



**ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
TUESDAY, OCTOBER 24, 2023 – 8:30 A.M.**

MEMBERS PRESENT: Thomas Stallworth
Damon Hodge
Kwaku Osei

MEMBER ABSENT: Linda Forte

OTHERS PRESENT: Jennifer Kanalos (DEGC/EDC)
Glen Long (DEGC/EDC)
Rebecca Navin (DEGC/EDC)
Lexi Shaw (DEGC/EDC)
Sierra Spencer (DEGC/EDC)
Kelly Shovan (DEGC/EDC)
Clifford Brown



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
TUESDAY, OCTOBER 24, 2023 – 8:30 A.M.
DETROIT ECONOMIC GROWTH CORPORATION
500 GRISWOLD, SUITE 2200, DETROIT, MI 48226**

CALL TO ORDER

Acting chair Stallworth called the meeting of the Finance Committee of the Economic Development Corporation to order at 8:42 a.m. Roll call was conducted, and a quorum was established.

APPROVAL OF MINUTES

Mr. Stallworth asked if there were any additions, deletions, or corrections to the minutes of the May 23, 2023 Finance Committee meeting. Hearing none, the Committee took the following action:

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

The minutes of the May 23, 2023 Finance Committee meeting were approved.

PROJECTS

Hot Bones Detroit LLC- Casino Loan Program

Ms. Shaw explained that Hot Bones Detroit Limited Liability Company (the “Borrower”) doing business as Hot Bones is an infrared movement studio and a bone broth bar — a hybrid concept that does not yet exist in the country. The studio offers Yoga and Pilates classes in an 85-95°F heated room, achieved by an advanced infrared system that mimics the healing rays of the sun. To complement the fitness component, HOT BONES will feature a bone broth bar in the lobby. The Borrower will rent 2,840 sq ft of space, including an exterior patio, located at 2895 E. Grand Blvd, Detroit, MI 48202 (the “Property”). Lara Richli, a Detroit resident, is the 100% owner of the Borrower and its business. Lucy Baird, a New York City based interior designer, will serve as the interior designer for the project. Build with GG, an all-women construction company located in Detroit, will serve as the general contractor.

The Property, located in the Milwaukee Junction area, is currently being redeveloped into an infrared heated low-impact fitness studio, roughly 1500 sq ft, that will exclusively house a plethora of group mat-based yoga and pilates classes with a maximum capacity of 25



students per class. Additionally, there will be a smaller studio that will allow for private classes, pre/post-natal, and discounted senior citizen classes. All classes will be fully guided and, excluding pre/post-natal and senior citizen classes, will take place in an infrared-heated environment produced by an advanced infrared heating system that will evenly distribute warmth to mimic the healing rays of the sun and energize the body from within. Mats, equipment, and towels will be provided at no cost for each guest to achieve an elevated experience, which no other studio in Detroit currently offers.

The pricing structure will include a drop-in class for \$32.00 and a discounted rate of \$22 for high school/college students and healthcare workers, a new student package of 2 weeks unlimited for \$49.00. Membership will include a Founding Membership of \$145.00 that will provide unlimited classes to the first 100 people who commit to this option. Once this quota has been met, the membership will be called All Access and will increase to \$185.00, offering the same perks as the Founding Membership. Students will also have the option to do a 5 Class Package for \$144.00 and 10 Class Package for \$272.00. Additionally, Hot Bones will dedicate its efforts to making wellness accessible to everyone. After several conversations with Vanguard Community Development, it was determined that a sizable senior citizen population in the exists in the neighborhood. To engage those residents, the Borrower will offer \$5.00 discounted classes for senior citizens.

Hot Bones will also participate in Medicaid's Silver Sneakers Program so that low-income community members may partake in classes. Every quarter, the Borrower will create a BIPOC Scholarship where one person will be selected to receive a free Pilates or Yoga scholarship to become a certified instructor. These are just a few honorable mentions of what Hot Bones intends to give back to its neighborhood.

Prior to launching the opening of the studio, Hot Bones organized three pop-up events with 25 tickets for each event and all sold out. All three events generated media interest from Detroit Free Press and Detroitisit. Lastly, the Borrower will have a robust and ongoing marketing strategy consisting of ongoing newsletters and promotions, social media content, weekly special events, community partnerships, and high-touch personalization outreach to lapsed members. The studio is expected to fully open in the last week of November 2023, with the second and third week of November being a soft opening for friends and family.

To complement the fitness component, Hot Bones will feature a bone broth bar, located in roughly 500 sq ft of space in its lobby. Bone broth will be supplied by the South African, Indian, and American South fusion restaurant Bunny Bunny to develop 100% Michigan-raised, grass-fed, and organic bone broth. The bar will first feature three products: chicken broth, beef broth, and a vegetarian mushroom-miso broth. Premium toppings will include but are not limited to lemongrass, ginger, cayenne, turmeric, and coconut milk for



customization. The bar will emulate a coffee shop build-out that will allow for bone broth to be consumed on site in mugs designed by local makers, sold in disposable to-go cups, and available for take home in quarts. Prices will start at \$9.00 per cup and \$26.00 per quart, with additional costs per topping. The bar will also sell health conscience food products from other Detroit small businesses such as fresh bottles juices, protein power bars, baked goods, and many more. The Borrower is expecting to open the bone broth bar in late January/early February 2024.

In addition to the yoga/pilates classes, Hot Bones will serve as a venue space for rental purposes to generate additional revenue. Rental rates will range from \$90.00 per hour in the private studio and \$140.00 per hour in the main studio.

