



**ECONOMIC DEVELOPMENT CORPORATION  
FINANCE COMMITTEE MEETING  
TUESDAY, JULY 21, 2020 – 9:00 A.M.**

**MEMBERS PRESENT:**

Linda Forte, Chair  
Damon Hodge  
Kwaku Osei

**MEMBERS ABSENT:**

Thomas Stallworth

**OTHERS PRESENT:**

Malinda Jensen (DEGC/EDC)  
Jennifer Kanalos (DEGC/EDC)  
Cora Capler (DEGC/EDC)  
Paul Kako (DEGC/EDC)  
Lexi Mabry (DEGC/EDC)  
Rebecca Navin (DEGC/EDC)  
Denise Hundley (DEGC/EDC)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION  
FINANCE COMMITTEE MEETING  
TUESDAY, JULY 21, 2020  
ZOOM VIRTUAL MEETING – 9:00 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 9:01 a.m.

**APPROVAL OF MINUTES**

Ms. Forte asked if there were any additions, deletions or corrections to the minutes of the June 5, 2020 Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Osei made a motion approving the minutes of the June 5, 2020 Finance Committee meeting, as presented. Mr. Hodge seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Hodge, Mr. Osei and Ms. Forte

Nays: None.

The minutes of the June 5, 2020 Finance Committee meeting were approved.

**PROJECTS**

**Laughter in the Sun, LLC – Casino Loan Program – Loan Restructure**

Ms. Mabry reported that Laughter in the Sun, LLC (“LIS”) is a woman and minority owned Limited Liability Company owned by Regina Gaines, Andrea Dunbar and Terry Mullins. They operate the 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”). The collateral for the Loan was a lien on all business assets and personal guarantees of the business owners. Funds were used to assist in the buildout of the space. The Loan was to mature in November 2018.

LIS contacted the Lenders before loan maturity and advised that insufficient cash flow amongst other problems would not allow for loan payoffs and requested relief from the Lenders. In 2017, the EDC Board approved a modification that reduced loan payments. The Lenders’ payments were reduced to principal and interest payments in the amount of \$1,333.33. LIS also reached out to its landlord, Merchants Row Webward LLC (the “Landlord”) regarding additional assistance. The Landlord provided financial support in the form of a \$75,000.00 subordinated Line of Credit through an affiliated entity, Rose Financial (“Creditor”). All Lenders also extended the maturity



dates to March 2019. Further in 2019, the EDC Board additionally approved a loan restructure which involved amongst other things, the following: 1) a revision of the Loan terms, 2) the release of the 2 partners personal guarantees, 3) a revised subordinated line of credit which included an increase of \$75K, which further allowed a \$25K paydown on the Loan, 4) a revised lease and a revised intercreditor agreement.

In December 2019, in consideration for the EDC receiving a paydown on the outstanding balance of the Loan, the EDC Board approved further modifications to the Loan allowing the Landlord and Creditor to assume a pari-passu position with the EDC. In January 2020, after the EDC Board approved the aforementioned modification, the Landlord approached LIS and the Lenders with the following amended request: 1) the Creditor would escrow \$85,000.00 and disburse it to LIS for a liquor license and for operations on an as needed basis, 2) Creditor and/or Landlord takes a security interest in the additional liquor license acquired, 3) Creditor and Landlord assume a pari-passu position with all Lenders, 4) Each exiting partner of LIS (Andrea Dunbar and Terry Mullins) would pay \$25,000.00 each and this payment would be split between all three Lenders as a paydown on the outstanding balance of the loans, 5) a Second Amendment to the lease will be executed extending the maturity date to November 2022, 6) Landlord discharges the two other partners/guarantors, but Regina Gaines continues to guaranty the lease obligations, 7) Landlord collects principal and interest on outstanding lease balance.

