



**ECONOMIC DEVELOPMENT CORPORATION
BOARD OF DIRECTORS REGULAR MEETING
TUESDAY, OCTOBER 8, 2019 – 8:30 A.M.**

BOARD MEMBERS PRESENT: Clifford Brown
Marsha Bruhn
Kimberly Clayson
Linda Forte
Damon Hodge
Chris Jackson
Kwaku Osei

BOARD MEMBERS ABSENT: John Naglick (Ex-Officio)
Jonathan Quarles
Thomas Stallworth

**SPECIAL DIRECTORS
PRESENT:** None

**SPECIAL DIRECTORS
ABSENT:** None

OTHERS PRESENT: Rufus Bartell (7 Mile/Livernois Business Owner)
Pierre Batton (DEGC/EDC)
Lily Hamburger (DEGC/EDC)
Gay Hilger (DEGC/EDC)
Denise Hundley (DEGC/EDC)
Malinda Jensen (DEGC/EDC)
Paul Kako (DEGC/EDC)
Jennifer Kanalos (DEGC/EDC)
Glen Long (DEGC/EDC)
Rebecca Navin (DEGC/EDC)
Hugh Smith (Baker's Keyboard Lounge)
Brianna Walker (DEGC/EDC)
Derrick Williams (New Business Owner)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION
BOARD OF DIRECTORS REGULAR MEETING
TUESDAY, OCTOBER 8, 2019
DETROIT ECONOMIC GROWTH CORPORATION
500 GRISWOLD, SUITE 2200
8:30 A.M.**

CALL TO ORDER

Noting that a quorum was present, Chairperson Forte called the Regular meeting of the Economic Development Corporation Board of Directors to order at 8:35 a.m.

GENERAL

Approval of Minutes

Ms. Forte asked if there were any additions, deletions or corrections to the minutes of the September 24, 2019 Regular Board meeting. Hearing none, the Board took the following action:

On a motion by Mr. Hodge, seconded by Mr. Jackson, Resolution Code EDC 19-10-02-322 was unanimously approved.

PROJECTS

Streetscape Mitigation Loan Fund Program: Approval of Modifications to Two Previously Approved Loans

Mr. Batton advised that EDC staff proposes that the following approved borrowers from the Streetscape Mitigation Loan Fund Program (“The Program”) modify the conditions of their loans:

1. Hugh Smith, owner of SB Media LLC, DBA Baker’s Keyboard Lounge, will secure his \$20,000 loan with a personal guarantee rather than his commercial property as originally approved. Due diligence conducted in advance of closing uncovered that the property is under a land contract. While the land contract is being fulfilled, it is EDC staff’s recommendation that this loan move forward with closing, using a personal guarantee from the borrower instead of the originally pledged collateral.
2. Ewanda Ferguson, owner of Happy to be Nappy, will secure her \$20,000 loan with a personal guarantee rather than his commercial property as originally approved. Due diligence conducted in advance of closing uncovered that the property is under a land contract. While the land contract is being fulfilled, it is EDC staff’s recommendation that this loan move forward with closing, using a personal guarantee from the borrower instead of the originally pledged collateral.



Ms. Navin noted that the foregoing modifications were presented to the EDC Finance Committee which recommended the approval thereof. A resolution was included for the Board's review and approval.

Ms. Bruhn asked if there was anything in the original application that indicated they were under a land contract versus owning the building and was wondering if the application is complete enough. Mr. Batton advised that it came up during the title search process, which was conducted after formal approval of the loans by this body. Moving forward, that is something we are trying to get done earlier in the process.

Ms. Navin advised that the Program Guidelines provide for multiple forms of security for the loans, including a personal guarantee, and security is only required on the loans over \$10,000. In the future, we will be asking for the flexibility of converting the security from a lien to a personal guarantee, in the event something comes up with the collateral.

Ms. Forte stated that one issue that came up in the Finance Committee meeting was whether this change impacts what was identified as a risk rating or payment rating of the loan. The team is looking at that and we will have a review of the risk ratings at the Finance Committee.

Mr. Jackson said that he is fine with this level of flexibility. The whole purpose behind this Program is to move very expeditiously in helping these businesses during this crisis situation. The Board can't look at these loans like a regular loan or a mortgage. Mr. Jackson commended staff for their hard work getting these loans to the Board quickly.

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

On a motion by Mr. Jackson, seconded by Mr. Hodge, Resolution Code EDC 19-10-99-05 was unanimously approved.

