



**ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
TUESDAY, DECEMBER 17, 2019 – 8:30 A.M.**

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

MEMBERS ABSENT: None

OTHERS PRESENT: Gay Hilger (DEGC/EDC)
Kevin Johnson (DEGC/EDC)
Paul Kako (DEGC/EDC)
Jennifer Kanalos (DEGC/EDC)
Glen Long (DEGC/EDC)
Rebecca Navin (DEGC/EDC)
Mariangela Pledl (DEGC/EDC)
Martha Potere (DEGC/EDC)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
TUESDAY, DECEMBER 17, 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 November 20, 2019 Finance Committee meeting. Hearing none, the Committee took the following action:

On a motion by Mr. Hodge, seconded by Mr. Stallworth, the Committee unanimously approved the November 20, 2019 Finance Committee meeting minutes.

PROJECTS

Streetscape Mitigation Loan Fund Program Loan (Sherwood Forest Art Gallery)

Ms. Potere reported that to support the financial stability of Detroit’s businesses during the streetscape improvement construction projects on key commercial corridors in Detroit’s neighborhoods, Economic Development Corporation of the City of Detroit (“EDC”) in coordination with the City of Detroit (the “City”), foundations and other partners, is implementing a program that will fund zero-interest loans and technical assistance to qualifying businesses. On August 27, 2019, the EDC approved a pilot Streetscape Mitigation Loan Fund Program (the “Program”) for Livernois between Margareta and 8 Mile with an initial \$400,000 loan pool. It is anticipated that as additional funds are raised, the Program will be implemented in other areas impacted by planned streetscape improvement projects. The EDC staff recommended approval of a loan under the Program, as further described below:

**SUMMARY OF PROPOSED TERMS
SHERWOOD FOREST ART GALLERY LLC LOAN REQUEST**

Borrower Name:	Sherwood Forest Art Gallery LLC
Borrower Business Location:	19496 Livernois, Detroit, MI 48221
Date:	12/2/2019
Request:	\$10,000.00 Commercial Business Loan
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: N/A

Analyst’s Rating: 9.4 – Low Risk

Analyst/Officer: Martha Potere

LOAN PURPOSE AND BUSINESS DESCRIPTION/HISTORY

Toney Hughes, the owner of Sherwood Forest Art Gallery, is seeking a \$10,000.00 commercial business loan from the Economic Development Corporation of the City of Detroit Streetscape Mitigation Loan Fund to support business expenses throughout the construction season. The property's physical location is 19496 Livernois, Detroit. EDC financing will support payroll, advertising/marketing, insurance, repairs, accounting/legal, telephone and internet.

Sherwood Forest Art Gallery has been a staple on Livernois for over 12 years. In addition to the large selection of unique and diverse paintings and prints available for sale, the business also offers a host of related and complementary services, including framing, photo restoration, engraving, trophies and awards, etc. Revenue for Sherwood Forest Art Gallery from April through September 2019 is down 2% and net income is up about 26% in comparison to the comparable timeframe in 2018. Although net income for Sherwood Forest Art Gallery has gone up, this is the result of an artists’ show Mr. Hughes hosted in May. During this event, Sherwood Forest Art Gallery made \$23,000 in sales from a special artists' show – an event he sought to recreate in order to offset his lost revenues. However, due to the streetscape construction, many attendees expressed their concerns and frustrations regarding the construction’s disruptive nature and the two subsequent shows that were scheduled were canceled. Without the artists' show, Sherwood Forest Art Gallery’s net income is down 230% - from a net profit of \$8,488 in April through September 2018 to -\$11,649 in 2019 during the comparable period of time.

SOURCES AND USES

Uses of Funds	Amount
Payroll	\$ 4,800
Advertising/Marketing	\$ 1,300
Insurance	\$ 900
Accounting and Legal	\$ 500
Repairs	\$ 1,300
Telephone/Internet	\$ 1,200
Sources of Funds	
EDC Streetscape Mitigation Fund	\$ 10,000

SOURCE OF REPAYMENT

Primary: N/A

Secondary: N/A

COLLATERAL AND CONDITIONS

Business Assets: N/A

Personal Assets: N/A



- Conditions:** Closing contingent upon EDC Board approval. Borrower will be required to engage in technical assistance to improve financial planning, marketing and accounting.
- Reporting:**
- 1.) Quarterly Profit/Loss Statement and Balance Sheet prepared by CPA
 - 2.) Annual Business and Personal Financial statement/tax return

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

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

Casino Loan Program: Laughter In The Sun, LLC – Loan Restructure

Mr. Kako advised 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 EDC Board approved a loan from the Casino Development Funds in the amount of \$130,000.00 to LIS. EDC partnered with Invest Detroit and Detroit Development Fund (together with EDC, the “Lenders”). The collateral was a lien on all business assets and personal guarantees. Funds were used to assist in the buildout of the space. All loans matured November 2018.

LIS contacted the Lenders before loan maturity and advised that insufficient cash flow amongst other problems would not allow for loan payoffs. LIS requested relief from the Lenders. In 2017, the EDC Board approved a modification that reduced loan payments. All Lenders’ payments were reduced to principal and interest payments in the amount of \$1,333.33 per month. LIS also reached out to the its landlord, Merchants Row Webward LLC (the “Landlord”), an affiliate of Bedrock, seeking additional assistance. The Landlord provided financial support in the form of a \$75,000.00 subordinated Line of Credit through Rose Financial LLC (the “Creditor”). All Lenders also extended the maturity dates to March 2019.

