



APPROVAL OF MINUTES OF SEPTEMBER 25, 2018 MEETING

RESOLVED, that the minutes of the Regular meeting of September 25, 2018 are hereby approved and all actions taken by the Directors present at such meeting, as set forth in such minutes, are hereby in all respects ratified and approved as actions of the Economic Development Corporation.

October 9, 2018

**ECONOMIC DEVELOPMENT CORPORATION
BOARD OF DIRECTORS REGULAR MEETING
TUESDAY, SEPTEMBER 25, 2018 – 8:30 A.M.**

BOARD MEMBERS PRESENT: Marsha Bruhn
Kimberly Clayson
Damon Hodge
Chris Jackson
Kwaku Osei
Jonathan Quarles

BOARD MEMBERS ABSENT: Linda Forte
Maurice Cox (Ex-Officio)
John Naglick (Ex-Officio)
Matthew Roling
Thomas Stallworth

**SPECIAL DIRECTORS
PRESENT:** None

**SPECIAL DIRECTORS
ABSENT:** None

OTHERS PRESENT: Pierre Batton (DEGC/EDC)
Gay Hilger (DEGC/EDC)
Malinda Jensen (DEGC/EDC)
Paul Kako (DEGC/EDC)
Rebecca Navin (DEGC/EDC)
Mariangela Pledl (DEGC/EDC)
Kelly Shovan (DEGC/EDC)
Rory Walker (DEGC/EDC)



Economic Development Corporation of the City of Detroit

**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION
BOARD OF DIRECTORS REGULAR MEETING
TUESDAY, SEPTEMBER 25, 2018
DETROIT ECONOMIC GROWTH CORPORATION
500 GRISWOLD, SUITE 2200
8:30 A.M.**

CALL TO ORDER

Noting that a quorum was present, Vice Chair Quarles called the Regular meeting of the Economic Development Corporation Board of Directors to order at 8:36 a.m.

Mr. Quarles asked that everyone introduce themselves to the two new Board members, Damon Hodge and Kwaku Osei, and welcomed them to the Board.

GENERAL

Approval of Minutes

Mr. Quarles asked if there were any additions, deletions or corrections to the minutes of the August 7, 2018 Special Board meeting. Hearing none, the Board took the following action:

On a motion by Ms. Bruhn, seconded by Mr. Hodge, Resolution Code EDC 18-09-02-303 was unanimously approved.

Receipt of Treasurer's Report

Ms. Shovan reviewed the Treasurer's Report of Receipts and Disbursements for the months of July and August 2018 and responded to questions. Subsequent to the discussion, the Board took the following action:

On a motion by Ms. Clayson, seconded by Ms. Bruhn, Resolution Codes 18-09-03-230 and 18-09-03-231 were unanimously approved.

PROJECTS

Detroit Galley, LLC – Casino Loan Program – National Retail

Ms. Hundley advised that in March 2018, Pittsburgh-based Galley Group, Inc. ("Galley") announced that it planned to open a food hall in restaurant incubator in a vacant space on the ground floor of the Federal Reserve Building in the city's downtown. Galley launched its first location in 2015 at Pennsylvania's Smallman Galley and Detroit Galley will be its fourth location. Detroit Galley has approached EDC for financial assistance under the

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Casino Loan program designed for National Retail Chains. Financing is being requested to assist in the buildout and purchase of fixtures, furniture and equipment. EDC will partner in financing with Invest Detroit.

Galley, a food hall development, management and advisory company, partners with community leaders and industry veterans to create a collaborative space to showcase up to four innovative food service concepts. Galley creates launch pads for the best new chef-driven restaurant concepts. The concept was driven by an assessment of the industry revealing a lack of business and management experience, significant waste, inability to control cost and the inability to manage front of house and back of house responsibilities. They provide the infrastructure for chefs to bring their concepts to market at low-risk and for low-costs.

Galley derives its revenue from food & beverage sales and event fees. The sales forecast for Detroit Galley projects 35% food, 58% beverage and 7% events. The first full year of operations projects income of 3M. Currently, a November 2018 soft opening date is planned. Detroit Galley will finance and manage the build out of the space, utilities, and the marketing and the Detroit location will be operated by Detroit Galley LLC ("Detroit Galley"), a sole member LLC owned by Galley. Galley's shareholders include Galley Group Holdings, LLC (which is wholly owned by Cornwall Capital Management LP) (61%), Tyler Benson (18%), Benjamin Mantica (18%), and Phoenix Capital Resources (3%).

