



## CATALYTIC INVESTMENT AWARD

### Award Application

APPLICANT INFORMATION		
Business Name:		Street Address:
Bridgepoint Properties LLC		8315 S. Jackson Road
City:	State:	Zip:
Clarklake	MI	49234
Telephone Number:		Email Address:
517-745-9191 mobile 517-879-4300 desk		akokas@comcast.net
Owner/Manager Full Name:		Date Business was Established:
Yizhuo "Olivia" Liang		July 19, 2016
Number of Full Time Employees:		2015 Gross Revenue:
0, except the owner and her husband		0
Number of Part Time Employees:		2015 Net Profit:
0		0
Sector:		Does your company do any of the following? (Y/N)
<input type="checkbox"/> Distributor <input type="checkbox"/> Farm <input type="checkbox"/> Processor- Large <input type="checkbox"/> Processor - Small <input type="checkbox"/> Producer <input type="checkbox"/> Retailer - Large <input checked="" type="checkbox"/> Retailer - Small <input type="checkbox"/> Restaurant <input type="checkbox"/> Other (specify)		<input checked="" type="checkbox"/> Increase access to healthy food in underserved areas? <input checked="" type="checkbox"/> Source locally-grown or regionally-produced foods? <input checked="" type="checkbox"/> Promote environmental sustainability? <input checked="" type="checkbox"/> Create quality jobs?
		If any of the above answers is "Y", please elaborate:
Is the business minority owned? Yes, Yizhuo "Olivia" Liang is in the minority group of Asian Americans. She emigrated to the US in 2009 from Shanghai, China and became a US citizen in 2015.		SEE ATTACHED

Does your company do any of the following? (Y/N)

- Increase access to healthy food in underserved areas?
- Source locally-grown or regionally-produced foods?
- Promote environmental sustainability?
- Create quality jobs?

If any of the above answers is "Y", please elaborate:

### **What the Company will do**

The yet-to-be-established Peach Market will source locally-grown and regionally-produced foods for its store in downtown Jackson. The downtown is part of a large swath of a food desert where a substantial number of residents are living in poverty without transportation. This market will remedy the problem for 7,500 (mostly poor) residents who live within a five-block radius of the proposed store.

We have received a quotation from Catalyst Partners of Grand Rapids for Energy Modeling for my 7,000 sf building. Catalyst Partners will provide an energy analysis of the building envelope and all its possible improvements. The analysis will also include lighting control schemes, mechanical system operation parameters, and equipment performance (parametric comparison).

The project in downtown Jackson will provide 35 permanent jobs and several part time jobs. It is our intention to draw applicants from the nearby community as much as possible as we partner with Michigan Works to achieve this. Training is to be incorporated into the operations plan, so that those starting at lower-end jobs can move up the ladder. Some training assistance funds are also available from Michigan Works which we intend to access.

## **PLANS FOR THE FUTURE**

### **Plan and Vision for Growth (200 words)**

The plan is to restore and renovate blighted property in Jackson's core downtown and turn it into a small format fresh food market with strong emphasis on produce and the in-store kitchen, providing prepared foods ready for take-out or eat-in. The new food store and 'groceraunt' will capture a long under-served market in downtown Jackson--7,500 residents, many in poverty who are stuck in a food desert and need fresh groceries. Simultaneously, part of the plan is to also attract the 7,500 white collar office workers who populate the downtown's high rise buildings from 9-5 each day. We expect those customers to use Peach Market as a secondary store for foods they run out of during the week.

Downtown Jackson has begun to show life recently, with upscale apartment buildings and trendy restaurants. Though it bustles during the day as office workers take to the streets and jam the eateries, it is rarely used--day or night--by any of the people who actually live downtown. They cannot afford a \$9-\$14 lunch. Our vision is to bring the two worlds together in a congenial and welcoming atmosphere that serves the special needs of all who would be regular customers.

### **What makes your team qualified and capable**

Our credentials are attached. Left unsaid in my biography is a unique perspective on what a food market can be and should be in Jackson. On one hand I know what it's like to be denied access to the food you want. I travel 30 miles each month to reach one of the Asian Markets in Ann Arbor to bring food supplies home for my mother, father and myself. We are all Chinese immigrants and we eat Chinese foods. On the other hand I have been an executive working in downtown Shanghai, one of the most sophisticated cities in the world. It has an indescribable variety of cuisines and food offerings, and I intend to bring a wide variety of tastes to both under-served and well-served population groups.

