



**ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
FRIDAY, SEPTEMBER 6, 2019 – 8:30 A.M.**

MEMBERS PRESENT: Linda Forte, Chair
Damon Hodge
Kwaku Osei
Thomas Stallworth

MEMBERS ABSENT: None

OTHERS PRESENT: Pierre Batton (DEGC/EDC)
Charlotte Fisher (DEGC/EDC)
Gregoire Eugene-Louis (DEGC/EDC)
Gay Hilger (DEGC/EDC)
Denise Hundley (DEGC/EDC)
Malinda Jensen (DEGC/EDC)
Jennifer Kanalos (DEGC/EDC)
Glen Long (DEGC/EDC)
Rebecca Navin (DEGC/EDC)
Mariangela Pledl (DEGC/EDC)
Martha Potere (DEGC/EDC)
Brianna Walker (DEGC/EDC)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
FRIDAY, SEPTEMBER 6, 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 meeting of the Finance Committee of the Economic Development Corporation to order at 8:30 a.m.

APPROVAL OF MINUTES

Ms. Forte asked if there were any additions, deletions or corrections to the minutes of the January 15, 2019 Finance Committee meeting. Hearing none, the Committee took the following action:

On a motion by Mr. Stallworth, seconded by Ms. Hodge, the Committee unanimously approved the minutes.

PROJECTS

Streetscape Mitigation Loan Fund Program

Mr. Batton advised that there will be three presentations today for loans from the Streetscape Mitigation Loan Fund Program. Approved by the Board on August 27, 2019, this Program was implemented to support the financial stability of Detroit’s businesses during the streetscape improvement construction projects on key commercial corridors in Detroit’s neighborhoods. The EDC, in coordination with the City of Detroit (the “City”), foundations and other partners, will fund zero-interest loans and technical assistance to qualifying businesses.

Mr. Batton called on Ms. Potere for the first loan presentation.

Jo’s Gallery Café LLC

Ms. Potere summarized the loan as follows:

SUMMARY OF PROPOSED TERMS

Borrower Name: Jo’s Gallery Café LLC

Date: 9/6/2019

Request: \$20,000.00

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: Residential Rental Property - 13925 Roselawn, 48221

Analyst's Rating (1-10): 8.25 - Low Risk

LOAN PRESENTATION

Borrower: Jo's Gallery

Date: September 6, 2019

Analyst/Officer : Martha Potere

LOAN REQUEST

Type: Commercial Business Loan

Amount: \$20,000.00

Repayment Terms: 72 Months - Straight Line Amortization, payments begin Month 13

Rate: 0%

LOAN PURPOSE AND BUSINESS DESCRIPTION/HISTORY

Garnette Archer, second-generation owner of Jo's Gallery, is seeking a \$20,000 commercial business loan from the Economic Development Corporation Streetscape Mitigation Loan Fund to support business expenses throughout the construction. The property's physical location is 19376 Livernois, Detroit, MI 48221. EDC financing will support rent, payroll, working capital and insurance.

Jo's Gallery is an art gallery featuring women artists with a specific focus on African-American art. Garnette Archer is a second-generation owner of the business, which was launched on the Avenue of Fashion in 1996 by her mother. Jo's clientele tends to be 40+ in age, however she actively markets to collectors and home decorators. She is a Re-Store and MCM winner investing, \$50,000 into the facade she shares with her tenant.



SOURCES AND USES

<u>Uses of Funds</u>	<u>Amount</u>
Rent	\$8,000
Working Capital	\$5,000
Payroll	\$5,000
Insurance	\$2,000
<u>Sources of Funds</u>	
EDC Streetscape Mitigation Fund	\$20,000

SOURCE OF REPAYMENT

Primary: Cash Flow from Jo’s Gallery

Secondary: Mortgage on Residential Rental Property at 13925 Roselawn, 48221
 Limited Recourse Personal Guaranty of Garnette Archer (to support mortgage)

COLLATERAL AND CONDITIONS

Business Assets: N/A

Real Estate: Mortgage on Residential Rental Property at 13925 Roselawn, 48221

Conditions: 1.) 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 thanked Ms. Potere for her presentation and called for questions from the Committee.

