



**DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
FRIDAY, NOVEMBER 20, 2020 – 11:00 A.M.**

COMMITTEE MEMBERS PRESENT: Sonya Delley
Melvin Hollowell
John Naglick
Steve Ogden

COMMITTEE MEMBERS ABSENT: David Blaszkiewicz

OTHERS PRESENT: Cora Capler (DEGC/DDA)
Gay Hilger (DEGC/DDA)
Denise Hundley (DEGC/DDA)
Malinda Jensen (DEGC/DDA)
Jennifer Kanalos (DEGC/DDA)
Paul Kako (DEGC/DDA)
Glen Long, Jr. (DEGC/DDA)
Lexi Mabry (DEGC/DDA)
Rebecca Navin (DEGC/DDA)



**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
FRIDAY, NOVEMBER 20, 2020
ZOOM VIRTUAL MEETING – 11:00 A.M.**

GENERAL

Call to Order

Chairman Naglick called the Finance Committee meeting of the Downtown Development Authority Board of Directors to order at 11:05 a.m. Roll call was conducted, and a quorum was established.

Approval of Minutes

Mr. Naglick asked if there were any additions, deletions or corrections to the minutes of the October 2, 2020 Finance Committee meeting. Hearing none, the Committee took the following action:

Ms. Delley made a motion approving the October 2, 2020 minutes, as written. Mr. Hollowell seconded the motion. A roll call vote was conducted with the following result:
Ayes: Ms. Delley, Mr. Hollowell, and Mr. Naglick
Nays: None.

PROJECTS

DDA H/O/R Loan – Hudson Business Enterprises, Inc. Loan Modification

Ms. Mabry reported that in 2006, the City of Detroit Downtown Development Authority (“DDA”) approved a \$175,000.00 loan (the “Loan”) to Hudson Business Enterprises, Inc (the “Borrower”). The interest rate on the Loan was 4% and the Loan had an initial maturity date of December 2016. The collateral for the Loan includes a UCC filing and Personal Guarantees of the principals of the Borrower. Invest Detroit also provided funding to the Borrower and is the senior lender.

The Borrower utilized the Loan funds for the build-out and opening of its day spa business, the Woodhouse Day Spa (the “Woodhouse Spa”). The Woodhouse Spa opened in 2007 and occupies 5,525 square feet of ground floor retail space at 1441 Woodward. The landlord is a Bedrock-affiliated entity, Merchants Row Webward LLC (the “Landlord”). The Woodhouse Spa has remained open with the exception of the period during which the impact of the COVID-19 pandemic closed service-oriented businesses starting in March 2020.

Over the years, the Woodhouse Spa was able to generate enough income to pay operating costs and to allow Borrower to make payments on the Loan, however, the Borrower has encountered and endured many challenges. In addition to the recent challenges the Borrower faces due to the COVID-19 pandemic, the Borrower also faced challenges from not meeting sales expectations and having to finalize the terms of a franchise agreement, amend the lease between Landlord and Borrower and make payments thereon, and resolve parking issues.



The Woodhouse Spa is a franchise and is governed by a Franchise Agreement. That agreement expired in 2017 and Borrower has been working to finalize a revised agreement that would be beneficial to Borrower. Recently, the Borrower was able to facilitate a revised agreement that entails a year to year term. As a result of the success of facilitating a new agreement, not only did this resolve an outstanding issue of the Woodhouse Spa, but Cheryl Hudson, Principal of Woodhouse Spa has been asked to serve on a diversity council for the franchise. The position will help to improve current practices and inclusion for other franchisees.

The lease between the Landlord and Borrower has been amended on various occasions. Currently, the lease is on a month to month basis. The Borrower owes back rent and the Landlord is currently working with the Borrower to assess a remedy for those payments. The Borrower continues to pay the current rent timely per the agreement in place.