I have my master's degree in business development and organizational behavior from St. Joseph University in Philadelphia. I will bring these skills to ensure that the company recruits applicants from the neighboring community and provides them proper training and advancement opportunities.

Lately, I have been working part time in my husband's family food operations at both their office center restaurant-food markets, and in their off-site catering operations. My husband has a lifetime of history in food service working in all roles--busboy, dishwasher, cashier, waiter, bartender, cook, kitchen manager, restaurant manager, catering manager and general manager. He will assist me and be on-site every day.

My new company and its future bank financing obligations will be guaranteed by Opus One, the family's food service operation in metropolitan Detroit. Opus One will also take leased space in the building. We want to rehabilitate part of our building so Opus One can put a food court and bar into 45% of the total space. Opus One is an expert in this kind of operation.

While my husband and I have been studying all aspects of running a grocery store for the past year, we know we will still need help from a person with at least 10 years of experience working in a supermarket or fresh format grocery. We hope to use part of the award proceeds from MGFF to pay for this expert for three months prior to any business launch.

**How does your business benefit the community?**

We believe the entire community will welcome the chance to buy something other than lunch in downtown Jackson, because at the moment, that is all there is. Besides fresh meats, groceries, freshly baked breads and produce, our store will also sell sundries that are currently unavailable downtown. These include things like stationery, fresh flowers, cheap umbrellas, seasonal items, greeting cards, dish soap and a few screwdrivers and hammers.

We believe that by providing products and services to divergent population groups, including the substantial elderly poor who live next door, it will help residents and workers alike think of their downtown differently and in a new way--as a place where everyone is invited to become a part.

## PROJECT DESCRIPTION

Please provide a project narrative including:

1. Assessment of market demand.
2. Project details (location, square footage, products sold, etc.).
3. Project status (i.e. site control, status of other sources of funding, etc.).
4. Project objectives, advantages, and challenge.

### Assessment of Market Demand

The Food Marketing Institute reports that the average American household makes 1 ½ to 2 shopping trips per week for food and spends \$104 per week or \$5,408 per year. Sixty-nine percent of household purchases are made at primary stores, like Walmart, Kroger or Meijer, and 31% of household money is spent at secondary stores, like Dollar General, the neighborhood bakery, a hard discounter or a small format fresh food market.

Consumers who live in cities or suburban areas that are economically strong have many choices of primary and secondary stores. Choices are limited in downtown areas, especially when the nearby residents are poor. In Jackson, for example, the persons who live in and around downtown have one Dollar Store, but nothing else, not even a primary store.

Residents who live near or in downtown Jackson are also mostly poor. Half of the households are without automobiles. Approximately 40% live in poverty. Yet despite their challenging lives, residents there must shop for groceries too, even if their expenditures tend to be smaller--\$87 per week instead of \$104, and they make these expenditures using EBT cards instead of credit cards or cash.

There are 7,500 persons (3,662 households) within walking distance of Peach Market—the small format food center that is being proposed. If all 3,662 households spent their weekly food dollar at Peach Market, the store would generate \$318,000 per week or 16.5 million per year. Our projections do not hope for such a number, but the number helps us calculate what we can reasonably expect from the introduction of a fresh food market into an area that has no fresh food choice at all.

We calculate that we will get at least 4% of total expenditures for groceries, a conservative \$13,000 per week of the \$318,000 in total weekly expenditures. With this number, we can then assume that 96% of food purchases by our nearby residents will be made at a supermarket, hard discounter or dollar store. In order to get to a supermarket, those without transportation must either ask a friend or take a bus. Depending upon which bus they take, they can get to Meijer, Kroger, Walmart, Aldi and a local store called Polly's, but each of the bus lines to get to any of the stores start downtown and move out toward the outlying areas where supermarkets are located. The bus station is exactly one block from the front door of Peach Market. So, the question our customers will eventually ask is: *Should I take a bus which leaves every 30 minutes with a 15 ride to the supermarket to buy lunch meat, a head of lettuce and a bag of apples, or should I walk one block to Peach Market for the same.*

Aside from neighborhood household purchases, it should be remembered that our location is also in the center of the downtown business district in Jackson where 5,000 office workers are within three blocks of the store. 2,500 of those white collar workers are located in four tall office buildings, and all of those tall office buildings are within 500 feet of the Peach Market front door.

