



**ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
TUESDAY, MAY 23, 2023 – 8:30 A.M.**

MEMBERS PRESENT: Linda Forte
Damon Hodge
Kwaku Osei

MEMBER ABSENT: Thomas Stallworth

OTHERS PRESENT: Kenyetta Bridges (DEGC/EDC)
Cora Capler (DEGC/EDC)
Kevin Johnson (DEGC/EDC)
Paul Kako (DEGC/EDC)
Jennifer Kanalos (DEGC/EDC)
Glen Long (DEGC/EDC)
Monika McKay-Polly (DEGC/EDC)
Rebecca Navin (DEGC/EDC)
Lexi Shaw (DEGC/EDC)
Sierra Spencer (DEGC/EDC)
JoMeca Thomas (DEGC/EDC)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
TUESDAY, MAY 23, 2023 – 8:30 A.M.
DETROIT ECONOMIC GROWTH CORPORATION
500 GRISWOLD, SUITE 2200, DETROIT, MI 48226**

CALL TO ORDER

Chairperson Forte called the meeting of the Finance Committee of the Economic Development Corporation to order at 8:45 a.m. Roll call was conducted, and a quorum was established.

APPROVAL OF MINUTES

Ms. Forte asked if there were any additions, deletions, or corrections to the minutes of the May 9, 2023 Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Hodge made a motion approving the minutes of the May 9, 2023 Finance Committee meeting, as written. Mr. Osei seconded the motion. All were in favor with none opposed.

The minutes of the May 9, 2023 Finance Committee meeting were approved.

PROJECTS

Proposed Casino Loan to Trumbull Lafayette, LLC

Ms. Shae advised that Trumbull Lafayette, LLC (the “Borrower”), a limited liability company with Michael Gill as the sole member, owns the Pedaler Building located at 747 Trumbull, 1501 and 1515 West Lafayette, Detroit, MI, 48216 (collectively, the “Property”). The Borrower is undertaking the redevelopment of the Property and it is anticipated that approximately 13,000 square feet of the Property will be utilized by various business enterprises. Michigan Pedaler, a Detroit pedal bar and rolling party biking company owned by Michael Gill, will occupy 6,928 square feet of space, Trumbull Brewery Holdings, an affiliate of the Borrower will lease 5,136 SF of the space to operate its micro brewing and distillery business, and the remaining space is a second-floor suite of individual offices available to small businesses to rent. In managing the design of the project, the Borrower has contracted with Newground Architects to be the architect and Rick Stanza with Stanza Group, a Detroit based contractor, will serve as the general contractor.

Built in the 1950s and initially housing the McCormick Plumbing Supply, the Property has seen many tenants in its past including but not limited to Mr. Ren’s Tavern and Cocktail



Lounge, Aqua Vitae Lounge, Sugar Sweet Donuts and many more. Today, the Property is undergoing renewed fervor due to exciting business activities returning to the premises, including the Michigan Pedaler as noted above. The Borrower initially leased space at the Property until it purchased the building for \$1.1 Million in 2019 with a loan from Citizens Bank in the amount of \$997,000. Upon the purchasing and renaming the Property to The Pedaler Building, the Borrower sought to improve the structure of the building through a series of renovations including new windows, new HVAC system, and the creation of a newly renovated second floor to allow for small businesses and individuals to rent.

Michael Gill has led a professional career centered around marketing and public relations. After graduating from the University of Michigan, Mike spent 6 years working at his alma mater, University of Detroit Jesuit High School where he served in both recruitment and fundraising role. He then moved on to work for Maritz Performance Improvement Company where he worked on the Cadillac account focusing on improving customer satisfaction at Cadillac dealers. From this base, he branched out on his own and launched Headlights Public Relations and Marketing eighteen years ago. In 2016, Mike founded the Michigan Pedaler which takes guests on a two hour tour of the city of Detroit on bikes and rolling pedal bars that accommodate up to 15 guests. Initially using the Property primarily as a storage space for its bikes, Michigan Pedaler and its guests will now have the opportunity to interact with the Borrower's newest tenant, Trumbull Brewery Holdings LLC and TBD Operations LLC. Trumbull Brewery Holdings will operate a bar that will serve as the pedal bar's meeting point and its first and last bar on the itinerary creating additional revenue for Michigan Pedaler and more buzz for the Borrower. Additionally, Mike, as a member of Trumbull Brewery Holdings, will provide general business oversight and marketing assistance to the brewery business that will be occupying the Borrower. As the building began its transformation since its purchase in 2019, Trumbull Brewery and Distilling will be the centerpiece business of the Borrower. To improve the appearance of the building, the Property will undergo a facelift that allows for a more welcoming environment. Instead of a brick facade on its lower level, it will become an aesthetically pleasing structure with multiple windows, broad garage-door openings and lots of glass that will draw guests to the corner of Trumbull and Lafayette. Alongside the physical improvements the Borrower has secured a twenty-five-year lease agreement with The Michigan Pedaler Inc, a ten-year lease agreement with its tenant, Trumbull Brewery Holdings LLC and two annual lease agreements with tenants in its office spaces.

