



**DOWNTOWN DEVELOPMENT AUTHORITY  
FINANCE COMMITTEE MEETING  
WEDNESDAY, APRIL 27, 2022 – 2:30 P.M.**

**COMMITTEE MEMBERS PRESENT:**

David Blaszkiewicz  
Melvin Hollowell  
John Naglick

**COMMITTEE MEMBERS ABSENT:**

Steve Ogden

**OTHERS PRESENT:**

Malinda Jensen (DEGC/DDA)  
Jennifer Kanalos (DEGC/DDA)  
Cora Capler (DEGC/DDA)  
Rebecca Navin (DEGC/DDA)  
Denise Hundley (DEGC/DDA)  
Paul Kako (DEGC/DDA)  
Lexi Shaw (DEGC/DDA)  
Charlie Beckham (DDA Board)



**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY  
FINANCE COMMITTEE MEETING  
WEDNESDAY, APRIL 27, 2022  
DETROIT ECONOMIC GROWTH CORPORATION  
500 GRISWOLD, SUITE 2200 – 2:30 P.M.**

**GENERAL**

**Call to Order**

Chairman Naglick called the Finance Committee meeting of the Downtown Development Authority Board of Directors to order at 2:52p.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 March 23, 2022 Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Hollowell made a motion approving the March 23, 2022 minutes, as written. Mr. Blaszkiewicz supported the motion. All were in favor with no opposition, and the March 23, 2022 minutes were unanimously approved.

**PROJECTS**

**Proposed Loan to Grand Circus, LLC (N/K/A Grand Circus Detroit, LLC)**

Ms. Shaw presented the Proposed Loan to Grand Circus, LLC (N/K/A Grand Circus Detroit, LLC) to the Finance Committee.

Grand Circus, LLC (N/K/A Grand Circus Detroit, LLC) (the “Borrower”), is a Delaware Limited Liability Company established in 2013. The Borrower is subleasing space at 1555 Broadway Street in the Broderick Tower where it operates a technology training school center that prepares people for careers in technology.

The Borrower had an idea to build a school that would train people in the skills of the modern digital economy and to be a hub for Detroit’s tech community. In 2013, the Borrower launched partnerships with Google for Entrepreneurs, Facebook and Microsoft to bring the resources and support to entrepreneurs and tech workers in the City of Detroit. The Borrower also hosted a regular schedule of events and meetups with the partners and businesses in the community. During the first few months of operation, the Borrower focused on developing the product offering and designing and building a space that would excite and inspire the community. The Borrower officially launched the school opening and starting classes in the fall of 2013.

Damien Rocchi is the CEO and retains a 12.5% ownership stake in the Borrower. 75% of the ownership interest is owned by Detroit Venture Partners, L.P and the remaining ownership interest is retained by various senior management employees and advisors. Mr. Rocchi is an experienced general manager and strategist with a focus on building businesses in digital media and consumer products. His specialties are strategy design & implementation, business development & launch and post-merger integration. Detroit Venture Partners, L.P, founded by Dan Gilbert, since 2010, has been committed to backing and funding early-stage tech companies that they believe can move the world forward.

The Borrower employees 22 persons, 11 of whom are Detroit residents. Key Management positions include Frank Urso, VP of Business Development. He is a senior strategy, business development and sales leader with a record of creating, launching, and building businesses, and delivering revenue in high-growth technology environments. April Watkins, Director of Operations, is a highly effective global operations



executive with over 20 years of experience building and leading organizations. Scott Tribble, Director of Marketing is an experienced leader with a demonstrated history of developing and leading execution of digital-first marketing and communications strategies to drive growth and engagement. He possesses strong professional skills in digital strategy and integrated marketing. Bryan Benham, Director of Learning is a mission-driven, strategic leader drawing on over 25 years of experience in academic and corporate environments. He has proven success in designing and delivering award-winning, high-impact educational experiences using tested development processes, improving team expertise, and cultivating collaborative partnerships with key stakeholders. Finally, Ian Washington, Director of Admissions has worked in the tech industry recruiting one student at a time and has over 500 connections.

The Borrower offers training for individuals in technology and data engineering as well as trainings through partnerships with various companies to reskill and upskill the companies' existing employees. The technology and data engineering training classes are structured in a bootcamp style. The bootcamps classes are held virtually and in person. Each bootcamp lasts for 14 weeks for full time classes or 26 weeks for part time classes. The technology classes further educate individuals in JavaScript and C3#, which are commonly used programming languages and the core technology used in the world wide web; over 97% of websites uses JavaScript. The school is opened Monday through Friday from 9am to 10pm. Since 2013, almost 3,000 students have graduated, and the school has a placement rate of 90% within 180 days.

The headline tuition amount is \$11,750. Students of color, women, members of the LGBTQ+ community and veterans may receive a \$1,750 discount, as they are groups traditionally under-represented in the tech industry. Tuition scholarships are offered through Michigan National Guard State Tuition Assistance Program and Grace Hopper Celebration of Women in Boot Camp. The Borrower has also partnered with Ascent Funding and Climb Credit for low interest rate loans.

