00 commercial business loan from the Economic Development Corporation of the City of Detroit Streetscape Mitigation Loan Fund to support business expenses throughout the construction. The property's physical location is 19456 Livernois, Detroit. EDC financing will support rent, payroll, working capital and insurance.



SOURCES AND USES

Uses of Funds	Amount
Rent	\$3,540.00
Working Capital	\$3,000.00
Payroll	\$6,720.00
Interior Repairs	\$4,740.00
Utilities	\$1,200.00
Insurance	\$800.00
Sources of Funds	
EDC Streetscape Mitigation Fund	\$20,000.00

SOURCE OF REPAYMENT

Primary: Cash Flow from Flagship Boutique
Secondary: N/A

COLLATERAL AND CONDITIONS

Business Assets: N/A
Personal Assets: 2005 Lincoln Navigator
Conditions: Closing contingent upon EDC Board approval
Reporting: 1.) Quarterly Profit/Loss Statement and Balance Sheet prepared by CPA
 2.) Annual Business and Personal Financial statement/tax return

Mr. Hodge asked if interior repairs is one of the approved uses of the loan funds because that doesn't seem like something that would be directly attributable to the streetscape construction. Mr. Eugene-Louis replied that the funds that were going to be used for the interior improvements were used for payroll and sustaining the business. Mr. Hodge asked if these were repairs to the interior of the business. Mr. Eugene-Louis advised that this is a complete remodel and rebranding of the business which had begun prior to the streetscape construction.

Mr. Batton called on Ms. Potere to present the second loan.

Ms. Potere reviewed the terms of the proposed loan to SB Media LLC as follows:

**EXHIBIT C
SUMMARY OF PROPOSED TERMS**

Borrower Name: SB Media LLC
Borrower Business Location: 20510 Livernois, Detroit, MI 48221
Date: 9/18/2019
Request: \$20,000.00 Commercial Business Loan
Rate: 0%



Fee: \$0.00
Repayment: Principal Only
Term: 72 Months – Straight Line Amortization, payments begin Month 13; principal balance forgivable after 24 on-time payments or equivalent.
Security: Kitchen Equipment
Analyst’s Rating: 7.4 - Moderate
Analyst/Officer: Martha Potere

LOAN PURPOSE AND BUSINESS DESCRIPTION/HISTORY

Hugh Smith, owner of Baker’s Keyboard Lounge, is seeking a \$20,000.00 commercial business loan from the Economic Development Corporation of the City of Detroit Streetscape Mitigation Loan Fund to support business expenses throughout the construction. The property’s physical location is 20510 Livernois, Detroit. EDC financing will support rent, payroll, working capital, advertising/marketing and utilities.

Baker’s Keyboard Lounge is a full-service restaurant and bar featuring live music every night. Baker’s opened on the Avenue of Fashion in 1934, making it Detroit’s oldest continuously operating jazz club. Many of the world’s most famous jazz musicians have performed at Baker’s including Ella Fitzgerald, Miles Davis, Oscar Peterson and Dave Brubeck. Baker’s was designated as an Historic Site by the Michigan State Historic Preservation Office in 1986. **Revenue for Baker’s Keyboard Lounge is down 131% when comparing calendar year 2018 to calendar year 2019 year to date.**

SOURCES AND USES

Uses of Funds	Amount
Rent	\$1,800.00
Working Capital	\$15,000.00
Payroll	\$2,000.00
Utilities	\$1,000.00
Advertising/Marketing	\$200.00
Sources of Funds	
EDC Streetscape Mitigation Fund	\$20,000.00

SOURCE OF REPAYMENT

Primary: Cash Flow from Baker’s Keyboard Lounge
Secondary: Personal Income

COLLATERAL AND CONDITIONS

Business Assets: Kitchen Equipment
Real Estate: N/A



- Conditions:** Closing contingent upon EDC Board approval
- Reporting:**
- 1.) Quarterly Profit/Loss Statement and Balance Sheet prepared by CPA
 - 2.) Annual Business and Personal Financial statement/tax return

Ms. Forte questioned how revenues could be down 131 percent. Ms. Potere explained that last year Mr. Smith also ran a negative balance but had paid himself a salary. This year he is, again, in the red without paying himself a salary. To get an “apples to apples” comparison, we looked at his revenues last year without taking a salary last year in comparison with this year and that is how we came up with the 131 percent. Mr. Batton advised that is an error and it should read that “Net Income” is down 131 percent. Ms. Forte stated that it now makes sense and the document should be corrected. It would be helpful to the Committee if staff would report the percentage the net income is down for future loan requests.