Please find below sources and uses, terms of loan and debt service analysis:

Sources

Equity	\$1,786,690
Invest Detroit	300,000
Economic Development Corporation	200,000
Landlord Allowance	<u>216,150</u>
Total	\$2,502,840

Uses

Construction Costs	\$1,436,590
Interim Construction Costs	46,250
Professional Fees	125,000
Miscellaneous Costs	75,000
Bar Build Out	<u>820,000</u>
Total	\$2,502,840

Proposed Terms and Conditions:

Loan Amount:	\$200,000
Interest Rate:	6%
Term:	5 years
Amortization:	9 months interest only, thereafter P&I
Security:	Pari-Passu position with Invest Detroit which includes Lien position on all Business Assets, Assignment of Liquor License, Personal Guarantees of Tyler Benson & Benjamin

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Mantica, Corporate Guaranty of Galley Group Inc. & Galley Group Holdings, LLC.

Additional Conditions: Receipt, review and approval of all information requested by EDC staff.
Funding of Invest Detroit Development Loan.
Mirror Invest Detroit covenants regarding minimum debt service, distributions and reporting requirements.

Debt Service Analysis

	Year 1	Year 2
Revenue		
Beverage Sales	\$1,820,700	\$1,857,114
Restaurant Revenue Share	1,092,420	1,114,268
Event Fees	<u>168,750</u>	<u>232,369</u>
Total Income	\$3,081,870	\$3,203,751
COGS	<u>\$616,374</u>	<u>\$640,750</u>
Gross Profit	\$2,465,496	\$2,563,001
Total Operating Expenses	<u>\$1,650,710</u>	<u>\$1,711,562</u>
Net Operating Income	\$814,786	\$851,439
Economic Development Corporation 6%, 5 yr. amortization P&I payment (\$3,866.56)	\$46,398	\$46,398
Invest Detroit 7%, 5 yr. amortization P&I payments (\$5,940.36)	\$41,583	\$41,583
Total Debt Service	\$87,981	\$87,981
Debt Coverage Ratio	9.26	9.67

The EDC Finance Committee has recommended the proposed loan to the EDC Board of Directors and EDC staff now seeks approval of a loan to Detroit Galley consistent with the terms noted above. A resolution was included for the Board's consideration.

Subsequent to a discussion, the Board took the following action:

On a motion by Ms. Clayson, seconded by Ms. Bruhn, Resolution Code EDC 18-09-74-40 was unanimously approved.

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Small Business and Commercial Corridor Revitalization Program: Community Development Block Grant Consultant Services

Ms. Pledl reported that the Economic Development Corporation (EDC) of the City of Detroit currently administers the Motor City Match and Motor City Re-Store programs (the "Programs") to revitalize Detroit's commercial corridors and grow neighborhood business investment using Community Development Block Grant ("CDBG") funds from the City of Detroit pursuant to a subrecipient agreement with the City.

The EDC had previously approved a professional services agreement to provide CDBG consultant services for the Programs and it was determined that it was necessary to re-bid for the CDBG consultant services. On August 20, 2018, the EDC solicited bid proposals for CDBG consultant services for the services described in Exhibit A attached to the memorandum for the small business development and commercial corridor revitalization programs, for a period of one (1) year, with the ability to renew for up to two (2) additional one-year periods. The basis for EDC contract awards were based on federal procurement policies set forth in 24 CFR 85.36.

EDC staff received one (1) proposal to the solicitation and questions from a second company that did not ultimately submit a proposal. Staff has reviewed the proposal from Hennessey Engineers, Inc. ("Hennessey") and recommends Hennessey to provide the Work. Hennessey brings over 40 years of experience and knowledge of municipal federal program management. Highlights include Hennessey's leadership role in managing Wayne County's CDBG program for 34 communities and 5 non-profits. They managed over 200 projects yearly from eligibility to IDIS reporting and administered the program for 50% of the allowed administrative cost while increasing spending by 50%. Hennessey is currently working with the City of Detroit to form the new Office of Grants Management, which involves creating centralized management, monitoring and reporting of all the City's grants to increase transparency and efficiency of spending. Hennessey has provided excellent comprehensive CDBG consultant services for the EDC small business programs.

