



**ECONOMIC DEVELOPMENT CORPORATION  
BOARD OF DIRECTORS SPECIAL MEETING  
MONDAY, MAY 18, 2020 – 9:00 A.M.**

**BOARD MEMBERS PRESENT:** Clifford Brown  
Marsha Bruhn  
Kimberly Clayson  
Damon Hodge  
Chris Jackson  
Kwaku Osei  
Jonathan Quarles  
Thomas Stallworth

**BOARD MEMBERS ABSENT:** Linda Forte  
Arthur Jemison (Ex-Officio)  
John Naglick (Ex-Officio)

**SPECIAL DIRECTORS  
PRESENT:** None

**SPECIAL DIRECTORS  
ABSENT:** None

**OTHERS PRESENT:** Kenyetta Bridges (DEGC/EDC)  
Cora Capler (DEGC/EDC)  
Catherine Frazier (DEGC/EDC)  
Myles Hamby (The Platform)  
Gay Hilger (DEGC/EDC)  
Denise Hundley (DEGC/EDC)  
Paul Kako (DEGC/EDC)  
Malinda Jensen (DEGC/EDC)  
Kevin Johnson (DEGC/EDC)  
Jennifer Kanalos (DEGC/EDC)  
Glen Long (DEGC/EDC)  
Alexis Mabry (DEGC/EDC)  
Rebecca Navin (DEGC/EDC)  
Kelly Shovan (DEGC/EDC)  
Allen Weiss (The Platform and Capital Market)  
Ed Wizner (The Platform)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION  
BOARD OF DIRECTORS SPECIAL MEETING  
MONDAY, MAY 18, 2020  
HELD VIA ZOOM VIRTUAL MEETING  
9:00 A.M.**

**GENERAL**

**Call to Order**

Vice Chairperson Quarles called the meeting of the Economic Development Corporation Board of Directors to order at 9:07 a.m. Roll call was conducted, and a quorum was established.

**Approval of Minutes**

Mr. Quarles asked if there were any additions, deletions or corrections to the minutes of the May 11, 2020 Special Board meeting. Hearing none, the Board took the following action:

Mr. Brown made a motion approving the minutes of the May 11, 2020 Special Board meeting, as presented. Mr. Stallworth seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Brown, Ms. Bruhn, Ms. Clayson, Mr. Hodge, Mr. Jackson, Mr. Osei, Mr. Quarles and Mr. Stallworth.

Nays: None.

EDC Resolution Code 20-05-02-331 was approved.

**PROJECTS**

**Proposed EDC Development Gap Financing Loan Request for Queen Lillian II LLC**

Ms. Frazier advised that Queen Lillian II, LLC, (the "Developer") is a Detroit-based development team formed in 2018 comprised of Chris Jackson, James Jenkins, and The Platform. The Developer is seeking to redevelop the site of 3439-3455 Woodward and 13 Stimson into a mixed-use commercial development. To facilitate the development, the Developer is seeking a \$2.2MM loan from the Economic Development Corporation of the City of Detroit ("EDC") Economic Development Gap Financing Loan Fund (the "EDC Loan"). The loan request is a result of the reduction of the Michigan Strategic Fund ("MSF") 2019-2020 annual budget, which has reduced the amount of Community Revitalization Program funding dollars available to development projects statewide and resulted in a smaller than expected loan from MSF. The MSF has asked EDC to service Developer's loan from MSF as well.

The EDC Loan will support a \$59 million mixed-use, new construction development of a 188,000 square foot, five-story, mixed-use building with 204 apartment units, approximately 24,000 square feet of ground-floor retail, and 84 on-site surface parking spaces on a currently vacant site. Of the 204 units, 20% will be affordable at 80% of the area median income, consisting of 35 studios and 5 one-bedroom units. The affordable unit rental rates are inclusive of utilities. Approximately 1,000 SF of retail space will be reserved along Stimson as "entrepreneur space" for an up-and-coming



company, offering below-market rental rates. In addition, the development team is committed to reaching out to Detroit-based and minority owned businesses who are looking for brick and mortar locations.

The Developer has assembled a project team of Detroit-based talent including Sachse Construction as the general contractor, Hamilton Anderson Associates as the architect and interior designer (MBE), Skidmore Studio as the branding and marketing consultant, Center City Properties as the property management company, and Honigman as the tax incentive consultant. The Developer also plans to engage local artists to provide artwork for the project.

This development fills an important gap along Woodward between other thriving mixed-use developments in the heart of Detroit's Midtown neighborhood. The retail and food options at the Queen Lillian II project will increase the density of people living in Midtown as well as increasing the amenity offerings for the surrounding neighborhood. It is projected to create a total of 52 FTEs (50 in retail, 2 in building operations) and anticipated 300 construction jobs.

Please find below the proposed terms of the EDC Loan, sources and uses, and debt service analysis:

<b>Borrower Name:</b>	Queen Lillian II LLC
<b>Borrower Location:</b>	3011 West Grand Blvd., Suite 2300, Detroit MI 48202
<b>Request:</b>	\$2,200,000
<b>Rate:</b>	3%

**Fee:** 1% of the award amount due at closing. Additional fees to be applied and paid throughout the term of the loan for servicing the MSF loan.