Mr. Osei asked how the Committee knows the borrower will be in a position to repay the loan, since the business has been in the red historically and continues to be in the red, and why is the rating “moderate”. Ms. Portere advised that she needs to look at the template for the analyst’s rating. She is excited to report that Mr. Smith will be working with Tiva Capital to determine areas for improvement to help boost his profit. Mr. Osei stated that he doesn’t understand how that will make him able to repay the loan given he hasn’t been able to pay himself.

Mr. Batton added that Bakers is a historic brand and is coming up on their 85th anniversary. From a sales and marketing standpoint, this is where the technical assistance provided by Tiva Capital is going to make sure they keep pushing them to be able to capitalize and monetize that 85th anniversary celebration on the corridor of the Avenue of Fashion. The new owner is looking forward to working with Tiva Capital and update the business model specifically in the area of bookkeeping with the Accounting Aid Society and marketing the business. With that, we are going to see a push from a cash flow standpoint, and we do not have a doubt that Baker’s will be able to make 24 payment on the loan.

Mr. Hodge asked if Mr. Smith has another source of personal income. Ms. Potere stated that she does not know of any outside income. Mr. Batton added that Mr. Smith also owns the property and EDC staff deemed that as sufficient to pledge as collateral for the loan.

Ms. Forte stated that the cash flow analysis of these businesses pre-streetscape construction should show the borrower’s ability relative to repayment and asked how that analysis came out for Baker’s. Ms. Potere stated that they looked at their gross sales, cost of goods sold and then the owner’s salary drawn and all other expenses to understand the difference between 2018 and 2019 and it looks like everything is down, including their additional expenses. Although down in revenue and operating in the red, the business is closer to breaking even this year and with the collateral spoken of, staff feels confident he will be able to repay the loan. Mr. Batton added a point of clarification—the business was in the red in 2018 only because of the owner’s draw. If the owner’s draw is accounted for, the business was actually profitable for last year.

Mr. Osei stated that Mr. Batton’s clarification changes the way that he looks at this loan. Mr. Hodge commented that through the TA that he is provided, it is his hope that they will



recommend a level of draw for the owner that is appropriate.

Mr. Hodge also added that the EDC doesn't want to get into making loans that really aren't sufficient in terms of cash flow issues. The question is whether it is a long-term viable business. The EDC wants to be responsible with the money and not be prolonging the inevitable.

Ms. Forte called for a motion and the Committee took the following action:

On a motion by Mr. Hodge, seconded by Mr. Osei, the Committee unanimously agreed to recommend approval of the three loans to the Board.

Ms. Forte asked that staff be consistent in the way the net income is reported on the loans so that the Committee members are all clear on that.

Casino Loan Program: Laughter in the Sun, LLC Loan Restructure

Ms. Hundley reported that Laughter in the Sun, LLC (LIS) is a woman and minority owned Limited Liability Company owned by Regina Gaines, Andrea Dunbar and Terry Mullins. They operate the House of Pure Vin, a specialty retail wine store located at 1433 Woodward Avenue. The store occupies 2,200 sf of retail space and 745 sf of storage space. House of Pure Vin sells wine and offers such services as wine tastings, wine sampling and an online wine ordering club.

In October 2015, the EDC Board approved a loan from the Casino Development Funds in the amount of \$130,000.00 to LIS. EDC partnered with Invest Detroit and Detroit Development Fund (together with EDC, the "Lenders"). The collateral was a lien on all business assets and personal guarantees. Funds were used to assist in the buildout of the space. All loans matured November 2018.

In 2017, LIS reached out to all lenders for financial relief seeking to maintain store sustainability and gain adequate cash flow. The EDC Board approved a modification of reduced loan payments. The other lenders payments were also reduced. The reduced payments assisted but were insufficient in still providing the cash flow needed to pay off all loans at maturity. Store sales and activities were steady, but not enough to produce sufficient cash flow.

In a further effort to sustain the business, LIS reached out to the landlord (Bedrock/Rock Ventures) and lenders regarding additional relief. The landlord provided financial support in the form of a \$75,000 subordinated Line of Credit and the lenders extended the maturity dates until March 2019.

The landlord and all lenders have supported the LIS journey; however, this vital support has not been able to eradicate irreconcilable differences between the owners. Regina Gaines, Managing Member has solely operated the business for the last 2 years. The lenders have held numerous conference calls and meetings mitigating matters amongst the partners. The lenders, partners and landlord have analyzed the entire matter and working in the best interest of the business finds it reasonable for the partners, Andrea Dunbar & Terry Mullins (who remain inactive in the business) to exit the business. Regina Gaines will become sole member of LIS, LLC (d/b/a House



of Pure Vin). As sole member, she can fully focus on stabilizing and growing the business without partner disaccord.