Streetscape Mitigation Loan Fund Program: Approval of Loan (Fashion For Less)

Mr. Batton advised that there will be one loan presented for approval and introduced Mr. Walker to present the loan to Fashion For Less.

Ms. Walker reviewed the terms of the loan as follows:

EXHIBIT A

Borrower Name:	Fashion For Less
Borrower Business Location:	19110 Livernois, Detroit, MI 48221
Date:	10/4/2019
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: Personal Assets

Analyst’s Rating: 7.4 – Moderate Risk

Analyst/Officer: Brianna Walker

LOAN PURPOSE AND BUSINESS DESCRIPTION/HISTORY

Prisca Onyejiaka, the owner of Fashion For Less 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 season. The property’s physical location is 19110 Livernois, Detroit. EDC financing will support rent, payroll, advertising, utilities, repairs, insurance and working capital for cold-weather inventory.

Fashion For Less is a retail shop selling African fashions for men, women and children. Prisca began selling these products at vendor events 15 years ago and started using the location on Livernois as a storage facility. In 2017, business started booming, a phenomenon which Prisca attributes to the release of Marvel’s Black Panther movie. The majority of her sales come from business during the summer months, so construction has severely impacted her bottom line. **Revenue for Fashion For Less from April 2019 through August 2019 is down 67% and Net Income is down 62%, in comparison to the comparable time frame in 2018.**

SOURCES AND USES

Uses of Funds	Amount
Rent	\$ 3,600
Working Capital (Inventory + Vendor Fairs)	\$ 7,000
Payroll	\$4,500
Advertising	\$ 2,400
Utilities	\$ 1,400
Repairs/ Maintenance	\$ 500
Insurance	\$ 200
Sources of Funds	
EDC Streetscape Mitigation Fund	\$20,000

Financial Information	2018	2019
Gross Sales	\$142,350.00	\$47,400.00
COGS	\$101,276.00	\$33,701.00
Profit Margin (%)	28.9%	28.9%
Owner Salary/Draw	\$7,500.00	\$ -
All other expenses	\$26,073.00	\$30,910.00
Net profit (loss)	\$7,501.00	-\$17,211.00



SOURCE OF REPAYMENT

Primary: Cash Flow from Fashion For Less
Secondary: Personal Guaranty

COLLATERAL AND CONDITIONS

Business Assets: N/A
Personal Assets: 2009 Ford Escape, (\$5,000 Kelly Blue Book Value)
2005 Lexus ES, (\$5,000 Kelly Blue Book Value)
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 advised that the EDC Finance Committee met and reviewed the proposed loan and recommends approval.

Ms. Navin added that as she indicated earlier, since there is a pledge of collateral, staff asks for flexibility on the collateral. Ms. Navin asked that the resolution be amended in the first resolved paragraph to add the language, "including but not limited to the nature of security granted."

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

On a motion by Ms. Clayson, seconded by Mr. Osei, resolution Code EDC 19-10-99-06 was unanimously approved, as amended.

Ms. Bruhn questioned what this added language does. Ms. Navin responded that it will allow staff to change the form of security for the loan.

Mr. Brown noted that in the materials, the form of security says "N/A". Ms. Navin apologized and stated that was a typo which we will correct. The collateral is listed at the end under Conditions.

Mr. Osei asked if the Board will be getting the additional information on the business of net income and revenue. Ms. Walker apologized for the omission and stated that revenue is down 67% and net income is down 62%.

ADMINISTRATION

OTHER MATTERS



PUBLIC COMMENT

Ms. Forte called for public comment.

Mr. Rufus Bartell, owner of Simply Casual, stated the following:

“You all know this has been somewhat of an arduous process from day one and would like to ask the Board to consider, as more loans come before you, the speed with which you get this done. This has been taking place since June. The ability to hang on as this process goes through has compounded the challenges and what happens is the need becomes to compound because you are in arrears with vendors, whether it be rent payments, or the ability to attract customers, employee retention, and now we have the Holidays. How do you begin to rally to rebound with the more vigorous Holiday buying season when you are not in a position to market so everybody knows what’s going on. There is this notion on the street that even though parking is starting to increase again because part of the construction is becoming more clear every day, the perception is not and they are not coming to the street as frequently as they should be coming to the street and there is a need to let people know that. Certainly, individual business owners have to do that along with collectively. Some of the things that City is doing is letting people know that the Corridor is open and there is free parking. One of the things that I want this Board to mindful of, and I think I’ve had some conversation with some of you at the table about, is the position these businesses are in. What we did not factor in is that for 8 or 9 straight years during the great recession that many of these businesses lost all their clout--whether it be their home because they short sole it or it be their business’ depleted bank accounts—trying to survive the great recession. People act like that didn’t exist three or four years ago. We had nine straight years of declining sales. Nine straight years of declining sales. And then to have six months of DTE and then another four months of DTE, followed by this current, back-to-back-to-back. What collateral are we looking for? And as a result of that, this last challenge was not committed by the merchants on Livernois. Now we understand the bigger picture, and I am a huge advocate of because I believe in the streetscape, but in the interim, there is a penalty we are paying that we want to get some quick [inaudible] to. When you have a group of businesses that go through nine declining years of collateral, you are not going to have all the ducks in a row. They have been spending time trying to keep the lights on in the businesses, but also trying to keep the lights on at home. That’s real. We know that Michigan bore the brunt of the great recession more than any other marketplace. These are the facts that we know. I want you all to take this into account when we are trying to save this corridor, I think we need some flexibility, to Mr. Jackson’s point. Bend everything we can bend.”