As a result of the COVID-19 pandemic and corresponding executive orders, the Woodhouse Spa shut down in March and no revenues were generated for over 3 months. The DDA deferred loan payments from April through July. The Borrower received additional relief which included loan forgiveness from Invest Detroit for six months (April through September), 3 months of no rent payments from the Landlord (April through June), and a grant from the Detroit Economic Growth Association in the amount of \$10,000. The Borrower also received a Paycheck Protection Program (“PPP”) loan in the amount of \$29,000, however because most of the Woodhouse Spa’s team members are independent contractors, the Borrower was unable to get the PPP funds to cover its payroll costs, hence these contractors were furloughed. Instead, the PPP funding was used to pay some fixed costs such as insurance and utilities and it enabled Woodhouse Spa to re-open following the rescission of the Governor’s executive orders requiring that such businesses be closed.

Woodhouse Spa reopened in September and it is currently operating 5 out of 7 days with limited staff. The Borrower is closely monitoring sales and bookings with social distancing and limited occupancy. The Borrower also anticipates sales to be reduced from previous levels as the recovery from the COVID-19 pandemic continues. The Borrower will continue to seek financial assistance to bring back contractor staff, pay fixed costs and to purchase adequate inventory to sustain the business in moving forward.

In consideration of the various challenges the Borrower has experienced over the years, inclusive of the impact of the COVID-19 pandemic, the Borrower has requested that the DDA and Invest Detroit adjust the Borrower’s loan payments. The Borrower has always remained responsive with the DDA and Invest Detroit and has remitted all required payments and Loan documentation as requested.

DDA staff finds it practical to restructure the Loan now that some resolution has been reached with the franchise agreement and the lease. In addition to the previous relief provided, and in conjunction with a restructuring of the loan provided by Invest Detroit, DDA staff proposes to restructure the Loan, the current balance of which is \$158,418.76, as follows: deferral of loan payments from April through July 2020, beginning August and through December, interest only payments and beginning in January 2021 the remittal of principal and interest payments in the amount of \$1,625.30. The Loan payments will increase by \$1,800.00 to \$3,425.30 in January 2023, following the Invest Detroit loan maturity. The DDA loan maturity date will be extended to



June 2026. The interest rate will remain at 4%. The amortization schedule and all loan documentation will be updated and modified accordingly.

DDA staff has reviewed the loan file and found this restructure practical in light of the Loan history. DDA staff requested that the Finance Committee recommend the Woodhouse Spa loan restructure to the Board for its approval.

Mr. Naglick advised that he noticed that Mr. Ogden joined meeting and called for comments/questions.

Mr. Hollowell mentioned that the DDA Board's responsibility is to support and generate economic development within the district, and that Woodhouse Spa has done everything they can do in order to be responsive to their financial obligations to DDA and other lenders in light of the pandemic which has affected everyone. They obviously have reached out to their landlord and are working with them. Mr. Hollowell made a motion to approve the loan restructure. Mr. Naglick asked if there was a second of Mr. Hollowell's motion. Ms. Delley seconded the motion.

Ms. Delley stated that she would like to add a little more clarity on Woodhouse Spa and speak to some institutional knowledge. This is an old loan, and part of their struggles included a fire during this timeframe. They were one of the first and their contribution to the stabilization of Downtown Detroit has been meaningful, and she is very pleased that they are able to restructure this loan.

Ms. Delley added, to clarify the loan restructure, on page 7, the last paragraph, where it says April through July 2020, obviously that is a retroactive action and the document should say that. Ms. Delley asked that the document be revised with this clarification. Mr. Naglick asked Ms. Mabry to make this change to the document before presenting to the DDA Board.

Mr. Naglick asked Mr. Ogden if he had comments. Ms. Ogden stated that he totally agrees with all comments and that for obvious reasons, he would have to recuse himself.

Mr. Naglick stated that clearly this is a business that is a key to the Downtown Development area, and it is in our interest to help them get through this. Mr. Naglick asked for a roll call.

Mr. Hollowell made a motion approving the Hudson Business Enterprises, LLC loan modification, amended as noted above. Ms. Delley seconded the motion. A roll call vote was conducted with the following result:

Ayes: Ms. Delley, Mr. Hollowell, and Mr. Naglick

Nays: None

Abstention: Mr. Ogden

ADMINISTRATION

None.

PUBLIC COMMENT

None.



ADJOURNMENT

With there being no further business to be brought before the Committee, on a motion by Mr. Hollowell, seconded by Mr. Ogden, Mr. Naglick adjourned the meeting at 11:18 a.m.