DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
MONDAY, DECEMBER 13, 2021 – 9:00 A.M.

COMMITTEE MEMBERS PRESENT:  
David Blaszkiewicz
Melvin Hollowell
John Naglick
Steve Ogden

COMMITTEE MEMBERS ABSENT:  
None

OTHERS PRESENT:  
Gay Hilger (DEGC/DDA)
Malinda Jensen (DEGC/DDA)
Kevin Johnson (DEGC/DDA)
Jennifer Kanalos (DEGC/DDA)
Paul Kako (DEGC/DDA)
Rebecca Navin (DEGC/DDA)
Lexi Shaw (DEGC/DDA)
MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
MONDAY, DECEMBER 13, 2021
ZOOM VIRTUAL MEETING – 9:00 A.M.

GENERAL

Call to Order

Chairman Naglick called the Finance Committee meeting of the Downtown Development Authority Board of Directors to order at 9:02 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 6, 2021 Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Hollowell made a motion approving the October 6, 2021 minutes, as written. Mr. Blaszkiewicz supported the motion. All were in favor with no opposition, and the October 6, 2021 minutes were unanimously approved.

PROJECTS

DDAH/O/R Loan – Hudson Business Enterprises, Inc. Proposal for Discounted Loan Payoff

Ms. Shaw 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 has a maturity date of January 2026. 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 balance of Invest Detroit’s loan is $2,116 and the maturity date of this loan is February 2022.
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 Borrower has endured the economic ups and downs of the City of Detroit through the years. DDA has served as an advocate in the process by providing various loan modifications. These modifications included adjustments to loan payments, modifications to the amortization schedules, and extensions to the maturity dates; thereby easing some of the Borrower’s financial burdens.

In addition to challenges over the years, the Borrower faced issues in finalizing the terms of a franchise agreement, amending the lease between Landlord and Borrower, the effect the COVID-19 pandemic has had on local businesses, and most recently, flood damage that occurred in June 2021. As a result of the flood, Woodhouse Spa suffered significant flood damage to supplies, flooring and baseboards, drywall, and equipment. Slowly, the Borrower has been able to address about 70% of these issues with equity and personal funds. With the ongoing construction, the Borrower took this opportunity to design the space under the newest corporate-focused expansion of services including an additional area for facials. While making these changes and anticipating the increase in rent, the Borrower would like to free up its debt obligations. Despite a myriad of changes and challenges, the Borrower has maintained its business operations with minor impact, has brought on additional staff to accommodate the new spa menu, and will be undergoing its busiest season yet.

The Borrower has now approached the DDA and is requesting a discounted loan payoff. To date, the Borrower has paid interest in the amount of $102,922.16 and principal in the amount of $27,648.10. The remaining balance of the Loan is $149,464.15. The Borrower is offering a discounted payoff in the amount of $100,000 to be paid in two payments of $50,000 in December 2021 and March 2022. This amount allows the DDA to receive about 67 cents on the dollar. The remaining Loan balance will be written off.

The Woodhouse Spa has remained a cornerstone in the Downtown area and will be utilized by patrons for many years to come. Furthermore, the Borrower has remained responsive to DDA through the years and has always remitted
timely loan payments and documentation. DDA staff has reviewed the request and finds it reasonable to accept the discounted loan payoff in the amount of $100,000.00.

DDA staff requested that the Finance Committee recommend the discounted payoff to the Board for its approval.

Mr. Naglick called for comments/questions/discussion.

Mr. Hollowell stated that this has come up once before and the Woodhouse Day Spa occupies a very prominent space in the downtown corridor. They have hung in there during COVID. They provide an excellent service. If there were ever an opportunity to support a business in the district, this would be one of them.

Mr. Blaszkiewicz said that he agrees with Mr. Hollowell and advised that they are facing a significant increase in the rent and that is part of why it is so important to get the debt repositioned. Mr. Blaszkiewicz advised that he recuses himself from the vote because Invest Detroit is still a nominal debt holder in this transaction. He advised that he is “spiritually” in favor of supporting this request knowing how many challenges she has weathered and there are still more to come in an emerging market. She has been a longtime operator and the DDA wants to support those businesses that have been supporting the community.

Mr. Ogden advised that he had joined the meeting and apologized for joining late. He stated that he fully supports and agrees with everything that has been said.

Mr. Naglick advised that he also is in support of this discounted loan payoff and feels that this is part of the DDA mission. This deal is not a great rate of return on investment over 15 years, but there is a return. There are many deals where the DDA does not get a return on its investment.

Mr. Ogden questioned whether he should abstain from voting. Ms. Navin advised that given there is enough support at the Committee level, she would recommend that he abstain.
Mr. Naglick called for a motion.

Mr. Hollowell made a motion and the Committee recommended Board approval of the Discounted Payoff of the Hudson Business Enterprises, LLC loan, with Mr. Blaszkiewicz and Mr. Ogden abstaining.

ADMINISTRATION

Kroll Bond Rating Agency 2021 Annual Surveillance Report Series 2018A Bond (Catalyst Development Project)

Mr. Naglick explained the Annual Surveillance Report and the significance of maintaining the BBB- and stable rating.

DDA Corrective Action Plan

Mr. Naglick stated that one of the DDA Board members, Mr. Ehrlich Crain, by email asked that the Finance Committee discuss this item. Mr. Naglick explained the reason that DDA receives these letters each year and advised that Mr. Longs response is appropriate.

PUBLIC COMMENT

None.

ADJOURNMENT

With there being no other business to be brought before the Committee, Mr. Hollowell made a motion to adjourn the meeting. Mr. Blaszkiewicz seconded the motion and Mr. Naglick adjourned the meeting at 9:27 a.m.