Recently, LIS has been adversely affected by the COVID-19 pandemic and associated “shelter in place” protocols. To mitigate losses, LIS applied for and was awarded \$10,000 in grants through TechTown and the EDC. LIS also received a \$16,000 loan through the Paycheck Protection Program. All of these grant funds LIS received were used for payroll expenses, utilities, inventory and technology costs, and shipping supplies. Although the “shelter in place” order has been lifted, LIS continues to experience a decline in business and revenue and has requested relief in loan payments from all Lenders. EDC and our partner lenders find it practical to defer loan payments for April through July, extend interest only payments from August through December and resume principal and interest payments in January 2021. The current loan balance is \$108,419.31.

Please find below revised loan payment terms and conditions:

1. Minimum principal reduction paydown of \$50k to be split between 3 lenders.
2. Receipt of executed Membership Sale Agreement thereby eliminating partners (Dunbar & Mullins) with no cash-out.
3. Receipt of amended Operating Agreement.
4. Receipt of amended Creditor Line of Credit.
5. Termination of Creditor’s Subordination Agreement.
6. Receipt of executed Landlord lease with maturity date of November 2022.
7. Receipt of revised Intercreditor Agreement with the Lenders, Landlord, and Creditor.
8. UCC Search for LIS.
9. Revision of Loan payments to include a deferral of payments from April through July, interest only payments from August through December. and principal & interest payments to resume in January 2021.



The Landlord and Lenders have supported the LIS journey. We have worked relentlessly to support and maintain the operation of this minority-owned business. The Landlord has and remains a true advocate. They have initiated processes and procedures that will allow for a successful ongoing operation. Some include, but are not limited to: 1) previously providing a \$75K line of credit, 2) the engagement of an accounting firm (J&F Advisors) to analyze all financial reporting, 3) revising the lease, 4) providing ongoing marketing exposure to the entire Rock family of companies, and 5) providing the connection with an IT firm that will integrate a technology improvement plan. Our collective efforts engulf a plan that will ensure a prosperous future for House of Pure Vin.

EDC Staff is asking the EDC Finance Committee to recommend to the EDC Board the above amended loan payment terms and conditions. All EDC loan documentation will be amended accordingly.

Ms. Forte asked if there were any questions.

Mr. Hodge stated that he just wanted to clarify his understanding. EDC will reduce the principal reduction from \$75,000 to \$50,000 and will get a liquor license that will be part of the collateral makeup. Ms. Hundley stated that the lenders will not have a lien on the liquor license. They have been negotiating with the Landlord, Bedrock, to come to an agreement on this and Bedrock will take a lien on the liquor license. The borrower will purchase the liquor license out of the \$85,000 line of credit that Bedrock is providing the borrower, so the landlord will take the lien. Mr. Hodge asked how much Bedrock's exposure is. Ms. Hundley responded approximately \$300,000. Mr. Hodge stated that technically they would be looked at as the primary lender.

Mr. Hodge stated that he just wanted to make sure that he understood correctly that the rent payments are going to include principal and interest. Ms. Hundley responded in the affirmative. Ms. Forte asked what the interest rate will be on the deferred rent. Ms. Hundley answered that she does not know but will get that information and provide it to the Committee.

Mr. Hodge asked for an explanation of what the liquor license will do for the company. Ms. Hundley stated that recently she has turned that space into more of an event space and people can now purchase wine by the bottle only. The license will allow her to sell wine by the glass, which will generate much more revenue. She plans to have kiosks inside the store that are like a vending machine to buy wine by the glass.

With there being no further questions, the Committee took the following action:

Mr. Osei made a motion to recommend the proposed Casino Loan Fund Laughter in the Sun loan modification to the EDC Board of Directors for approval, as presented. Mr. Hodge seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Hodge, Mr. Osei and Ms. Forte

Nays: None.

The Committee recommended approval of the Laughter in the Sun loan modification to the EDC Board of Directors.