**Term:** 36 months with two 12-month extensions conditioned upon a corresponding extension of the senior loan and MSF loan. EDC shall have the option to extend the maturity date by an additional 5 years without seeking further EDC Board approval; provided, however, that (i) the EDC Loan is not then in default and (ii) each of the senior lender and MSF extend the maturity date of their respective loans by 5 years without any increase to the then outstanding principal balance, the interest rate, amortization, and/or any material adverse modification to other substantive terms.

**Repayment:** Monthly interest only payments for 36 months (or to match the MSF loan, not to exceed 36 months), followed by monthly P & I payments until maturity. Principal due at maturity. Repayment of the EDC Loan shall be subordinated to repayment of the senior loan upon terms and conditions reasonably acceptable to the EDC staff.

**Amortization:** Interest only for 36 months, followed by principal and interest payments based on a 30-year amortization of the original amount of the EDC Loan.

**Security:** Subordinated Lien position on all business assets, Assignment of Leases and Rents, Subordinated Mortgage on the property, security interest in Tax Increment Financing



Reimbursements. EDC's security interest will be subordinated to that of the senior lender, and pari passu with MSF.

**Guaranty:** Corporate Guaranty of Platform Neighborhood Investment Fund 1 LP, in which EDC will be subordinated to senior lender and pari passu with MSF. In addition, EDC will have a springing guaranty from Southern Realty Group Inc ("SRG") to be effective upon Corporate Guarantor's failure to satisfy certain financial covenants including, but not limited to, maintaining a minimum liquidity of \$3.5 million and a specified minimum net worth value throughout the term of the Loan. With respect to the Corporate Guarantor, liquidity will include irrevocable, capital commitments from the Corporate Guarantor's partners. Further, if the springing guaranty from SRG becomes effective, the minimum liquidity requirement applicable to SRG will be \$2.2 million.

**Eligible Uses:** Demolition, New construction, site improvements, additional machinery, equipment or fixtures for the project, architectural and engineering or similar fees.

**Disbursement:** Owner equity contributions are first, followed by a pro rata split between MSF and EDC loan funds, followed by senior lender. The EDC loan will be funded through multiple disbursements following closing.

**Conditions:** Satisfactory review and acceptance of standard due diligence items. Binding commitments for all project loans. Execution of mutually agreeable loan documents. Borrower will provide itemized schedule and use of funds. Approval by City of Detroit Housing and Revitalization Department Director of EDC loan.

## SOURCES AND USES

### Sources

Senior Lender	\$41,165,000	70%
MEDC - CRP	\$5,300,000	9%
EDC - Economic Development Gap Financing	\$2,200,000	4%
Owner Equity	\$10,340,956	18%
<b>Total Sources</b>	<b>\$59,005,956</b>	<b>100%</b>

### Use of Funds

<b>Land Acquisition</b>	\$300,000	0.5%
<b>Hard Costs</b>		
Site Improvements (ROW, landscaping, fencing, site lighting, drainage, utilities)	\$2,451,648	4.2%
Structures	\$35,912,458	60.9%
Builder Overhead/Profit/General Requirements / Temp Facilities	\$3,617,229	6.1%
Permits/Tap Fees/Bond/Cost Certification	\$454,404	0.8%



Construction Contingency	\$4,011,369	6.8%
Furniture & Fixtures	\$327,000	0.6%
<b>Subtotal Hard Costs</b>	<b>\$46,774,108</b>	<b>79.3%</b>
<b>Soft Costs</b>		
Architectural & Engineering	\$2,617,140	4.4%
Environmental Studies/Soil Testing	\$78,089	0.1%
Other Professional, Security, and Related Fees	\$678,757	1.2%
Loan Fees	\$1,047,461	1.8%
Construction Interest, Taxes, and Insurance	\$2,889,599	4.9%
Title Work	\$55,000	0.1%
Operating Reserve, Administrative, Marketing & Leasing	\$1,146,526	1.9%
Developer Fee	\$2,259,811	3.8%
Project Management, Consulting, Related Party Fees	\$577,888	1.0%
Soft Cost Contingency	\$581,578	1.0%
<b>Subtotal Soft Costs</b>	<b>\$11,931,847</b>	<b>20.2%</b>
<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$59,005,956</b>	<b>100%</b>

