



**ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
WEDNESDAY, OCTOBER 16, 2019 – 10:00 A.M.**

MEMBERS PRESENT:

Linda Forte, Chair
Damon Hodge
Kwaku Osei

MEMBERS ABSENT:

Thomas Stallworth

OTHERS PRESENT:

Pierre Batton (DEGC/EDC)
Gregoire Eugene-Louis (DEGC/EDC)
Lily Hamburger (DEGC/EDC)
Gay Hilger (DEGC/EDC)
Denise Hundley (DEGC/EDC)
Malinda Jensen (DEGC/EDC)
Paul Kako (DEGC/EDC)
Rebecca Navin (DEGC/EDC)
Glen Long (DEGC/EDC)
Mariangela Pledl (DEGC/EDC)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
WEDNESDAY, OCTOBER 16, 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 10:03 a.m.

APPROVAL OF MINUTES

Ms. Forte asked if there were any additions, deletions or corrections to the minutes of the October 4, 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 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. On August 27, 2019, the EDC approved a pilot Streetscape Mitigation Loan Fund Program (the "Program") for Livernois between Margareta and 8 Mile with an initial \$400,000 loan pool. It is anticipated that as additional funds are raised, the Program will be implemented in other areas impacted by planned streetscape improvement projects.

Mr. Batton updated the Committee on the status of the seven loans that have been approved to date stating that four of the loans have closed and the business owners have received their disbursement.

Mr. Batton called on Ms. Pledl to present the first two loans.

Ms. Pledl summarized the terms of the first loan as follows:



**EXHIBIT A
SUMMARY OF PROPOSED TERMS**

JOBES AFRICAN HAIR BRAIDING LOAN REQUEST

Borrower Name: Jobe’s African Hair Braiding
Borrower Business Location: 19118 Livernois, Detroit, MI 48221
Date: 10/15/19
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: 5.8- Borderline
Analyst/Officer: Mimi Pledl

LOAN PURPOSE AND BUSINESS DESCRIPTION/HISTORY

Oury Diallo is a Detroit resident and the sole owner of Jobe’s African Hair Braiding. She has owned the business for over 5 years, purchasing it from a family member who taught her the business. 75% of Jobe’s customers are walk-ins and with the streetscape construction, she has lost some of those customers to competitors near 6 Mile. Her customers are asking when the streetscape project will be completed as they intend to return to her business then.

Ms. Diallo has a patient and understanding landlord who recognizes how the streetscape has impacted her business. The holiday season is typically a very busy time for Jobe’s, and she is anticipating another strong season. Jobe’s African Hair Braiding revenue for January through August 2019 was down 63% from the same period in 2018. The business has operated in the red since March 2019 with a net income loss of 118% in comparison to 2018.

SOURCES AND USES

Uses of Funds	Amount
Rent	\$5,600.00
Utilities	\$1,900.00
Advertising Marketing	\$1,000.00
Working Capital	\$1,500.00
Sources of Funds	
EDC Streetscape Mitigation Fund	\$10,000.00



SOURCE OF REPAYMENT

Primary: Cash Flow from Jobe’s African Hair Braiding
N/A

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 asked if the Committee had any questions or comments.

Mr. Osei asked for an explanation of the Analyst’s Rating of borderline. Ms. Pledl stated that given the financials and that the borrower is in arrears on her rent, the borderline rating of 5.8 is close to the acceptable rating of 6.0.

Ms. Pledl presented the terms of the second loan request as follows:

**EXHIBIT B
SUMMARY OF PROPOSED TERMS**

XCLUSIVE HAIR CAPITOL LOAN REQUEST

Borrower Name: Xclusive Hair Capitol LLC
Borrower Business Location: 18975 Livernois, Detroit, MI 48221
Date: 10/15/19
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 Guaranty
Analyst’s Rating: 6.00- Acceptable
Analyst/Officer: Mimi Pledl



LOAN PURPOSE AND BUSINESS DESCRIPTION/HISTORY

Tanisha Owens is a Detroit resident and the sole owner of Xclusive Hair Capitol. Incorporated in 2011, Ms. Owens learned her craft through part-time work at salons in suburban Detroit while maintaining a full-time position at Comcast. Ms. Owens secured her current location on Livernois in 2017 and has been successful, providing wholesale beauty supply and salon services with a specialty in hair extensions.