The EDC staff requests authorization from the Board to enter into a Professional Services Agreement between Firm and EDC in an amount that will not-to-exceed One Hundred Thousand and 00/100 (\$100,000.00).

A resolution was included with the board material for your review and approval.

Subsequent to a discussion, the Board took the following action:

On a motion by Mr. Jackson, seconded by Mr. Osei, Resolution Code EDC 18-09-91-72 was unanimously approved.

Small Business and Commercial Corridor Revitalization Program: Business Planning and Financial Planning Services

Mr. Batton stated that as the Board is aware, the Economic Development Corporation (EDC) of the City of Detroit currently administers programs, including Motor City Match, to revitalize Detroit's commercial corridors and grow neighborhood business investment using Community Development Block Grant funds from the City of Detroit.

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The EDC solicited bid proposals on June 19, 2018, for business planning services as the basis for “Business Plan” awards for Motor City Match and for financial planning services to assist awardees of the “Design” and “Cash” award tracks.

EDC staff received seven (7) proposals to the RFP solicited on June 19, 2018. Respondents included Best Practices Consulting Services, BUILD Institute, Diane Walker, LLC, LifeLine Business Consulting Services, LLC, QT Business Solutions, The PLLUS Group, and Tiva Capital. Staff desires to contract with four (4) business planning service providers and two (2) financial planning service providers. The business planning providers are Best Practices Consulting Services, BUILD Institute, Diane Walker, LLC, and LifeLine Business Consulting Services, LLC. The financial planning service providers are LifeLine Business Consulting Services, LLC and Tiva Capital.

These six (6) providers were both the most qualified and the most responsive; further, these providers will provide Motor City Match awardees with the best choices in business and financial planning education and meet the need of educating more than two hundred fifty (250) entrepreneurs per year on the basics of both developing a business plan and financial planning services.

The EDC staff requested authorization from the Board to enter into Professional Services Agreements, each for a term of one-year, with an option to extend for one-year, for business planning services with the providers, and in the amounts, set forth on **Exhibit A** and for financial advisory services with the providers, and in the amounts, set forth on **Exhibit B**, which were included in the Board material, along with a proposed resolution.

Mr. Jackson stated that these two services are invaluable to the Motor City Match Program.

Mr. Batton explained how the consultants help someone that has a business idea decide if it is a good idea for the area and make a decision sooner whether to move forward with the idea.

Ms. Bruhn asked for an explanation in differences of the cost of the contracts, which range from \$25,200 to \$10,862. Mr. Batton stated that he would get back to the Board with that information.

Ms. Clayson asked if the awardees get to choose the courses that they take. Mr. Batton responded yes. Ms. Clayson requested a copy of the description of the courses offered.

Subsequent to the discussion, the Board took the following action:

On a motion by Mr. Jackson, seconded by Mr. Osei, Resolution Code EDC 18-09-91-73 was unanimously approved.

ADMINISTRATION

Report of Actions Taken Under Delegation of Authority

Ms. Jensen reviewed the August report of actions taken by staff under the Delegation of Authority resolution.

Mr. Jackson asked if the Grow Detroit Young Talent Program would continue next year. Ms. Jensen stated that the program was fairly successful, and they would like to see it continue next year. Ms. Navin added that there were some philanthropic grant funds allocated to the Motor City Match Program that were not used for the intended purpose, and we had to ask the funder for permission to reprogram the funds for this use. So we will have to look to see what source of funds we could use for continuing the program. Mr. Osei questioned what the minimum dollar amount per hour the students receive in the Grow Detroit Young Talent program. Ms. Jensen responded that we will get back to the Board with that information.

OTHER MATTERS

Ms. Jensen informed that Flex-n-Gate will be hosting their ribbon cutting ceremony on October 8 from 1:00 – 2:00 p.m. and extended an invitation to the Board members. We are quite excited that the project is at this point. When we initially started working with Flex-n-Gate, the estimated investment amount was \$95 million. They are up to about \$160 million because they increased the machinery and equipment. It also is great that they have really focused on hiring Detroit residents.