Mr. Stallworth asked for an explanation of the risk rating. Ms. Potere stated that they look at a number of factors, including business viability, business management model, applicant’s credit, community impact, business historicals, balance sheet (assets and liabilities ratio), collateral, and then staff scores these categories and comes up with a risk rating for each of the applicants based on a scale of 1 to 10, with 10 being the highest rating. Anything above an 8 is low risk.

Mr. Long stated that he would like to make a clarification. This rating is not like what is done with the audits. Risk rating is a misnomer and would be better called an analyst rating.

Ms. Forte asked what is provided to evidence the Use of Funds. Ms. Potere stated that applicants are requested to break out the uses of the loan funds by categories. Certain things, like inventory, are discouraged.

Ms. Forte asked what is meant by working capital. Mr. Batton responded that working capital was an eligible line item, which included things like payroll and other business-related expenses to stay open and operating during the construction.



Ms. Forte stated that when you have a general fund called “working capital,” she felt that it would be difficult to exclude inventory, which is discouraged, and stated it would be helpful if a breakdown of the working capital line item was provided by the applicants.

Mr. Damon asked for an explanation of the repayment terms of the loans. Mr. Batton stated that the terms that were presented to and approved by the EDC Board are: 0% interest, no servicing or closing fees associated with the loans, as well as 24 payments being made starting with month 13 of the loan, with the remainder being forgiven, which usually figures out to be about 60% of the loan. These will be the standard terms of all loans under this Program.

Ms. Forte asked if there is a missed payment during the payment portion of the loan, will that constitute a default and have an impact on the forgivable portion of the loan. Mr. Batton stated that step one would follow the EDC Loan Portfolio Guidelines and we would work that out with the borrower to try to get them back on the repayment cycle. The intention with this loan fund is to try to help these business owners out as much as possible.

Ms. Navin advised that the loan documents will be structured such that there would be a Notice and Cure period for a missed payment. That is not something that we typically do on a loan. We will put a short Notice and Cure period that will not result in an automatic loss of the forgivable loan, but will give us the right, on a case-by-case basis, to take it out of a forgivable loan status. We will make sure that the loan documents include terms that are hard and fast, but they reserve the right to exercise those remedies, which would include the ability to require that the entire loan be repaid over the 60 months.

Ms. Forte asked how staff would be reporting on how the loan portfolio is doing. Mr. Long advised that the EDC Loan Portfolio Report is prepared quarterly and is submitted to Board Administration to forward to the Committee.

Ms. Forte gave kudos to the staff for the rapid response on this.

Mr. Stallworth asked if the funds from the portion of these loans that gets repaid will be available for future loans similar to a revolving loan fund. Ms. Batton said that for the time being, we are still in pilot mode. There is an intention or hope to extend this program to other streetscape improvement areas. Ms. Navin stated that it is important to remember that we are not going to see a repayment for at least 13 months from now and the amounts being repaid are small. The soonest that we would have a measurable amount of money would be three years from now. With respect to the other streetscapes, we are not relying on those funds to fund this. Mr. Batton’s team is actively fundraising with the City to fund the program to expand to other streetscape improvement areas in the city. The funds are restricted for use in this program. The funders have not imposed a restriction on any protocol for the repayment proceeds.

Mr. Stallworth stated that as he understood the criteria for being eligible for these loans, the business owner must demonstrate the loss of income from the interruption the streetscape caused. He doesn’t see any narrative in the materials on what that impact was.



Ms. Potere advised that they do ask for some historicals from the business. The revenues from this year were compared to the same period last year and Jo's Gallery is down \$10,000, or about 24 percent of what she made last year.

Ms. Navin added that this is our trial run with these loans and staff appreciates the Committee's feedback on what it would like to see in these presentations. The team of analysts have a lot of financial information on these businesses, and because these are public meetings, we do not want to include that kind of proprietary information in a public document. Ms. Navin added that the Committee should feel free to ask questions. Going forward, information on the percentage decrease the business has experienced from the same period a year ago will be included.

Mr. Hodge asked what measurables are looked at to qualify for the loan. Mr. Batton responded that first and foremost, staff tries to determine if the streetscape is the reason for the decline in revenue. If a business was taking a hit a year ago and they are in the same position this year, the streetscape may not be the reason for the decline. Secondly, we want to be able to identify if, when times were good, the business owner could afford the terms of the repayment. By looking at the 2018 revenue, we are able to calculate off of that. That has been our due diligence process on the loans we are bring to this Committee.