Ms. Forte thanked Mr. Bartell for his comments. The Board appreciates them and hears them.

Mr. Brown asked Mr. Bartell for clarification on what specifically he is asking for in order for the Board to respond appropriately. Mr. Bartell stated that he thinks that the collateral is too punitive for a person that has been impacted for such an extended period of time. The other thing is the accumulation of bank statements and other information requested and to be able to assemble the



information in a period of time by which this person can survive is punitive. Mr. Brown stated that he understands, but he does not necessarily agree.

Ms. Forte advised that public comments is typically limited to two minutes and called on the next person to comment.

Mr. Derrick Reynolds, owner of Good Times on the Avenue, stated the following:

I've been open for only seven months and I don't have all the paperwork that you guys are asking for. I just opened up seven week and I've been on this project for 18 months. I could have opened up in May, but I was scared to open up. Now I took a hit. Every month I'm taking hits. Every month \$10,000 to \$15,000 comes out of my pocket just to even survive. I've got staff I have to pay. So, I don't know what you've got for me, a new business. I don't have everything that you need for my business. I can give you what I put into my business, what it cost me to buy, what it cost me to open, my liquor license, but that's all I can give you. So, what do I do? Where do I stand?

Ms. Forte replied that the staff is looking into business requirements in terms of information and he will hear directly from the staff.

Mr. Hugh Smith, owner of Baker's Keyboard Lounge, stated the following:

"I just want to get clarity on what I believe I heard today. The only issues we had in the process is that the collateral and personal guarantees, not just for Baker's but for the other businesses on Livernois. It is going to be an issue moving forward to try to get some subsidies to these businesses. Moreover, in reading some of the closing documents, there was some reporting that was added into the loan situations, and I was wondering if I can take a look at them because those expenses also come out of the business' ability to utilize their cash because they need every dollar now. So, you've got the reporting and those fees can be hundreds of dollars. What I am asking the Board to consider is in that reporting aspect on that closing that there can be something, the language can be modified, or a stipend be given to help with that tax understanding. I've spoke with Pierre and Mr. Jackson before and I want to thank these guys for the expediency with which they've handled this to help our business. Baker's and its employees personally thank them. I'm just saying as I go over those documents just understanding the reporting and the collateral aspect."

Mr. Batton responded that we do have technical assistance through the Accounting Aid Society through the loan for bookkeeping services for the first year that will meet the reporting aspect. Mr. Baker stated that he already has an accountant for his business, and could it be applied to his account. Mr. Batton responded yes and no. The challenge there more than anything else is that for the provider they have contracted with, we know it covers an entire year for bookkeeping. Your individual CPA's or accountant's cost may vary. The amount that we are able to fund towards that may cover for only one period and we can definitely talk more about what the options are.



Ms. Navin advised that we can certainly look at that. There is also the question of ease of administration. It is easier to work with one provider and make that provider available to all businesses. Mr. Batton and his team will look at all options and find one that strikes a balance.,

ADJOURNMENT

On a motion by Ms. Bruhn, seconded by Mr. Osei, Ms. Forte adjourned the meeting at 9:00 a.m.



CODE EDC 19-10-02-322

APPROVAL OF MINUTES OF SEPTEMBER 24, 2019 REGULAR MEETING

RESOLVED, that the minutes of the Regular meeting of September 24, 2019 are hereby approved, and all actions taken by the Directors present at such meeting, as set forth in such minutes, are hereby in all respects ratified and approved as actions of the Economic Development Corporation.