Given that nearly half of Xclusive’s customers are walk-ins, the salon’s business was adversely impacted by the Livernois Streetscape project. To counter the loss of traditional salon customers during the Streetscape work, Ms. Owens aggressively marketed her salon for beauty related events and has begun to rent her space to non-profits and the beauty industry for evening events.

Xclusive Hair Capitol revenue for April through July 2019 was down 42% from the same period in 2018. The last month that the business was profitable was April 2019 with a nominal income amount. For the months of May, June and July 2019, the business has operated in the red with a net Income loss of 124% in comparison to 2018.

SOURCES AND USES

Uses of Funds	Amount
Rent	\$6,000.00
Utilities	\$2,000.00
Payroll	\$2,500.00
Advertising/Marketing	\$2,500.00
Working Capital	\$7,000.00
Sources of Funds	
EDC Streetscape Mitigation Fund	\$20,000.00

SOURCE OF REPAYMENT

Primary: Cash Flow from Xclusive Hair Capitol
Secondary: Personal Guaranty

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 asked if the Committee had any questions or comments.



Mr. Hodge stated that he noticed on the loans above \$10,000 that we are taking a personal guaranty from the owner and asked if there had been discussions about taking what he would call "hard collateral" like business assets where available. Mr. Batton advised that they are still asking for hard collateral, however, there are a number of business owners who unfortunately don't have assets that they can pledge at this time.

Ms. Forte stated that she noticed that some of the loans are not pledging a personal guaranty. Ms. Navin advised that under the Program Guidelines, only loans over \$10,000 are required to pledge assets or a personal guaranty. Ms. Forte said that she is not sure that she agrees with the Program Guidelines because she does believe that you can hardly separate a small business from the owner, so as a matter of policy, it is her belief that you should always take a personal guaranty.

Ms. Forte called on Mr. Eugene-Louis who presented the terms of the next loan as follows:

EXHIBIT C SUMMARY OF PROPOSED TERMS

SIMPLY CASUAL CLOTHING STORE LOAN REQUEST

Borrower Name:	Simply Casual Clothing Store
Borrower Business Location:	19400 Livernois, Detroit, MI 48221
Date:	10/16/2019
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 Guaranty
Analyst's Rating:	9 – Moderate Risk
Analyst/Officer:	Gregoire Eugene-Louis

LOAN PURPOSE AND BUSINESS DESCRIPTION/HISTORY

Rufus Bartell, the owner of Simply Casual Clothing Store, 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 19400 Livernois, Detroit. EDC financing will support rent, payroll, and utilities.

Simply Casual Clothing Store is Detroit's premier specialty boutique for women and men has been located on Detroit's west side since 1997. This men and women's retailer have continually improved its physical image and embodied Bartell's commitment to customers and the



community. Revenue for Simply Casual from 2019 is down 35% in comparison to 2018. Net income for the business has decreased from \$11,256 in 2018 to -\$2,408 in 2019 YTD.

SOURCES AND USES

Uses of Funds	Amount
Rent	\$ 2,050.00
Utilities	\$ 600.00
Insurance	\$225.00
Advertising	\$ 800.00
Business debt repayment	\$ 9,000.00
Working Capital	\$ 7,000.00
Telephone	\$ 325.00
Sources of Funds	
EDC Streetscape Mitigation Fund	\$20,000.00

SOURCE OF REPAYMENT

Primary: Cash Flow from Simply Casual Clothing Store
Secondary: Personal Guaranty

COLLATERAL AND CONDITIONS

Business Assets: N/A
Personal Assets: 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 questioned what the Business debt repayment was under the Sources and Uses. Mr. Eugene-Louis replied that it is for outstanding accounts payable for items that he has purchased. Ms. Forte recommended that going forward it might be categorized as "Outstanding Payables."