For that reason, Peach Market projects that it will get some of those customers, too. As mentioned, 69% of grocery purchases are made at a supermarket and 31% at a secondary store. Peach Market will sell fresh meats, good looking produce, freshly baked breads, dairy and other items commonly purchased mid-week as fill-in or quick food items—the basics that cannot be delayed until the next major shopping trip. Being so close, Peach Market can comfortably regard itself as a secondary store for Jackson’s downtown office workers.

If all 5,000 office workers spent their entire secondary purchases at Peach Market (31% of \$104 = \$32), sales would be \$161,200 per week or 8.4 million per year. Our projections, however, expect that just 5% of that total, or \$8,250 per week will be spent at Peach Market.

### **Project Details**

The business site is on Cortland between Mechanic and Francis Streets. With 120 feet of frontage on Cortland and an additional 64 feet on Francis, the L-shaped corner complex totals 7,000 square feet. It faces the corporate headquarters of Consumers Energy to the east and a large public parking lot to the south. It abuts the Otsego Apartments (for the elderly) to the north.

The neglected building complex has been vacant for more than a decade. Its most attractive feature, by far, is its location. In addition to being directly across the street from 1,000 workers at Consumers Energy, it is also less than one block from the Michigan State Office Building (400 employees), the Commonwealth Commerce Center (500 employees) and One Jackson Square (500 employees). Of the total of 5,000 office workers in the core downtown, 2,400 are all within one city block, with the remainder located 1-3 blocks away.

The small format, premium food market with restaurant-style offerings will capitalize on an unmistakable trend for these stores. In addition to a 20% growth rate over the past ten years, the Food Marketing Institute also projects that *“premium/fresh-format grocery stores that focus primarily on fresh and ready-to-eat foods are expected to have the highest growth rate through 2018.”* Smaller format markets emphasize fresh, global and exotic tastes, non-GMO and food sustainability among other trends, such as online ordering, delivery and label transparency. Some of them—Peach Market included—are able to offer beer, wine and liquor served on the premises in addition to selling bottled beer and wine for take-out. Limited seating will also be available in Peach Market (35 seats) especially for those who like to graze in a grocery store as they assemble a meal that is exactly what they want, at a price point they can accept, and with an ability to eat it right then and there.

In addition to groceries, Peach Market will offer products not normally found in a typical supermarket. The market will feature a Fresh Bar where customers can select a meal that is pre-prepared to carry home to their family, or sit at the tables and chairs provided. Peach Market will also have a Starbucks coffee bar and a fresh squeezed juice bar. Peach Market will sell hand dipped ice cream and single-serve gourmet

desserts. The market will also offer two styles of pizza depending upon the time of day, with both styles baked in a wood fired oven in front of customers. The wood fired oven will also be utilized to bake crusty artisan breads that are offered fresh daily. Finally, as has been occurring in other fresh format markets in Michigan (metro Detroit), Peach Market will offer open bottled and draft beer, wine and cocktails to drink on the premises.

Peach Market will offer a wide array of products and services and fill a significant market void. It will cater its products to the broadest base of customers—young, old, wealthy, middle income, poor, white, black, Hispanic, office workers and neighborhood residents.

### **Project Status**

Bridgepoint Properties, which is the holding company of Peach Market is seeking either an \$800,000 loan for a total capitalized project cost of 1.1 million, or a 1.2 million-dollar loan on a 1.6 million-dollar project. The difference in project costs is whether the bank we work with sees our loan as a real estate loan with an operating business, or a business loan that has a real estate component. In the latter, the bank may want to leave undeveloped 40% of leasehold improvements which are not necessary to getting the food market up and running. In the former, the bank may prefer that we build out the remaining space to lease it for additional income. The tenant has already been secured through an agreement in principle. We are comfortable either way. Mainly we want to get the food market serving downtown Jackson.

The loans will most likely be contingent upon a couple of grants, namely a \$30,000 grant from the City of Jackson Downtown Development Authority and a \$130,000 - \$200,000 grant from the Michigan Economic Development Corporation (MEDC). The size of the MEDC grant is dependent upon which loan we finally get--\$800,000 or \$1,200,000.