October 8, 2019



CODE EDC 19-10-99-05

STREETSCAPE MITIGATION LOAN FUND PROGRAM: APPROVAL OF MODIFICATIONS TO TWO PREVIOUSLY APPROVED LOANS

WHEREAS, to support the financial stability of Detroit's businesses during the streetscape improvement construction projects on key commercial corridors in Detroit's neighborhoods, the Economic Development Corporation of the City of Detroit ("EDC") in coordination with the City of Detroit (the "City"), foundations and other partners, implemented the Streetscape Mitigation Loan Fund Program (the "Program") which will fund zero-interest loans and technical assistance to qualifying businesses; and

WHEREAS, on September 10, 2019 and September 24, 2019, the EDC Board of Directors approved two (2) loans through the Program to SB Media LLC and Happy to be Nappy (collectively, the "Borrowers"); and

WHEREAS, following further due diligence in advance of closing, EDC staff uncovered that each Borrower's commercial property offered as security for a loan is under a land contract; and

WHEREAS, staff proposes that the terms of the loan to Borrowers be modified to secure each loan with a personal guarantee rather than the commercial property as originally approved (the "Modifications"); and

WHEREAS, the EDC Finance Committee has reviewed the Modifications and recommends such Modifications for approval; and

WHEREAS, the EDC Board has determined that the recommended Modifications are reasonable and consistent with the Program.

NOW, THEREFORE, BE IT, RESOLVED, that the Modifications are hereby approved, together with such changes that are necessary or appropriate as determined by the Officers and/or Authorized Agents executing any document with respect to the Modifications, provided that such changes do not alter the material substance of the Modifications.

BE IT FURTHER RESOLVED, that any two Officers, or any one of the Officers and any one of the Authorized Agents or any two of the EDC's Authorized Agents, shall hereafter have the authority to negotiate and execute all documents, contracts, or papers, and take all actions, necessary or appropriate to implement the Modifications and intent of this resolution on behalf of the EDC.



BE IT FINALLY RESOLVED, that all of the acts and transactions of any officer or authorized agent of the EDC, in the name and on behalf of the EDC, relating to matters contemplated by the foregoing resolutions, which acts would have been approved by the foregoing resolutions except that such acts were taken prior to execution of these resolutions, are hereby in all respects confirmed, approved and ratified.

October 8, 2019



**CODE EDC 19-10-99-06
(AMENDED AT THE TABLE)**

STREETSCAPE MITIGATION LOAN FUND PROGRAM: APPROVAL OF LOAN (FASHION FOR LESS)

WHEREAS, to support the financial stability of Detroit’s businesses during the streetscape improvement construction projects on key commercial corridors in Detroit’s neighborhoods, Economic Development Corporation of the City of Detroit (“EDC”) in coordination with the City of Detroit (the “City”), foundations and other partners, is implementing a program that will fund zero-interest loans and technical assistance to qualifying businesses; and

WHEREAS, on August 27, 2019, the EDC approved a pilot Streetscape Mitigation Loan Fund Program (the “Program”) and related program guidelines (the “Program Guidelines”) for Livernois between Margareta and 8 Mile with an initial \$400,000 loan pool; and

WHEREAS, Staff has received, reviewed and recommends for approval the loan application from the business and for the purpose described on Exhibit A (the “Loan”); and

WHEREAS, the EDC Finance Committee has review and recommends the Loan for approval; and

WHEREAS, the EDC Board has determined that the recommended Loan is reasonable and consistent with the Program.

NOW, THEREFORE BE IT RESOLVED that the EDC Board of Directors, hereby approves the Loan described on Exhibit A, upon the terms and conditions therein described, with such modifications to the terms as determined by the Officers and/or Authorized Agents monitoring the Program, including but not limited to the nature of security granted, provided that such changes do not alter the intent of this resolution or the Program Guidelines.

BE IT FURTHER RESOLVED, that any two Officers, or any one of the Officers and any one of the Authorized Agents or any two of the EDC’s Authorized Agents, shall hereafter have the authority to negotiate and execute the Loan, together with such other terms and conditions that are determined by such Authorized Agents and/or Officers to be customary or appropriate and not inconsistent with this resolution, and to negotiate and execute all other documents, contracts, or papers, and take all actions, necessary or appropriate to implement the provisions and intent of this resolution on behalf of the EDC.

BE IT FINALLY RESOLVED, that all of the acts and transactions of any Officer or Authorized Agent of the EDC, in the name and on behalf of the EDC, relating to matters contemplated by the foregoing resolutions, which acts would have been approved by the foregoing resolutions, except that such acts were taken prior to the execution of these resolutions, are hereby in all respects confirmed, approved and ratified.

October 8, 2019