The partners have executed a Membership Sale Agreement, transferring interest to Regina Gaines. The partners will be released of any liabilities, claims or other obligations of any kind regarding the business, its operations and Regina Gaines. Additionally, their personal guarantees will be released. The execution of the agreement will ignite the following: 1) a \$75K increase in the subordinated LIS line of credit, which allows a \$25K paydown to each lender, 2) a revised lease, 4) an amended operating agreement, 5) extended loan maturity dates and 6) a revised intercreditor agreement.

The Landlord has and remains a true advocate. They have initiated processes and procedures that will allow for a successful ongoing operation. Some include, but are not limited to: 1) previously providing a \$75K subordinated line of credit, 2) in the process of increasing the line of credit by \$75K, thereby allowing a \$25K pay down of each lenders debt, 3) the engagement of an accounting firm (J&F Advisors) to analyze all financial reporting, 4) in the process of revising the lease, 5) providing ongoing marketing exposure to the entire rock family and 6) providing the connection with an IT firm that will integrate a technology improvement plan.

In anticipation of becoming the sole member of LIS, Regina Gaines has provided a new business model. It outlines objectives and strategies for future growth. The main objectives are to increase retail sales and to build a national brand. The accounting firm engaged to analyze financial statements revealed a 2018 loss; but projects a 12/31/2019 gain. The gain will be achieved by induced volume and traffic, which drives sales. Eleven sales promotions will be produced per year. One of the promotion programs includes a loyalty program, that includes a goal of 10,000 members. Store events will also be increased. They will also expand the presence of their current customers by establishing satellite locations in malls, arenas, stadiums and casinos utilizing technology. A technology improvement plan will allow the POS system, on-line retail purchases, wine club and on-site events to all communicate with one another. This will allow for better overall cash flow management and the creation of cost efficiencies. The implemented plan will be monitored by the lenders and landlord.

The lenders and landlord have worked relentlessly to support and maintain the operation of this minority owned business. The landlord has remained responsive and advocated on behalf of the business. Regina Gaines has submitted loan payments and loan documentation accordingly. She has maintained the store and its operations, despite ownership conflicts. She has also remained responsive to all lenders & the landlord and earned additional respect & trust. Invest Detroit and Detroit Development Fund have also agreed to participate in helping to find a take-out Lender for all loans before maturity. They have also received their loan restructure approvals. Our collective efforts engul a plan that will ensure a prosperous future for House of Pure Vin.

EDC staff recommended a loan restructure that would: 1) revise the loan terms, 2) release 2 personal guarantees, 3) accept an amended operating agreement, 4) accept a revised subordinated line of credit which includes an increase of \$75K, which further allows a \$25K paydown on the EDC loan, 5) accept a revised lease and 6) accept a revised intercreditor Agreement.



Below are the proposed revised loan terms and conditions.

Revised Loan Terms/EDC Current Loan Balance: \$108,426.66
83,426.66 after \$25K paydown

Term: 3 years

Amortized: 8 years/ balloon payment in the 3rd year

Rate: 4%

Payment: \$1,016.91 (P&I monthly)

Collateral: 1st lien on all business assets & personal guaranty of Regina Gaines, shared passu with Invest Detroit & Detroit Development Fund

Conditions:

1. Minimum principal reduction paydown of \$25K for each lender.
2. Receipt of executed Membership Sale Agreement thereby eliminating partners (Dunbar & Mullins) with no cash-out.
3. Receipt of amended Operating Agreement.
4. Receipt of executed amended Subordination Agreement.
5. Receipt of executed Bedrock lease revision with a minimum term of 36 months.
6. Receipt of revised Intercreditor Agreement with Invest Detroit & Detroit Development Fund.
7. UCC Search for Laughter in the Sun, LLC.

EDC Staff is asking the EDC Finance Committee to recommend to the EDC Board of Directors approval of the above Loan Restructure. All loan documentation will be amended accordingly.

Mr. Hodge asked if the owners(s) have taken a salary. Ms. Hundley advised that none of the partners have taken a salary. All three have full time jobs.

Mr. Hodge asked if with the additional \$175,000, is there a debt service associated with the agreement. Ms. Hundley stated that she is paying interest only and is up to date on payments.

Subsequent to the discussion, the Committee took the following action:

On a motion by Mr. Osei, seconded by Mr. Hodge, the Committee unanimously agreed to recommend the approval of the loan restructure to the Board.

ADMINISTRATION

OTHER MATTERS

Mr. Osei questioned if there are any provisions to allow validation of parking for the Committee members. Mr. Long advised that he will prepare a plan and report at the EDC Board meeting next Tuesday.



PUBLIC COMMENT

ADJOURNMENT

With there being no other business to come before the Committee, on a motion by Mr. Hodge, seconded by Mr. Osei, Chairperson Forte adjourned the meeting at 10:52 a.m.