### **Proposed Loan: Tabor Way LLC-Casino Loan Program-Non-Affiliated Retail/Restaurant**

Ms. Mabry advised that Tabor Way, LLC, (the “Borrower”) operates the business known as Terri’s Cakes Detroit, an award-winning specialty cake shop that launched its brand in 2014 on designing elaborate cakes for weddings and large-scale events. The business is operated by Garnet Terri Conerway and it currently operates as an advance order, delivery only, home-based operation. The business has gained significant public attention in recent years with demand outpacing current capacity, encouraging the Borrower to expand its business model and seek a commercial space to scale production. In 2018, after operating at home and from shared commercial kitchens for several years, Garnet and her mother Terri Conerway, purchased, with owner equity, a 6,000 SF two-story building to expand the bakery business located at 16311 East Warren, Detroit, MI 48224 (the “Property”). It is anticipated that ownership of the Property will be transferred to a real estate holding company managed by Garnet Conerway (the “Holding Company”). Upon completion, the Borrower, as a tenant, will occupy 3,676 SF on the ground floor of the Property to operate the Terri’s Cakes Detroit business. The Holding Company intends to rent the second story residential unit for additional income.

Garnet Terri Conerway, an African American woman and City of Detroit resident, is the sole owner of the business and will oversee the development, completion, and the day-to-day operations of the business. Garnet previously worked as an analyst in the City Water Department coordinating initiatives and supporting the asset management division. Garnet was able to create relationships within city departments and better understand the city infrastructure that continues to help her as a novice developer. Observing her mother’s baking for over 40 years, Garnet took the opportunity to turn a hobby into a full-fledged income-producing operation. Garnet trained at Avalon Bakery in Detroit and in 2014 formally launched Terri’s Cakes Detroit from her home. For the past six years, Terri’s Cakes has appealed to those young and old by featuring a wide range of freshly baked goods; provide cakes, cupcakes, cookies, and other confections with gluten-free, vegan, and other dietary restrictions considered. Most ingredients are sourced from vetted local suppliers. Garnet will be the lead baker, and will be hiring on a night baker and 5 assistant bakers. Garnet will also be creating a student internship that allows students to receive a scholarship/stipend for their hours worked that is paid directly to the college of the students’ choice upon graduation from high school.

Garnet will further grow the business as she has developed several product lines and sourced new contracts. Garnet will lean on her mother’s experience, which includes having over 35 years’ experience in organizational development, human resources, process improvement, among many other skills, to help transition the company to a brick and mortar retail shop. She has developed and implemented apprenticeship programs funded through the Department of Labor. Garnet has had the opportunity to win a plethora of grants and awards to grow Terri’s Cakes. In 2018, the Borrower received \$75,000 from the Economic Development Corporation of the City of Detroit (“EDC”) Motor City Match program to finance the construction costs for the renovation of the portion of the Property it will occupy. Since construction has been delayed, these grant funds have not been utilized and subject to the Borrower receiving an extension of the grant award, these funds will be the first monies to be used for the project. The Borrower also received a \$4,000 Motor City Match Space award and a \$27,000 Motor City Match Design Award, both of which have been fully utilized. As a consequence of the COVID-19 pandemic, the Borrower was also



awarded an EDC Small Business Relief Grant for \$2,500 and Local Initiatives Support Corporation’s Verizon Small Business Recovery Grant of \$10,000.

In addition to the grants and awards received, and to allow the business to move to a permanent space, Garnet has sought additional forms of financing for the renovation of the Property as well as financing to assist with the operation of the business and purchase of furniture, fixtures, and equipment. With respect to financing and rehab of the Property, this work will be undertaken by the Holding Company. Invest Detroit will provide financing to the Holding Company in the form of a construction loan of \$413,000 and an additional \$597,700 through Invest Detroit’s Strategic Neighborhood Fund Recoverable Grant (“SNF”). SNF is a recoverable grant utilized in 10 micro neighborhoods to build a focused retail strategy. Resources, market data and studies have identified priority sites, i.e., structurally solid building and vacant parcels, to bring buildings back online and raise appraisal values in these areas.