Mr. Jackson questioned how the community benefits ordinance works when a project starts off under the dollar threshold and then the investment increases. Ms. Navin responded that the abatements for Flex-n-Gate were approved prior to the enactment of the CBO. They went through an informal community engagement process that wasn't mandated by the ordinance, had the ordinance been in place. With respect to projects that increase, we need to discuss that with the City and how they are approaching that. Ultimately it is the City that is responsible for interpreting and enforcing the CBO.

PUBLIC COMMENT

ADJOURNMENT

With there being no further business to come before the Board, Mr. Quarles adjourned the meeting at 9:09 a.m.



APPROVAL OF MINUTES OF AUGUST 7, 2018 MEETING

RESOLVED, that the minutes of the Special meeting of August 7, 2018 are hereby approved and all actions taken by the Directors present at such meeting, as set forth in such minutes, are hereby in all respects ratified and approved as actions of the Economic Development Corporation.

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ACCEPTANCE OF TREASURER'S REPORT FOR AUGUST 2018

RESOLVED, that the Treasurer's Report of Receipts and Disbursements for the period ending August 31, 2018, as presented at this meeting, is hereby in all respects accepted as action of the Economic Development Corporation.

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Economic Development Corporation of the City of Detroit **CODE EDC 18-09-03-229**

ACCEPTANCE OF TREASURER'S REPORT FOR JULY 2018

RESOLVED, that the Treasurer's Report of Receipts and Disbursements for the period ending June 30, 2018, as presented at this meeting, is hereby in all respects accepted as action of the Economic Development Corporation.

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CASINO LOAN PROGRAM – NATIONAL RETAIL: DETROIT GALLEY, LLC

WHEREAS, On April 27, 2005, the Detroit City Council passed a resolution allocating \$42,750,000 of funds in the Casino Loan Program to be administered by the EDC for business development initiatives; and

WHEREAS, the EDC was approached by Galley Group, Inc (the "Borrower") for a loan under the Casino Loan program designed for National Retail Chains (the "Loan") for costs associated with the buildout and purchase of fixtures, furniture and equipment for a Detroit Galley location; and

WHEREAS, EDC staff has reviewed the Borrower's financial documentation and proposes the following terms and conditions for the Loan under the Casino Loan Program between the Borrower and the EDC:

- Loan Amount: \$200,000
- Interest Rate: 6%
- Term: 5 years
- Amortization: 9 months interest only, thereafter P&I
- Security: Pari-Passu position with Invest Detroit which includes Lien position on all Business Assets, Assignment of Liquor License, Personal Guarantees of Tyler Benson & Benjamin Mantica, Corporate Guaranty of Galley Group Inc. & Galley Group Holdings, LLC.
- Additional Conditions: Receipt, review and approval of all information requested by EDC staff.
Funding of Invest Detroit Development Loan.
Mirror Invest Detroit covenants regarding minimum debt service, distributions and reporting requirements; and

WHEREAS, EDC staff presented such information to the EDC Finance Committee which recommends the approval of the Loan in accordance with the terms noted above; and

WHEREAS, the EDC Board of Directors has reviewed the terms of the Loan and determined it is consistent with the EDC's goal of administering funds for business development initiatives and is consistent with the EDC's statutory purposes.

NOW, THEREFORE, BE IT, RESOLVED, that the execution of a Loan consistent with the terms provided herein is hereby approved.

BE IT FURTHER RESOLVED, that any two Officers, or any one of the Officers and any one of the Authorized Agents or any two of the EDC's Authorized Agents, shall hereafter have the authority to negotiate and execute the Loan, together with such other terms and conditions that are determined by such Authorized Agents and/or Officers to be customary or appropriate and not inconsistent with this resolution, and to negotiate and execute all other documents, contracts, or papers, and take all actions, necessary or appropriate to implement the provisions and intent of this resolution on behalf of the EDC.

BE IT FINALLY RESOLVED, that all of the acts and transactions of any officer or authorized agent of the EDC, in the name and on behalf of the EDC, relating to matters contemplated by the foregoing resolutions, which acts would have been approved by the foregoing resolutions except that such acts were taken prior to execution of these resolutions, are hereby in all respects confirmed, approved and ratified.