Mr. Hodge asked what the \$7,000 working capital is for. Mr. Eugene-Louis stated that he doesn't have the answer to that questions but will get the information.

Ms. Forte asked if the Committee had additional questions or comments. Hearing none, Mr. Eugene-Louis presented the terms of the next loan as follows:



**EXHIBIT D
SUMMARY OF PROPOSED TERMS**

TABLE NO. 2 LOAN REQUEST

Borrower Name: Table No. 2
Borrower Business Location: 18925 Livernois, Detroit, MI 48221
Date: 10/16/2019
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 Guaranty
Analyst’s Rating: 7.4 – Moderate Risk
Analyst/Officer: Gregoire Eugene-Louis

LOAN PURPOSE AND BUSINESS DESCRIPTION/HISTORY

Chef Omar Mitchell, the owner of Table No. 2, 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 18925 Livernois, Detroit. EDC financing will support rent, payroll, and utilities.

Table No. 2 is a fine dining restaurant for the upscale residents that live in the city of Detroit. Chef Omar graduated from Johnson & Wales University in Culinary Arts. He soon after started a position as a Celebrity Chef food reviewer for The Food Network in the UK. Revenue is down 36% for Table No.2 from April 2019 through August 2019 in comparison to the projections he expected to achieve 2019. Actual Net Income is down 51.28% when compared with the business projections.

SOURCES AND USES (Revised at Table)

Uses of Funds	Amount
Rent	\$ 2,000.00
Payroll	\$18,000.00
Sources of Funds	
EDC Streetscape Mitigation Fund	\$20,000.00

SOURCE OF REPAYMENT

Primary: Cash Flow from Table No. 2 Restaurant
Secondary: Personal Guaranty



COLLATERAL AND CONDITIONS

Business Assets:	N/A
Personal Assets:	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 asked if the Committee had any questions or comments.

Mr. Hodge said that he knows with the start-ups, one of the key things the Committee was looking for was to make sure there was adequate start-up capital and asked if that was looked at here. Mr. Batton responded that Chef Omar fully self-financed the opening of his restaurant and had his opening Easter weekend. As an indicator of how successful his business was pre-streetscape, he shared his reservation log with staff. Reservations had dropped off when the streetscape was fully underway in June a full 50 percent, which is a big trickle down. He had no outstanding debt and was fully capitalized and ready to go upon opening his business.

Mr. Hodge asked if the streetscape completion date was still on target for mid-November. Mr. Batton responded that he believes so and hadn't heard anything about a delay. He personally believes that is a stretch goal with a good portion of the work to still be completed and will give an update in a month.

Mr. Hodge said that one of the concerns that he has is are we being good stewards of the funds that are available and giving those funds to businesses that are going to succeed long term. He stated getting closer to the Holiday season, is fine dining something that people are going to forego to get gifts for the kids.

Mr. Batton explained that Table No. 2 was one of the strongest start-ups that they've had with a business owner who is extremely coachable with regards to resources and we think that the capital and the technical assistance will help him greatly. This business owner also owns a catering business which will pick up during the Holidays.

Ms. Forte asked if there were any more questions and hearing none, moved on to the next loan.

Ms. Hamburger reviewed the proposed terms for Sharmell's Salon as follows:

EXHIBIT E SUMMARY OF PROPOSED TERMS SHARMELL'S SALON LOAN REQUEST



Borrower Name: Sharmell's Salon LLC
Borrower Business Location: 18967 Livernois, Detroit, MI 48221
Date: 10/16/2019
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 Guaranty
Analyst's Rating: 7.25 – Moderate Risk
Analyst/Officer: Lily Hamburger

LOAN PURPOSE AND BUSINESS DESCRIPTION/HISTORY

Sharon Jackson, the owner and founder of Sharmell's Salon, 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 18967 Livernois, Detroit. EDC financing will support rent, working capital, marketing and planned repairs to the shop that were halted due to construction.