Some of the reskill/upskill partnerships are with Amazon, Apple, and Rocket, just to name a few. The Amazon partnership involved sourcing and training 20 Java Developers from across Southeast Michigan. The Apple partnership involved running a series of 1-month long foundation workshops for iOS development. The Rocket partnership involved a reskilling program called Dev Build. As part of the Dev Build program, the Borrower trains non-technical team members that want to become software developers. Since launching the program 5 years ago, the Borrower has trained several hundred individuals. An additional training program is planned for May 2022. The Borrower recently executed a partnership agreement with Disys, a global staffing firm, where the Borrower will train its consultants. The partnership further involves working with Disys' account representatives to source new talent for their clients. This partnership represents significant growth for the Borrower over the course of 2022-2024. As part of the growth strategies, the Borrower continues to explore, foster, and gain additional partnerships opportunities.

To continue to grow the Borrower's business through these new partnership opportunities, the Borrower has approached the DDA for funding from the Small Business Loan Transaction Program in the amount of \$200,000 (the "Loan"). The Loan funds will be used to pay for operating expenses associated with the new partnerships along with working capital and equipment purchases. In addition to the Loan, the Borrower received approval from the Detroit Economic Growth Corporation for a loan in the amount of \$200,000 and is also seeking funding from Invest Detroit in the amount of \$100,000. Borrower has an existing line of credit with Bank of Ann Arbor in the amount of \$350,000 that is secured by its business assets.

Sources and Uses

Sources:

DDA SBLT	\$200,000.00
DEGC RALF	\$200,000.00
Invest Detroit	\$100,000.00
Equity	<u>\$20,000.00</u>



Total \$520,000.00

Uses:

Working Capital-Payroll	\$259,764.00
Working Capital-Rent	\$51,588.00
Working Capital-Marketing	\$100,371.00
Operating Expenses	\$95,277.00
Equipment	<u>\$13,000.00</u>
Total	\$520,000.00

Terms of Loan:

Borrower: Grand Circus, LLC (N/K/A Grand Circus Detroit, LLC)  
 Amount: \$200,000.00  
 Interest Rate: 4%  
 Amortization: 10 years, 12 months interest only payments  
 Term: 7-year term, with a balloon payment in the 7<sup>th</sup> year  
 Security: Subordinated lien on all business assets of the Borrower, pari passu with Invest Detroit and the DEGC. Pari Passu first position lien following maturity of senior loan.  
 Guaranty: Corporate Guaranty of Detroit Venture Partners, L.P  
 Disbursement: Loan will be funded in one or multiple disbursement(s) at or shortly after closing on the loan.  
 Additional Conditions: Receipt of all required loan documentation and information.

Debt Service Analysis

Proforma

	<u>Year 1</u>	<u>Year 2</u>
Program Revenue	\$4,404,889	\$5,021,908
COGS	<u>1,194,818</u>	<u>1,553,263</u>
Gross	3,210,071	\$3,468,645
Expenses	<u>2,755,605</u>	<u>2,690,795</u>
Amt. for Debt Service	\$454,466	\$777,850
DEGC Debt Service 3%, 7/10 Mo. Pymt. (\$1,931.21)	\$23,175	\$23,174
DDA Debt Service 4%, 7/10 Mo. Pymt. (2,024.90)	\$24,299	\$24,299



Invest Detroit Debt Service 6.5%, 5/5 Mo. Pymt. (\$1,956.61)	\$23,479	\$23,479
Bank of Ann Arbor LOC, Maturity 2023	\$18,000	\$18,000
Total Debt	\$88,953	\$88,953
Debt Coverage Ratio	5.11	8.74

DDA Staff requested that the Finance Committee recommend the approval of the Loan to the DDA Board of Directors.

Mr. Naglick stated that there were a couple of errors in the documentation; the total for the “Uses” is incorrect, and a discrepancy in the interest rate for the DDA loan within the document. Ms. Shaw confirmed the correct total for the “Uses” and the interest rate for the DDA loan.

Mr. Naglick stated that he was in favor of the Corporate Guaranty of Detroit Venture Partners, L.P and asked what kind of covenants are provided to ensure that the DDA loan is used for what is intended. Ms. Navin stated that the DDA loan documents are very specific about what the loan funds are able to be used for and the DDA requests documentation on what the loan funds were used for and a certain timeline for the funds to be used and if the Borrower does not comply with such stipulations, the loan would be in default.

Mr. Naglick asked the Committee Members if there were any other questions.

Hearing none, Mr. Naglick asked for a motion regarding the Proposed Loan to Grand Circus, LLC (N/K/A Grand Circus Detroit, LLC).

Mr. Hollowell made a motion recommending approval of the Proposed Loan to Grand Circus, LLC (N/K/A Grand Circus Detroit, LLC), as presented. Mr. Naglick supported the motion. Mr. Blaszkievicz abstained.

**ADMINISTRATION**

None.

**OTHER**

None.

**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, seconded by Mr. Blaszkievicz. Mr. Naglick adjourned the meeting at 3:04 p.m.