The \$30,000 DDA grant has already been awarded to us. In addition, the City of Jackson, at our request, designated our property as an OPRA zone, which means we can have property taxes frozen on the property for the next twelve years. Today, property taxes on the 7,000 square foot building are only \$2,000 per year. If the taxes were not frozen, the \$2,000 per year would jump to about \$35,000 per year.

The MEDC grant is still in the discussion stage. We cannot make a formal application to the MEDC for a grant unless we have a bank's offer sheet—final or preliminary. Despite that, we have already met three times with representatives of the MEDC about our project and it looks good. The representatives have also met separately with the Jackson city manager about our project. During our last meeting with the MEDC (at our building site), both representatives told us in no uncertain terms: "this is exactly the kind of project the MEDC likes to fund." The reasons are many, but three primary reasons are because it has a considerable amount of local community support, it's eliminating blight from a high profile area of the downtown, and because it is addressing an area of commerce for an under-served community.

We got a bank's preliminary offer sheet in June 2016 from a tiny bank in Jackson County called OSB Community Bank which has one main office and one small branch office. However, the bank withdrew its offer sheet in August (in an emergency meeting with us) because it said two of its other SBA 7A loans went into default in July which was forcing the bank to buy back the defaulted loans from the secondary market where they had been previously sold. On top of that, the bank said both 7A loans were in food-related businesses so, in light of the circumstances, its board of directors was uncomfortable taking on another.

Despite the withdrawal by OSB, we learned a lot from the small bank about what banks want to see in a loan package. That is why the prospect of a \$75,000 grant from the Michigan Good Food Fund has come at a most opportune moment. Many of the banks we are speaking with have been a bit gun-shy by our “lack of liquidity” in this project. Yesterday afternoon (September 29) we had a meeting with one of the bankers and told him about the possibility of a \$75,000 award. His bank is considering the larger 1.2 million loan. He said an additional \$75,000 would be a big help if it could be used with guaranteeing some interest cost payments over the first year and beyond. We have approached four different lending institutions on an initial basis, and we hope to make a presentation to the Michigan Good Food Fund for a loan, too.

At present, we have invested \$145,775 into project costs. I own the building outright. I have also made additional investments in leasehold improvements and in a liquor license. The leasehold improvements include asbestos removal and lead-based paint removal from the building exterior. My cash reserves have become limited after all these investments, but I still have good-to-excellent credit and low utilization on my credit cards. Included in available credit is \$25,000 from Home Depot and Lowes, plus another \$50,000 on VISA/MC cards.

### **Project Objectives, Advantages, Challenge**

In three words, the objective of this project is to *feed downtown Jackson* but also to capitalize on other opportunities that we have. These include government grants to help us build equity, owning a building that happens to be in a prime location for a food market, having a chance to serve both residential and commuter customers, being a solution for food where no other food market presently exists. This project also enables us to serve our community by restoring a blighted building and contributing to downtown growth. On a personal level, it is a chance to provide me with full time employment and income. This is important because I am an immigrant woman with jobs skills that do not easily transfer to the US market. A job is most necessary because my husband is sixteen years my senior, and he will need to retire in about five years limiting us to his Social Security income. Besides taking care of myself and my husband, I will also be the sole means of support for my parents who have emigrated and live with my husband and me.

I am grateful for many advantages in trying to get the food market built. These include two supportive family groups—my own parents who are willing to help inside the market as needed, and my husband’s family which has been in the food service business for 100 years and can help in hundreds of ways. I am also grateful to the City of Jackson which has been encouraging and helpful in project development, and for the many resources I have accessed along the way, including the MEDC, the MGFF, the SBDC, SCORE, plus private contractors who have given much time. These are all advantages.

My biggest challenge—at least at the moment—is finding the right bank for this project. As a start-up enterprise we present a challenge for banks because start-ups are always a challenge. If we were wealthy, which we are not, it might be easier.