Sharmell's is a 9-year-old salon that serves women with curling, relaxing, dyeing, weaving or fixing weaves. Ms. Jackson has a steady stream of customers, but usually is open only certain days and times. She has adjusted her business model to fit customers in around construction and this has caused a change in utility bills and other operating expenses. She has hired a marketing specialist to help her get the word out about her services. She would like to upgrade to more professional and expanded marketing services, as well as replenish the cash intended for her shop upgrades that were put on hold. Revenue for Sharmell's from March 2019 through July 2019 is about even and net income is down 33% in comparison to the comparable time frame in 2018.

SOURCES AND USES

Uses of Funds	Amount
Rent	\$5,000.00
Utilities	\$5,000.00
Repairs	\$5,000.00
Marketing and advertising	\$5,000.00
Sources of Funds	
EDC Streetscape Mitigation Fund	\$20,000.00

SOURCE OF REPAYMENT

Primary: Cash Flow from Sharmell's Salon
Secondary: Personal Guaranty



COLLATERAL AND CONDITIONS

Business Assets:	N/A
Real Estate:	14804 Stahelin
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 asked if the Committee had any questions or comments.

Ms. Navin added that she has offered her personal residence as collateral and title work has been ordered.

With there being no further questions, Ms. Hamburger reviewed the loan request from Shears and Shaves as follows:

EXHIBIT F SUMMARY OF PROPOSED TERMS

SHEARS AND SHAVES LOAN REQUEST

Borrower Name:	Shears and Shaving, LLC DBA Shears and Shaves
Borrower Business Location:	20202 Livernois, Detroit, MI 48221
Date:	10/16/2019
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 Guaranty
Analyst's Rating:	7.25 – Moderate Risk
Analyst/Officer:	Lily Hamburger

LOAN PURPOSE AND BUSINESS DESCRIPTION/HISTORY

Dawn Sanford, the founder and owner of Shears and Shaves, 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 as she ramps up this newly opened full-service salon and spa. The property's physical location is 20202 Livernois, Detroit and Ms. Sanford held her grand opening there in August 2019. EDC financing will support rent, utilities, and payroll.



Shears and Shaves is a full-service salon and spa offering services to both men and women, as well as kids. Ms. Sanford has a loyal clientele following her to Shears and Shaves after her 30-year career as a hairdresser and barber in Detroit, as well as travelling around the country to serve dignitaries and celebrities. She started this business out of her passion for supporting the community with support from Motor City Match: she was an awardee of all four tracks of the program and is also a client of TechTown SWOT City.

Ms. Sanford had projected to hire 3 full time employees after opening, and she has hired 1 full time and 3 part time employees. She had planned to hire 15 commissioned stylists and has hired 11 of them. Construction has hit her projections hard – in August she made 20% of her projected net profit. She has fallen behind on rent and utilities, and she is struggling to make payroll for her existing employees.

SOURCES AND USES

Uses of Funds	Amount
Rent	\$12,500.00
Utilities	\$3,000.00
Payroll	\$4,500.00
Sources of Funds	
EDC Streetscape Mitigation Fund	\$20,000.00

SOURCE OF REPAYMENT

Primary: Cash Flow from Shears and Shaves
Secondary: Personal Guaranty

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 asked if the Committee had any questions or comments.

Mr. Hodge stated that they had conversation at the last meeting about her employees. Ms. Hamburger responded that her three full-time employees are administrative and maintenance folks working for her. All of her stylists are commissioned employees. She also has two people renting from her that are not listed as employees.



Ms. Forte called for further comments or questions. Hearing none, the Committee took the following action:

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

OTHER MATTERS

PUBLIC COMMENT

ADJOURNMENT

With there being no other business to come before the Committee, on a motion by Mr. Osei, seconded by Mr. Hodge, Chairperson Forte adjourned the meeting at 10:34 a.m.