Ms. Forte asked if there was a motion:

On a motion by Mr. Stallworth, seconded by Mr. Hodge, the Committee unanimously agreed to recommend approval of this loan to the Board.

Mr. Batton stated that Ms. Walker would be presenting the next loan.

JB Food Mart

Ms. Walker reviewed the following terms of the loan:

SUMMARY OF PROPOSED TERMS

Borrower Name:	DAB Family, Inc. d/b/a JB Food Mart
Date:	<u>9/6/2019</u>
Request:	\$20,000.00
Interest 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: Mortgage on Commercial Building - 19910 Livernois

Analyst's Rating (1-10): 7.3 - Moderate Risk

LOAN PRESENTATION

Borrower: DAB Family, Inc. d/b/a JB Food Mart

Date: September 6, 2019

Analyst/Officer : Brianna Walker

LOAN REQUEST

Type: Commercial Business Loan

Amount: \$20,000.00

Repayment

Terms: 72 Months - Straight Line Amortization, payments begin Month 13

Rate: 0%

LOAN PURPOSE AND BUSINESS DESCRIPTION/HISTORY

Debbie Babbie, the owner of JB - Food Mart, a party store that doesn't sell liquor, is seeking a \$20,000 commercial business loan from the Economic Development Corporation Streetscape Mitigation Loan Fund to support business expenses throughout construction. The property's physical location is 19910 Livernois, Detroit, MI 48221. EDC financing will support rent, utilities and payroll expenses, in addition to repairs and maintenance of their coolers.

JB - Food Mart is a party/convenience store that does not sell liquor. Most clients live in the neighborhood and shop at the store due to its convenient location. Ms. Babbie and her husband originally opened the store in 1985. They ran it for some years before selling the business to a third party, though they remained the landlord. When their tenant decided he did not want to renew his lease in 2018, Ms. Babbie and her husband decided to buy the store back and run it themselves.

SOURCES AND USES

<u>Uses of Funds</u>	<u>Amount</u>
Rent	\$5,000
Utilities	\$5,000
Payroll	\$5,000
Repairs/Maintenance	\$5,000



Sources of Funds	
EDC Streetscape Mitigation Fund	\$20,000

SOURCE OF REPAYMENT

Primary: Cash Flow from JB - Food Mart
Secondary: Mortgage on Commercial Building at 19910 Livernois

COLLATERAL AND CONDITIONS

Business Assets: N/A
Real Estate: Mortgage on Commercial Building at 19910 Livernois
Conditions: 1.) 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. Walker reported that JB's is down 13 percent profit from 2018.

Mr. Hodge questioned why there is a rent line item when they own the building. Ms. Walker responded that when they purchased the business back, they own it under a separate entity, so they are making rent payments to the LLC to cover building maintenance, taxes, utilities, insurance, etc. Mr. Hodge stated that it is acceptable from his perspective, but in instances where that is the case, it is important to know that for clarification.

Ms. Forte asked if there was a motion:

On a motion by Mr. Hodge, seconded by Mr. Stallworth, the Committee unanimously agreed to recommend approval of this loan to the Board.

Mr. Batton advised that Mr. Eugene-Louis would be presenting the next loan.

Happy to be Nappy LLC

Mr. Eugene-Louis summarized the loan as follows:

SUMMARY OF PROPOSED TERMS

Borrower Name: Happy to be Nappy LLC

Date: 09/05/2019

Request: \$20,000.00



Rate: 0%

Fee: 0

Repayment: Principal Only

Term: 72 Months - Straight Line Amortization, payments begin Month 13; principal balance forgivable after 24 on-time payments or equivalent

Security: Mortgage on Commercial Property at 18945 Livernois, Detroit, MI 48221

Analyst's Rating (1-10): 7.5 – Moderate Risk

LOAN PRESENTATION

Borrower: Happy to be Nappy LLC

Date: September 5, 2019

Analyst/Officer: Gregoire Eugene-Louis

LOAN REQUEST

Type: Commercial Business Loan

Amount: \$20,000.00

Repayment Terms: 72 Months - Straight Line Amortization, payments begin Month 13

Rate: 0%

LOAN PURPOSE AND BUSINESS DESCRIPTION/HISTORY

Ewanda Ferguson, the owner of Happy to be Nappy, a natural hair salon, is seeking a \$20,000 commercial business loan from the Economic Development Corporation Streetscape Mitigation Loan Fund to support business expenses throughout the construction. The property's physical location is 18945 Livernois, Detroit, MI 48221. EDC financing will support working capital, utilities, and advertising, in addition to interior repairs.