### **Proposed Use of the Award**

The proposed use of this award deserves some discussion. First, if a bank is almost (but not quite) ready to lend except for seeing a little more liquidity or a guarantee on the loan for the first twelve months, this \$75,000 could solve that issue and we would be on our way. If liquidity or reserves are not a problem, then this award could be used for several things leading up to final lending, including a Phase I environment report (Phase II is unlikely to be needed) and approximately \$10,000 in 3<sup>rd</sup> party fees and closing costs. It could also be used to pay for the detailed drawings still undone by the architect and

engineer and/or to assist with improvements to the building that are in a dangerous state. Finally, part of the cost could be used to hire our future grocery manager on a consulting basis at least until the market gets closer to opening. We would try to find a grocery manager who holds another position at another store and is looking for an opportunity to take on a new challenge. We would then utilize his expertise on weekends and evenings. In addition to helping my husband and I become fully engaged in the grocery business, spending time with this person may help us determine if he or she is the right candidate for a long term relationship.

<b>SOURCES &amp; USES OF FUNDS</b>			
<b>Sources</b>	<b>Amount (\$)</b>	<b>Uses</b>	<b>Amount (\$)</b>
*Loans see narrative for different numbers	\$800,000	Market Assessment	N/A
Cash on hand	\$20,000	**Pre-development	\$48,775
Other Sources (please list) **Developer's investment	\$145,775	**Real Estate Acquisition	\$97,000
Uncommitted MEDC Grant	\$132,029	Construction Costs	\$440,977
Committed Grant Jackson DDA	\$15,000	Equipment Purchase	\$170,395
		Contingency/Reserves**	\$99,555
		***Other (please list)	\$201,143
<b>Total Sources:</b>	<b>\$1,112,804</b>	<b>Total Uses:</b>	<b>\$1,057,845</b>

\*This amount would be borrowed if we pursue the smaller of the two developments discussed in this application.

If we pursue the larger project and renovate the space adjacent to the food market for purposes of rental income, it would cost approximately \$400,000 more than the smaller project alone. If the larger project is pursued, the MEDC grant would increase by almost \$100,000, the DDA grant would double in size, but the our investment would stay the same--\$145,775. Construction, equipment, inventories and contingencies/ reserves would increase proportionally.

\*\*Our investment consists of all costs of real estate acquisition and pre-development costs. Real estate acquisition includes the full sale price of the building plus the liquor license.

Pre development costs include: cleaning out the building and demolishing a few walls, removing asbestos, and removing lead-based paint from the exterior to determine the viability of restoring the brick. These costs also paid for an architect to determine the building's structural integrity and to provide various layout options that would be possible.

\*\*\*Other costs include food and beverage inventories, pre-opening and start-up operating expenses, other professional fees and one-year expense on an interest-only loan.



### **Mini Biographies (excerpted from Business Plan)**

The owner and her husband will be the most important employees of the business. Olivia Liang and Andrew Kokas both bring complementary management experience to each other and to the enterprises. They will be active in the businesses in various roles. Ms. Liang, who has her Master's Degree in business development and organizational behavior from St. Joseph University in Philadelphia, has been a business development consultant and employee of several American and British-based multi-national corporations in Shanghai. Some of these companies helped train her, while others used her expertise to open branch offices and manufacturing facilities in her native China. Her most relevant background for Peach Market is her experience in starting new businesses from the ground up. This includes human resource recruitment and training, public relations (particularly with local government officials) and contract negotiations with key suppliers. However, Ms. Liang also has food service experience having worked both for her family's restaurant operations in Toledo, and working the last two years in her husband's family restaurant operations in Ann Arbor and Detroit.

Andrew Kokas has focused the majority of his career in the media. A University of Michigan graduate and national Emmy Award winning writer, he has been a White House correspondent, a TV reporter and anchor for local and national broadcasts. He has also served as a TV producer, director and executive producer for several different broadcast companies, including two production companies he has owned. Part of his relevant experience for Peach Market is as the owner of Hill House Productions, which develops marketing plans, websites, TV and Radio commercials, collateral materials and promotions for small businesses in Jackson County (and elsewhere). This experience will be useful in executing the marketing and advertising plans of Peach Market. Beyond the media, however, Mr. Kokas has his most relevant experience from his direct work in food service operations dating as far back as his teenage years. He has been a busboy, dishwasher, waiter, bartender, line cook, prep cook, maître d, restaurant manager, and catering manager, all while working in his family's food service enterprises dating back 100 years. Mr. Kokas is currently a minority shareholder (10%) of two different catering companies based in metropolitan Detroit which are both managed by his brother, James Kokas.