The Borrower has approached EDC for financing from the EDC's Casino Loan Program in the amount of \$200,000 (the "Loan"). The Loan will be used to assist in the construction of the planned improvements to the building noted above including but not limited to a new façade for new storefront windows, structural reinforcements, new storefront framing and glass, and fire suppression. The Borrower is also seeking financing from the SBA and other lenders to finance the project. Specifically, the Borrower is seeking financing from Invest Detroit in the amount of \$232,500, Citizen State Bank in the amount of



\$232,500.00, and SBA in the amount of \$465,000.00. To date, the Borrower has also injected \$1,000,000.00 worth of equity. Also, in further support of the proposed projects being undertaken at the Property, in May 2023, the Detroit Economic Growth Corporation approved a loan for a planned tenant at the Property, Trumbull Brewery Holdings LLC, in the amount of \$200,000.00.

Please find for your review: sources and uses, terms of the Loan and a debt service analysis.

Sources and Uses

Sources:

Citizen State Bank	\$232,500.00
Invest Detroit	\$232,500.00
SBA	\$465,000.00
EDC	\$200,000.00
Equity	<u>\$1,000,000.00</u>
Total	\$2,130,000.00

Uses:

Pay Off Existing Loan	\$921,366.00
Equity in Real Estate	\$1,000,000.00
Professional Fees and Other Fees	\$8,634.00
Demolition	\$30,000.00
Masonry	\$50,000.00
Structural Steel and Joints	\$50,000.00
Glass and Glazing	\$30,000.00
Fire Suppression	<u>\$40,000.00</u>
Total	\$2,130,000.00

Terms of Loan:

Borrower:	Trumbull Lafayette LLC
Amount:	\$200,000.00
Interest Rate:	4%
Term:	7 years with a balloon payment.



- Amortization: 12 months interest only, payable through an interest reserve account. Principal and interest payments commence on month 13 and will be amortized for a period of 9 years.
- Guaranty: Corporate Guaranty of The Michigan Pedaler Inc; Personal Guaranty of Michael Gill.
- Security: Life Insurance Policies on personal guarantor. Subordinated mortgage on 3234 E Bradford, Bloomfield Hills, MI pari-passu with the Detroit Economic Growth Corporation.
- Disbursements: An interest reserve account in the amount of \$8,000 will be established with the Loan funds at closing. The remaining principal balance of the Loan will be funded in one or more disbursements. Anticipated funding order is as follows: Equity, Citizen State Bank and Invest Detroit, SBA, EDC.
- Conditions: (i) Satisfactory review and acceptance of standard due diligence items; (ii) Binding commitments for other project loan(s); (iii) Evidence of equity investment for the Project prior to Loan funding; (iv) Execution of mutually acceptable Loan documents; (v) Receipt of a title policy for the mortgaged property satisfactory to the EDC; and (vi) Receipt, review, and approval of any and all information requested by EDC staff.

Debt Service Analysis:
Proforma

	<u>Year 1</u>	<u>Year 2</u>
Base Rent	\$142,272.00	\$155,488.00
Operational Expense Rent	<u>\$118,000.00</u>	<u>\$121,540.00</u>
Potential Gross Income	\$260,272.00	\$277,028.00
Total Operating Expenses	<u>\$48,380.00</u>	<u>\$49,831.00</u>
Cash for Debt Service	\$211,892.00	\$227,196.00



EDC Debt Service	<u>Year 1</u>	<u>Year 2</u>
	\$0.00	\$26,498.28
4%, 7-year amortization Principal & Interest Payment	(\$2,208.19)	
Invest Detroit Debt Service	\$0.00	\$32,385.24
7%, 20-year amortization Principal & Interest Payment	(\$2,698.77)	
Citizen State Bank Debt Service	\$32,385.24	\$32,385.24
7%, 20-year amortization Principal & Interest Payment	(\$2,698.77)	
SBA Debt Service	\$36,020.28	\$36,020.28
6.02%, 25-year amortization Principal & Interest Payment	(\$3,001.69)	
Debt Coverage Ratio	3.09	2.32

The EDC Finance Committee has reviewed the proposed loan and has recommended the approval of a loan based on the terms and conditions contained herein.

A draft resolution has been prepared for your consideration.

Ms. Forte called for questions, hearing none she called for a motion.

Mr. Hodge made a motion approving the Proposed Casino Loan to Trumbull Lafayette, LLC, as presented. Mr. Osei seconded the motion. All were in favor with none opposed.

The Proposed Casino Loan to Trumbull Lafayette, LLC, was approved.