In addition to the SNF grant and Invest Detroit’s Construction Loan being provided to the Holding Company, and to further support the growth and operation of the business, EDC will partner with Invest Detroit Foundation General Fund to provide financing to the Borrower to complete some remaining renovations, as well as purchase fixtures, furniture, and equipment for the space the Borrower will occupy in the Property.

EDC staff seeks to provide the Borrower with financing to support the project and finds this proposal to be supported by the documented and measurable growing sales volume of the Borrower’s business. EDC staff also believes this would be a great opportunity to redevelop and participate in the Strategic Neighborhood Fund Corridor (East Warren/ Cadieux). EDC staff recommends the approval of a loan to Borrower through the Casino Loan Program based on the terms and conditions below.

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

Sources

Invest Detroit Foundation General Fund	\$150,000
Motor City Match	\$75,000
EDC Loan	\$150,000
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TOTAL	\$375,000

Uses

Tenant Improvements	\$150,924
Equipment	\$150,000
Interest/Operating Reserve (12 mos.)	\$38,163
Contingency	\$35,913
TOTAL	\$375,000



Proposed Terms and Conditions:

Borrower: Tabor Way, LLC  
 Loan Amount: \$150,000  
 Interest Rate: 5%  
 Term: 5 years  
 Amortization: Ten-year amortization period  
 Security: Pari Passu Position on All Business Assets. Cross lien/Cross defaulted with the grant provided by SNF to Terri’s Cakes Real Estate ETBF LLC. Personal Guaranties of Garnet Conerway and Terri Conerway, and their respective trusts, if any. A subordinated mortgage on personal property owned by Garnet Conerway, pari-passu with Invest Detroit.

Additional Conditions: Receipt, review and approval of any and all information requested by EDC staff.  
 Terri Conerway shall become a member of the Borrower or the Holding Company prior to closing.

Debt Service Analysis:

Proforma

	<u>2021</u>	<u>2022</u>
Revenue	\$339,199	\$530,002
Costs of Goods Sold	<u>\$101,760</u>	<u>\$159,001</u>
Gross Profit	\$237,439	\$371,002
Total Operating Expenses	<u>\$196,200</u>	<u>\$260,232</u>
Cash for Debt Service	\$49,039	\$110,770
EDC Debt Service	<u>2021</u> \$19,092	<u>2022</u> \$19,092
5%, 10-year amortization Principal & Interest Payment (\$1,591)		
Debt Coverage Ratio	2.57	5.8

EDC staff requested that the Finance Committee recommend this proposal to the EDC Board for approval.

Ms. Forte asked if the borrowers were going to provide personal guaranties. Ms. Mabry answered in the affirmative.



Mr. Hodge asked if the renovations to be done also include renovations to second floor residential space so that we will have a completed building when we are done. Ms. Mabry answered that the second floor will be renovated also. Ms. Navin clarified that the money that the EDC is giving here does not include renovation to the second floor. That money will come out of the SNF and Invest Detroit and will be completed at the same time.

Subsequent to the discussion, the Finance Committee took the following action:

Mr. Hodge made a motion to recommend the proposed loan to Terri's Cakes Detroit to the EDC Board of Directors for approval, as presented. Mr. Osei seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Hodge, Mr. Osei and Ms. Forte

Nays: None.

The Committee recommended approval of the loan to Terri's Cakes Detroit to the EDC Board of Directors.

#### **ADMINISTRATION**

None.

#### **OTHER MATTERS**

None.

#### **PUBLIC COMMENT**

None.

#### **ADJOURNMENT**

With there being no other business to come before the Committee, on a motion by Mr. Hodge, seconded by Mr. Osei, Chairperson Forte adjourned the meeting at 9:20 a.m.