



**ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
MONDAY, NOVEMBER 22, 2021 – 2:00 P.M.**

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

MEMBERS ABSENT: None

OTHERS PRESENT: Gay Hilger (DEGC/EDC)
Malinda Jensen (DEGC/EDC)
Paul Kako (DEGC/EDC)
Jennifer Kanalos (DEGC/EDC)
Glen Long (DEGC/EDC)
Lexi Mabry (DEGC/EDC)
Rebecca Navin (DEGC/EDC)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
MONDAY, NOVEMBER 22, 2021
ZOOM VIRTUAL MEETING – 2:00 P.M.**

CALL TO ORDER

Chairperson Forte called the meeting of the Finance Committee of the Economic Development Corporation to order at 2:00 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 October 18, 2021 Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Stallworth made a motion approving the minutes of the October 18, 2021 Finance Committee meeting, as written. Mr. Osei seconded the motion. All were in favor with none opposed.

The minutes of the October 18, 2021 Finance Committee meeting were approved.

PROJECTS

Proposed EDC Loan Fund Loan Request for LJO LLC d/b/a Slyde

LOAN PURPOSE AND DEVELOPMENT DESCRIPTION

Ms. Shaw reported that LJO LLC doing business as Slyde (the “Borrower”) is a farm-to-table, eco-friendly, fast casual dining experience that provide a new twist on the American classic, the slider. The Borrower is owned and managed by Lawrence and Jennifer Nelson, with 61% ownership, Dana Frost, with 18% ownership, and Anitrah Hurley, with 15% ownership, and two additional partners with 3% ownership are tentatively under contract. The Borrower will lease a building with a total of 3,250 square feet of space at the property located at 7968 Kerchavel, Detroit MI 48216 (the “Property”) located on the border of West Village and Islandview area.

The Property previously housed Detroit Body Garage Gym and is currently being redeveloped into eco-friendly dining experience that promotes world climate change awareness. The Borrower intends to hold 60 seats indoor. Alongside the redevelopment of the building, the patio will receive an upgrade with its outdoor bar that will hold an additional 40 seats. In managing the design and construction of the restaurant, the Borrower has contracted with Smith A+D, a Detroit-based business, to be the architect and, Artisan Contracting Company, a Detroit-based business, to serve as the contractor for the project.

The Borrower’s business will be overseen by the Lawrence Nelson, Owner and CEO, Jennifer Nelson, Restaurant Manager and CFO, and Anitrah Hurley, COO and sister of Lawrence Nelson. Lawrence graduated from Eastern Michigan University in 2004 with a degree in Industrial



Distribution. He also received a Master’s certificate in Business Leadership and Management from Michigan State University and a Master’s certificate in Sales Growth and Conflict Resolution from Cornell University. Antirah Hurley graduated from Michigan State University in 2001 with a degree in Advertising. Anitrah had the pleasure of receiving 5 years’ experience for a full-service advertising agency and managed media budgets from \$5 million to \$20 million national accounts such as La-Z-Boy, BF Goodrich and American Kennel Club. Jennifer Nelson graduated from Central Michigan University in 2003 with a Bachelor of Science in Elementary Education and obtained a Master’s degree in the Art of Teaching from Marygrove College in 2008. She has obtained 12 years of teaching experience, and while Jennifer is off on her summer break, she will be shadowing a part owner of 13 locally owned Jimmy Johns. She will gain experience in management, restaurant system implementation and inventory control. They anticipate creating 12 jobs all with a top priority to hire Detroit residents as well as minorities.

To further support the Project, the Borrower has had the opportunity to win a plethora of grants and awards. In January 2016, the Borrower received \$45,000 from the Economic Development Corporation of the City of Detroit (“EDC”) Motor City Match program to finance various costs for the renovation of the Property, including design services, construction and electrical work, along with permits and legal services. The Borrower has also previously utilized loan funds from the Detroit Development Fund in the amount of \$30,000. The Borrower has collectively injected \$107,000 in equity and its landlord will be providing \$46,000 in tenant improvements prior to Loan funding.

The EDC will partner with ProsperUS, Detroit Development Fund (“DDF”) and Invest Detroit to provide financing to the Borrower to complete the project. The Borrower is seeking a \$200,000 loan from the EDC Non-Affiliated Restaurant/ Retail Loan Fund (the “Loan”) to fund construction costs and/or the purchase of fixtures, furniture, and equipment. EDC staff also believes this will be a great opportunity to continue to further fund the streetscape improvements along the West Village/Islandview area.

EDC staff recommended the approval of the Loan to Borrower through the EDC Loan Fund Program based on the terms and conditions below.