Casino Loan Program: Laughter in the Sun Loan Modification

Ms. Shaw explained that Laughter in the Sun, LLC (“LIS”) is a woman and minority owned Limited Liability Company owned solely by Regina Gaines. LIS operates the business commonly known as House of Pure Vin, a specialty retail wine store located at 1433 Woodward Avenue. The store occupies 2,200 sf of retail space and 745 SF of storage space. House of Pure Vin sells wine and offers such services as wine tastings, wine sampling and an online wine ordering club. In October 2015, the Board of Directors of the Economic Development Corporation of the City of Detroit (“EDC”) approved a loan from the Casino Development Funds in the amount of \$130,000.00 (the “Loan”) to LIS. EDC partnered with Invest Detroit and Detroit Development Fund (together with EDC, the “Lenders”).

Funds were used to assist in the buildout of the space. The collateral for the Loan was a lien on all business assets and personal guaranty of Regina Gaines and two other project partners, Andrea Dunbar and Terry Mullins. The Loan had an initial term of 5 years with a maturity date of November 2018, and the interest rate was 4%. Over the years, the EDC has made a number of modifications to the Loan in order to support the continued success of the business. In 2017, the EDC Board approved a modification that reduced Loan payments. Thereafter, in September 2019 and July 2020, the EDC Board approved a loan restructure which involved a revision of the Loan terms to extend the maturity date by 3 years, the release of the personal guarantees of Andrea Dunbar and Terry Mullins who were exiting the business, and the authorization to accept a \$25,000 paydown to be split among the Lenders, and the deferral of payments on the Loan for four months and extension of the interest only period through December 2020. Although the aforementioned modifications provided relief to LIS, the lingering effects of the Covid-19 pandemic greatly impacted LIS’ ability to sustain and grow its business. Specifically, the operating cashflow of the business was underperforming as density assumptions regarding downtown walk-in traffic had not been realized and consequently negatively impacted operating cashflow.

Notwithstanding these difficulties, LIS has been committed to the successful operation of its business and has been negotiating the extension of the lease and the reconciliation of various disputed charges. Furthermore, in an effort to improve cashflow, LIS had been pursuing a refinance of its existing loans with the Lenders, through Huntington Bank. The process of the refinance opportunity with Huntington Bank was delayed due to the pending lease negotiation but has now paused due to the rise in interest rates, which negates the benefit of consolidating the commitments.

LIS is now current with its lease payments for House of Pure Vin, however it is now having significant banking issues with its primary bank. Since its primary bank was acquired in September 2022, LIS has not had access to its online account or the mobile banking



account. Furthermore, LIS' accounting system, QuickBooks, are also no longer linked to the bank account. As a result, it has caused LIS to be delinquent on its Loan payments along with significant hardship with paying vendors/distributors due to returned payments and overdraft fees. The account has significant overdraft fees and has negatively impacted its payroll and emergency line of credit. LIS has a negative balance and is currently working with the bank to reverse the fees applied to the account. LIS has since acquired a \$50,000 loan from Michigan Women's Forward to assist with becoming current with its rent and outstanding vendor invoices. The term of the loan is 5 year amortization with a rate of 5%, they are taking a subordinated lien on the Borrower's assets behind all of the lenders.

Given the numerous challenges LIS has faced over the years and its responsiveness to EDC requests, EDC and the Lenders find it practical to retroactively defer loan payments from September through June 2023 and resume principal and interest payments in July 2023. EDC staff also finds it practical to extend the maturity date of the Loan from December 2023 to December 2024. The deferred payments will be added to the balloon payment when it comes due upon maturity. The current Loan balance is \$74,707.94. Additionally, the proposed modification request will afford LIS additional time to work with the bank to reconcile its bank account to reflect accurate account balance and for LIS to pay off EDC and the Lenders with a traditional financier.

Mr. Hodge asked what the current performance of the company is. Ms. Shaw responded that LIS has increased its revenue yearly and that 2022 was the company's best year so far. Ms. Shaw added that she understands why questions regarding profitability are being raised but explained that there have been uncontrollable issues faced by the borrower.

Mr. Hodge asked where the borrower stands with her payments and if the next payment would be for September of 2022. Ms. Shaw stated the next payment would be for September of 2022.

Mr. Hodge asked if the borrower had provided insight on how she would manage her expenses and debt. Ms. Shaw explained that the borrower has provided a five-year plan that has been found to be sustainable for the business.

Ms. Forte asked how many individuals are employed by LIS. Ms. Shaw responded she did not have that information but will get that information to the Board.

Ms. Forte called for further questions. Hearing none, she called for a motion.



Mr. Hodge made a motion to approve the Loan Modification for Laughter in the Sun, as presented. Mr. Osei seconded the motion. All were in favor with none opposed.

ADMINISTRATION

None.

OTHER MATTERS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

On a motion by Mr. Hodge, seconded by Mr. Osei, Ms. Forte adjourned the meeting at 8:58 a.m.