Lara Richli, Hot Bones Founder and City of Detroit resident, leads the strategy group at the Detroit-based independent creative studio BasedOn where she advises Bedrock, Roxbury Group, Ilitch Family, Ford Land, and others on ways to transform their developments into community destinations. With a strong background in strategy, marketing, and events, Lara will apply the same sophistication of brand building to Hot Bones. She has previously led strategy projects for clients including Blackstone, Thomson Reuters, J.P. Morgan, Johnson & Johnson, Amazon Advertising, Amazon, and Xerox. She has also spearheaded the placemaking practice for a real estate advisory firm in New York, which served agency of record for Brookfield Properties, and worked on projects including Penn District (Vornado), Chicago Board of Trade (CBOT/CME), Pier 70 (Brookfield), 5M (Brookfield), and more. Erica Treais-Holm will serve as the director of movement for Hot Bones, overseeing the operation of the yoga and pilates programs. Erica is an E-RYT 500hr certified yoga instructor who focuses on postural restoration, somatic movements, integrative biomechanics and breathwork. She provides support and education to fellow instructors through her Work Study program and as the Yoga Program Lead at Equinox in Bloomfield Hills. Additionally, she has written a curriculum for Equinox that has been recognized on a global level and is a current Lululemon Ambassador. She has previously taught at The Collective at True North, Citizen Yoga and has a comprehensive understanding of the Detroit yoga market, its shortcomings, and opportunities. In addition, Ping Ho, the owner of the hybrid butcher shop and restaurant Marrow and Marrow Detroit Provisions, wine bar and shop The Royce, and co-owner of the restaurant Mink, will serve as Hot Bones' small business and bone bar consultant.

Hot Bones has hired a team of 10 instructors with 80% being BIPOC and qualified Detroit residents and will consider more instructors as the studio opens. The Borrower will also employ a staff of four studio managers who will oversee the bone broth bar, managing student relations, cleaning, and maintaining the studio. The Borrower will continuously emphasize hiring qualified minority and Detroit residents.



The Borrower has approached EDC for financing from the EDC’s Casino Loan Program (Non-Affiliated Retail/Restaurant category) in the amount of \$100,000.00 (the “Loan”). The Loan will be used to assist in construction and to purchase fixtures, furniture, and equipment to be used at the Property by the business. The Borrower was recently awarded a Motor City Match grant in the amount of \$30,000.00. Additionally, the Borrower has injected \$120,000.00 of equity into the project.

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

Sources

EDC	\$100,000.00
Equity	\$120,000.00
Motor City Match	\$30,000.00
TOTAL	\$250,000.00

Uses

Construction	\$62,760.00
FFE	\$92,833.00
Interest/Operating Reserve (12 mos.)	\$38,163.00
Carrying Costs and Contingency	\$56,244.00
TOTAL	\$250,000.00

Proposed Terms and Conditions:

Loan Amount: \$100,000
Interest Rate: 4.25%
Term: 5 years
Payment Schedule: 12 months interest only, payable through an interest reserve account. Principal and Interest being in month 13 and will be amortized for a period of 6 years, with balloon payment due at maturity.

Security: First Priority lien Position on Borrower’s business assets. Personal Guaranty of Lara Richli, and her respective trusts, if any.

Additional Conditions: Receipt, review and approval of any and all information requested by EDC staff.

Debt Service Analysis:

Proforma



	<u>2024</u>	<u>2025</u>
Yoga Revenue	\$321,169.10	\$458,662.40
Bone Bar Revenue	\$57,572.80	\$80,188.80
Gross Profit	\$378,741.90	\$538,851.20
Yoga Expenses	\$314,479.00	\$338,031.00
Bone Bar Expenses	\$20,705.75	\$21,606.00
Total Operating Expenses	<u>\$335,184.75</u>	<u>\$359,637.00</u>
Cash for Debt Service	\$43,557.15	\$147,661.20
EDC Debt Service	2024 \$0.00	2025 \$18,911.16
4.25%, 6-year amortization (P/I Payment-\$1,575.93)		
Debt Coverage Ratio	0.0	7.8

EDC staff requests that its Finance Committee recommends this proposal to the EDC Board for approval.

Mr. Stallworth called for a motion.

Mr. Osei made a motion approving the Hot Bones Detroit LLC – Casino Loan Program, as presented. Mr. Hodge seconded the motion. All were in favor with none opposed.

the Hot Bones Detroit LLC – Casino Loan Program, was approved.

Mr. Stallworth called for further discussion.

Mr. Osei stated he had a few questions but would like to pose them in the full Board meeting.



Mr. Hodge referenced the revenue breakdown and asked what the utilization for the space would be. Ms. Shaw responded that the business will be open seven (7) days a week and hold a total of four classes a day, hoping to hold more classes as momentum builds.

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.

On May 23rd, 2023, the Economic Development Corporation of the City of Detroit (“EDC”) approved a modification to retroactively defer loan payments from September 2022 through June 2023 and resume principal and interest payments in July 2023. Additionally, 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 \$73,622.98. However, shortly after the modification was approved, the borrower informed EDC staff that it paid off its smaller debts to allow for more revenue to pay its lenders to keep current. The Borrower requested that EDC change the resumption of principal and interest payment from July 2023 to September 2023.



The EDC staff asks its Finance Committee to recommend this minor change in restructuring of the request stated above to the EDC Board for approval.

Mr. Stallworth called for a motion.

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

Mr. Stallworth called for further discussion.

Mr. Hodge asked if the business was current with their payments. Ms. Shaw responded that they are current.

Mr. Hodge clarified he was referring to all of their lenders and not just the EDC. Ms. Shaw explained that there were some discrepancies happening with the Detroit Development Fund that are being worked out, and besides this the business is current.

ADMINISTRATION

None.

OTHER MATTERS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

On a motion by Mr. Osei, seconded by Mr. Hodge, Mr. Stallworth adjourned the meeting at 8:59 a.m.