Happy to be Nappy Natural Hair Salon and Afrocentric gift shop is one of the leading natural hair care salons in the United States and is right under your nose in Detroit. Native Detroiter Ewanda Ferguson has been a hair stylist for 30 years and is both the owner and a master celebrity stylist who specializes in 'fros, dreads, twist locks and all kinds of braids; Ewanda and her crew have



styled such celebs as Erika Badu, gospel great Fred Hammond and the Oscar-winning Jennifer Hudson and over two decades of professional athletes. Happy to Be Nappy's waiting room also doubles as bookstore and gift shop packed with all kinds healthy living reading material, hair products for all your Afro up-keep and other natural needs. Snatch up a power-fisted Afro pick.

SOURCES AND USES

Uses of Funds	Amount
Working Capital	\$5,000
Utilities	\$2,000
Insurance	\$3,000
Payroll	\$2,000
Advertising	\$5,000
Repairs/Maintenance	\$3,000
Sources of Funds	
EDC Streetscape Mitigation Fund	\$20,000

SOURCE OF REPAYMENT

Primary: Cash Flow from Happy to be Nappy

Secondary: Mortgage – Commercial Building at 18945 Livernois

COLLATERAL AND CONDITIONS

Business Assets: N/A

Real Estate: Commercial Building at 18945 Livernois

Conditions: Closing contingent upon EDC Board approval

Reporting: Quarterly Profit/ Loss Statement and Balance Sheet prepared by CPA
Annual Business and Personal Financial statement/tax return

Mr. Hodge asked if the \$5,000 for advertising was a typical expenditure for this business. Mr. Batton explained that because the walking traffic is down, business owners have been seeking more direct advertising. Mr. Batton apologized and advised that there was a typo here and the category should read “Advertising/Marketing Assistance.”

Mr. Stallworth stated that he would assume this is an appointment-type of a business versus a walk-in business. Mr. Eugene-Louis responded that she does have both. He explained how the manicure/pedicure business has suffered because people with appointments go there, can't find a parking spot, then decide to go to another area for their manicure/pedicure.



Mr. Hodge advised that he drove through that area this past weekend out of curiosity and had difficulty finding information online about what businesses are located on Livernois. He asked if there is a marketing plan for the area. Mr. Batton responded that DEGC has been working with the City on marketing the greater Livernois area through social media and advertising on Comcast to drive as much traffic that way, as well as partnering with the City on the Detroit SOUP events taking place on a monthly basis.

Mr. Hodge asked if there is a master plan for dealing with the parking situation in all of the streetscape areas. Mr. Batton advised that Livernois is the first area to go through this and many lessons have been learned. Through the DBL program at DEGC, they have been out informing business owners of what is to come. For the parking, specifically, that is something that the DBLs have been helping to identify, working with the City early-on to identify parking needs. For Bagley, we have actually identified a parking lot. In Grand River, private lot owners have stepped up offering their lot for free parking. We are making inroads moving forward with this through the lessons learned on Livernois.

Subsequent to the discussion, Ms. Forte called for a motion:

On a motion by Mr. Stallworth, seconded by Mr. Osei, the Committee unanimously agreed to recommend approval of this loan to the Board.

ADMINISTRATION

Discussion Regarding Schedule of Regular EDC Finance Committee Meetings

Ms. Jensen advised that in anticipation of receiving numerous loan requests, we would like to schedule regular Finance Committee meetings the week before each EDC Regular Board meeting through the end of the year.

The Committee members discussed their availability and Ms. Forte asked that Ms. Hilger follow up with an email with proposed dates.

OTHER MATTERS

PUBLIC COMMENT

ADJOURNMENT

With there being no other business to come before the Committee, Chairperson Forte adjourned the meeting at 9:13 a.m.