Recently, on September 20, 2019, the EDC Board further approved a loan restructure which involved among other things, the following: 1) a revision of the loan terms to extend maturity 3 years, 2) the release of the personal guarantees of 2 partners exiting the business, 3) a revised subordinated line of credit from the Creditor which included an increase of \$75,000, allowing for a \$25,000 paydown on the EDC loan, and 4) a revised lease and a revised intercreditor agreement. Invest Detroit and Detroit Development received the same approvals.

The Landlord and Creditor have now come to LIS and the Lenders requesting that Landlord and Creditor assume a pari-passu position with the Lenders as it relates to the Lenders’ lien on LIS’ collateral. This request does not alter any other terms of the above referenced loan restructure that was recently approved by the EDC Board.



The Landlord and all Lenders have worked relentlessly to support and maintain the operation of this minority-owned business. The Landlord has and remains a true advocate and has initiated processes and procedures that will allow for a successful ongoing operation. Some include, but are not limited to: 1) previously providing a \$75,000 line of credit, 2) increasing the line of credit by \$75,000, thereby allowing a \$25,000 pay down of each Lenders' debt, 3) engaging an accounting firm (J&F Advisors) to analyze all of LIS' financial reporting, 4) revising and extending LIS' lease to November 30, 2022, 5) providing ongoing marketing exposure of LIS' business to Bedrock staff, and 6) providing the connection with an IT firm that will integrate a technology improvement plan for LIS.

EDC Staff is asking the EDC Finance Committee to recommend to the EDC Board of Directors approval that will allow Landlord and Creditor to assume a pari-passu position with EDC as it relates to the Lenders' lien on the collateral and for the maturity date to be adjusted to coincide with the lease expiration (i.e., November 30, 2022).

Mr. Hodge expressed concern that this loan is now back at the table after recently being modified and stated that he is not sure he is happy with EDC's collateral picture. Mr. Kako advised that currently the EDC does share its collateral position with the other lenders, DDF and Invest Detroit, and we are just adding two more to the existing inter-creditor agreement. For the landlord, that would be for past due amounts on the lease, but in terms of the collateral that we have a lien on, it is not going to affect that. There are standstill provisions in the inter-creditor agreement that will protect the EDC.

Ms. Forte asked if there was a change on the creditors' side. Mr. Kako answered that the amount is staying the same, but they are extending the maturity date to coincide at the three-year date with the lease. That is when the Landlord said it is their normal practice and made the recommendation that they have a shared lien position on the collateral.

Mr. Hodge stated that because the money is essentially staying the same and they are just asking overall to be a member of the lien lending group, he supports the request.

Ms. Navin advised that because there was a \$25,000 paydown, the amount that is at risk in this pari-passu (equal) position is reduced by \$25,000 because of the efforts of the creditor.

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

On a motion by Mr. Osei, seconded by Mr. Stallworth, the Committee unanimously recommended approval of the loan restructure to the Board.

ADMINISTRATION

Casino Development Fund – EDC Loan Late Fee Policy

Mr. Long reported that at City Council's request, the City's Auditor General has been conducting an audit of the EDC Casino Development Fund since 2017. On November 6, 2019 staff presented



the final copy of the report relating to the Real Property Gap Fund and a final draft of report relating to the National and Non-Affiliated Retail Fund for the EDC Finance Committee's review and discussion. One finding of the reports was that EDC did not enforce the loan agreements because it did not charge late fees or report payment delinquencies to credit bureaus.

Based on direction given by the Finance Committee, Staff has prepared the below proposed policy on late fees for loans made under loan programs administered by the EDC under the Casino Development Fund. Staff expects to present a proposed policy regarding credit bureau reporting in the first quarter of 2020 when it presents updates to the EDC Credit Policy Manual.

Late Fee Policy

For loans made by the EDC under the Casino Development Fund, late fees on delinquent loan payments shall be charged and collected as follows:

- For any loan payment not received by the 10th business day of the month, EDC staff shall send a written communication to the borrower inquiring about the status of the payment and reminding the borrower about the late fee.
- For any loan payment not received by the last business day of the month, a late fee in the amount of 5% of the unpaid loan installment shall be charged and shall be immediately due and payable.
- A loan shall not be considered to be in default solely due to unpaid late fees.
- Interest shall not accrue on unpaid late fees, unless the loan goes into default, in which event the default interest rate shall be applied against the late fees.
- In the event a loan goes into default and is accelerated, any unpaid late fees shall be immediately due and payable.
- Any unpaid late fees shall be paid no later than the maturity date of the loan.

Staff requested the EDC Finance Committee to recommend the foregoing late fee policy for the EDC loans from the Casino Development Fund to the EDC Board for approval.

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

On a motion by Mr. Stallworth, seconded by Mr. Hodge, the Committee unanimously recommended approval of the policy by the Board.

OTHER MATTERS

PUBLIC COMMENT

ADJOURNMENT

With there being no other business to come before the Committee, on a motion by Mr. Stallworth, seconded by Mr. Hodge, Chairperson Forte adjourned the meeting at 8:49 a.m.