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

Sources

Invest Detroit	\$390,000
EDC Loan	\$200,000
ProsperUS Loan	\$50,000
Detroit Development Fund	\$30,000
Equity	\$106,937
Motor City Match	\$45,000
Landlord Allowance	\$46,000
TOTAL	\$864,737



Uses

Tenant Improvements-	\$471,370
MISC-	
POS, Smallwares, Security, ETC	\$12,600
DTE Upgrades-	\$25,000
Marketing and Working Capital-	\$23,300
Kitchen Equipment-	\$106,843
Furniture and Fixtures-	\$25,000
Liquor License-	\$90,000
Hard Cost Contingency-	\$60,641
Soft Costs Contingency-	\$49,983
TOTAL	\$864,737

Proposed Terms and Conditions:

Borrower: LJO LLC DBA Slyde

Loan Amount: \$200,000

Interest Rate: 4%

Term: 5 years

Amortization: Seven-year amortization period, with a balloon payment in the 5th year. Interest only period for the first 9 months. Principal and Interest payments beginning in month 10.

Security: Second lien position on all business assets, equipment, machinery, fixtures, and furniture of Borrower.. Personal Guaranties of Lawrence Nelson, Jennifer Nelson, Antirah Hurley, and their respective trusts, if any. 3rd position mortgage on primary real estate owned by Lawrence and Jennifer Nelson, subject to necessary consent requirements of existing mortgagee.

Disbursements: The Loan will be funded through multiple disbursements following closing. In the event that Loan funds will be used for costs associated with the purchase of fixtures, furniture, and equipment, disbursement shall be contingent upon EDC’s receipt of invoices evidencing the purchase thereof. Order of disbursements is as follows: first is equity, , thereafter Landlord Allowance ProsperUS loan funds, EDC Loan funds ,and then Invest Detroit loan funds.



Additional Conditions: Receipt, review and approval of any and all information requested by EDC staff. Binding commitments for all undisbursed project loans. Execution of mutually agreeable loan documents. Borrower will provide itemized schedule and use of funds. Issuance of a Loan Policy of Title Insurance at closing.

Debt Service Analysis:

	Proforma	
	<u>1st Year</u>	<u>2nd Year</u>
Total Revenue	\$739,449	\$813,914
Costs of Goods Sold	<u>\$345,181</u>	<u>\$366,010</u>
Gross Profit	\$394,268	\$447,904
Total Operating Expenses	<u>\$263,959</u>	<u>\$321,540</u>
Cash for Debt Service	\$130,309	\$131,563
EDC Debt Service	1 st Year	2 nd Year
	\$14,201.31	\$32,805.12
4%, 7-year amortization Principal & Interest Payment (\$2,733.04)		
Invest Detroit- 3%, 7-year amortization Principal & Interest Payment (\$2,263.90)	\$24,235.45	\$61,838.68
ProsperUS- 7%, 7-year amortization Principal & Interest Payment (\$754.63)	\$4,888.92	\$9,055.56
Detroit Development Fund (\$30k)- Principal & Interest Payment (\$2,322)	\$15,057	\$27,864
	<u>\$58,382.68</u>	<u>\$87,166.34</u>
Debt Coverage Ratio	2.23	0.96

Staff requested the EDC Finance Committee to recommend approval of the proposed loan to the EDC Board of Directors.



Ms. Forte asked if there was a motion to approve this transaction. Mr. Stallworth made a motion, which was supported by Mr. Hodge.

Ms. Forte called for questions/discussion/comments.

Mr. Hodge stated that he had a few questions. With respect to the timeline, when do they expect to open? Ms. Shaw advised that they plan to open in the Fall of 2022.

Mr. Hodge asked about the timing of the funding and if there are any restrictions with respect to the sources of capital, and asked if the funds will be available as needed. Ms. Mabry stated that everything that has been done in terms of sources and uses and the disbursement process has been thoroughly thought through. The project was postponed for so long that they now want to get it done. ProsperUS, one of the partnering lenders, will be funding the project within the next two weeks. They want to start generating revenues as quickly as possible.

Mr. Hodge asked who the landlord is and asked if the collateral of third position lien was on the borrower's residence. Ms. Shaw advised that she wasn't sure who owned the bank building but would find out, and that the primary residence of borrower is the borrower's equity.

Ms. Forte asked if the equity funding that is coming in is slated for any project use. Ms. Shaw advised that in terms of the owner's equity, they initially put a deposit down for equipment through another lender that fell through. They reached out to the supplier, and they have a credit for the amount that they have paid for the equipment. Ms. Forte said that it sounds like it will primarily be used for equipment that is installed. Ms. Shaw stated that is correct.

Mr. Hodge asked if they would have any new restaurant items on the menu. Ms. Shaw said they would have ecofriendly, grass-fed and locally-sourced beef, and also meat alternatives that are thoughtfully made.

Ms. Forte asked if there were any other questions. Hearing none, the Committee took the following action:

Mr. Stallworth made a motion to recommend approval of the Casino Loan to LJO LLC to the EDC Board of Directors. Mr. Hodge seconded the motion. All were in favor with none opposed.

The Committee recommended approval of the Loan to LJO LLC to the Board of Directors.

ADMINISTRATION

None.

OTHER MATTERS

None.



PUBLIC COMMENT

None.

ADJOURNMENT

On a motion by Mr. Hodge, seconded by Mr. Osei, Chairperson Forte adjourned the meeting at 2:13 p.m.