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**SMALL BUSINESS AND COMMERCIAL CORRIDOR REVITALIZATION PROGRAM:
COMMUNITY DEVELOPMENT BLOCK GRANT CONSULTANT SERVICES**

WHEREAS, administers the Motor City Match and Motor City Re-Store programs (the "Programs") to revitalize Detroit's commercial corridors and grow neighborhood business investment using Community Development Block Grant ("CDBG") funds from the City of Detroit pursuant to a subrecipient agreement with the City; and

WHEREAS, the EDC solicited bid proposals on August 20, 2018 for services necessary to advise CDBG program design and to develop CDBG compliance and reporting systems, as further described in the scope of services attached hereto as Exhibit A (the "Work") for a period of one (1) year, with the ability to renew for up to two (2) additional one-year periods; and

WHEREAS, EDC staff received one (1) proposal to the Request for Proposals. Staff has reviewed the proposal and recommends Hennessey Engineers, Inc. (the "Firm") to provide the Work at a not-to-exceed amount of One Hundred Thousand and 00/100 (\$100,000.00) for a period of one (1) year, with the ability to renew for up to two (2) additional one-year periods; and

WHEREAS, the EDC Board of Directors has determined that Staff's recommendation is appropriate and within the best interests of the Program.

NOW THEREFORE BE IT RESOLVED, that the EDC Board of Directors hereby authorizes the negotiation and execution of a professional services contract with the Firm to provide the Work at a not-to-exceed amount of One Hundred Thousand and 00/100 (\$100,000.00) for a period of one (1) year, with the ability to renew for up to two (2) additional one-year periods.

BE IT FURTHER RESOLVED, that any two Officers, or any one of the Officers and any one of the Authorized Agents or any two of the EDC's Authorized Agents shall hereafter have the authority to negotiate and execute all documents, contracts, or other papers and to take such actions as are necessary to implement the provisions and intent of this resolution.

BE IT FINALLY RESOLVED, that all of the acts and transactions of any Officer or Authorized Agent of the EDC, in the name and on behalf of the EDC, relating to matters contemplated by the foregoing resolutions, which acts would have been approved by the foregoing resolutions except that such acts were taken prior to execution of these resolutions, are hereby in all respects confirmed, approved and ratified.

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**SMALL BUSINESS AND COMMERCIAL CORRIDOR REVITALIZATION PROGRAM:
BUSINESS PLANNING AND TECHNICAL ASSISTANCE**

WHEREAS, The Economic Development Corporation of the City of Detroit (“EDC”), has developed small business and commercial corridor revitalization programs, including Motor City Match (the “**Program**”) using Community Development Block Grant funds from the City of Detroit; and

WHEREAS, the EDC solicited bid proposals on June 19, 2018, for business and financial planning services for the Program; and

WHEREAS, based on review of seven (7) responses to the solicitation, staff desires to contract with four (4) business planning service providers and two (2) financial planning service providers; and

WHEREAS, EDC staff requests authorization from the Board to enter into Professional Services Agreements, each for a term of one-year, with an option to extend for one-year, for business planning services with the providers, and in the amounts, set forth on **Exhibit A** and for financial advisory services with the providers, and in the amounts, set forth on **Exhibit B**; and

WHEREAS, the EDC Board of Directors has determined that Staff’s recommendation is appropriate and within the best interests of the Program.

NOW THEREFORE BE IT RESOLVED, that the EDC Board of Directors hereby authorizes the negotiation and execution of Professional Services Agreements, each for a term of one-year, with an option to extend for one-year, for business planning services with the providers, and in the amounts, set forth on **Exhibit A** and for financial advisory services with the providers, and in the amounts, set forth on **Exhibit B**.

BE IT FURTHER RESOLVED, that any two Officers, or any one of the Officers and any one of the Authorized Agents or any two of the EDC’s Authorized Agents shall hereafter have the authority to negotiate and execute all documents, contracts, or other papers and to take such actions as are necessary to implement the provisions and intent of this resolution.

BE IT FINALLY RESOLVED, that all of the acts and transactions of any Officer or Authorized Agent of the EDC, in the name and on behalf of the EDC, relating to matters contemplated by the foregoing resolutions, which acts would have been approved by the foregoing resolutions except that such acts were taken prior to execution of these resolutions, are hereby in all respects confirmed, approved and ratified.

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