**Debt Service Analysis**

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Gross Income	\$ 5,190,824	\$ 5,261,253	\$ 5,364,287
Vacancy Loss	\$ (283,464)	\$ (289,134)	\$ (294,916)
Effective Income	\$ 4,907,359	\$ 4,972,119	\$ 5,069,370
Total Expenses	\$ (1,140,947)	\$ (1,179,532)	\$ (1,219,379)
<b>Unleveraged Cash Flow</b>	<b>\$ 3,766,412</b>	<b>\$ 3,792,587</b>	<b>\$ 3,849,991</b>
<b>Debt Service</b>			
CIBC (5%, 5 year, 30 year AMT)	\$ (2,651,791)	\$ (2,651,791)	\$ (2,651,791)
EDC (3%, 10 year, 30 year AMT)	\$ (116,363)	\$ (116,363)	\$ (116,363)
CRP (3%, 10 year, 30 year AMT)	\$ (268,140)	\$ (268,140)	\$ (268,140)
<b>Leveraged Cash Flow</b>	<b>\$ 763,796</b>	<b>\$ 790,645</b>	<b>\$ 848,736</b>

<b>Debt Service Coverage Ratio</b>	1.25	1.26	1.28
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The EDC Finance Committee has recommended the approval of the proposed loan to the EDC Board of Directors and EDC staff now seeks approval of a loan to Developer consistent with the terms noted above. Attached is a project summary and a resolution for the Board's consideration.



Ms. Frazier responded to questions from the Board.

Subsequent to the discussion, Mr. Quarles called for a motion

Mr. Brown made a motion approving the Queen Lillian II, LLC project as presented. Ms. Clayson seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Brown, Ms. Bruhn, Ms. Clayson, Mr. Hodge, Mr. Osei, Mr. Quarles and Mr. Stallworth.

Nays: None.

Abstentions: Mr. Jackson

EDC Resolution Code 20-05-84-08 was approved.

### **ADMINISTRATION**

None.

### **OTHER MATTERS**

None.

### **PUBLIC COMMENT**

Mr. Jackson thanked the Board and the project team for supporting his project.

Ms. Bruhn also acknowledged the project team and stated that she watched the City Council Planning and Economic Development Committee meeting and was really pleased that COTS would be providing more affordable housing in the immediate vicinity of the project site.

### **ADJOURNMENT**

On a motion by Ms. Bruhn, seconded by Mr. Brown, Mr. Quarles adjourned the meeting at 9:18 a.m.



**CODE EDC 20-05-02-331**

**APPROVAL OF MINUTES OF MAY 11, 2020 SPECIAL MEETING**

**RESOLVED**, that the minutes of the special meeting of May 11, 2020 are hereby approved, and all actions taken by the Directors present at such meeting, as set forth in such minutes, are hereby in all respects ratified and approved as actions of the Economic Development Corporation.

May 18, 2020



**CODE EDC 20-05-84-08**

**PROPOSED EDC DEVELOPMENT GAP FINANCING LOAN REQUEST FOR QUEEN LILLIAN II LLC**

**WHEREAS**, On February 4, 2020 the Economic Development Corporation of the City of Detroit (“EDC”) established the Economic Development Gap Financing Loan Fund Program (the “Loan Program”) to make available gap financing in the form of performance-based loans to spur the economic development of key industrial and commercial mixed-use projects within Detroit; and

**WHEREAS**, the EDC was approached by Queen Lillian II, LLC, (the “Developer”) for a loan under the Loan Program (the “Loan”) for costs associated with developing the property located at 3439-3455 Woodward and 13 Stimson into a mixed-use commercial development; and

**WHEREAS**, EDC staff has reviewed the Borrower’s financial documentation and proposes the following terms and conditions for the Loan under the Loan Program between the Developer and the EDC:

Loan Amount:	\$2,200,000
Interest Rate:	3%
Term:	36 months with two 12-month extensions conditioned upon a corresponding extension of the senior loan and Michigan Strategic Fund (“MSF”) loan. EDC shall have the option to extend the maturity date by an additional 5 years without seeking further EDC Board approval; provided, however, that (i) the Loan is not then in default and (ii) each of the senior lender and MSF extend the maturity date of their respective loans by 5 years without any increase to the then outstanding principal balance, the interest rate, amortization, and/or any material adverse modification to other substantive terms.
Amortization:	Interest only for 36 months, followed by principal and interest payments based on a 30-year amortization of the original amount of the Loan.
Security:	Subordinated Lien position on all business assets, Assignment of Leases and Rents, Subordinated Mortgage on the property, security interest in Tax Increment Financing Reimbursements. EDC’s security interest will be subordinated to that of the senior lender, and pari passu with MSF.
Guaranty:	Corporate Guaranty of Platform Neighborhood Investment Fund 1 LP, in which EDC will be subordinated to senior





lender and pari passu with MSF. In addition, EDC will have a springing guaranty from Southern Realty Group Inc (“SRG”) to be effective upon Corporate Guarantor’s failure to satisfy certain financial covenants including, but not limited to, maintaining a minimum liquidity of \$3.5 million and a specified minimum net worth value throughout the term of the Loan. With respect to the Corporate Guarantor, liquidity will include irrevocable, capital commitments from the Corporate Guarantor’s partners. Further, if the springing guaranty from SRG becomes effective, the minimum liquidity requirement applicable to SRG will be \$2.2 million. Satisfactory review and acceptance of standard due diligence items. Binding commitments for all project loans. Execution of mutually agreeable loan documents. Borrower will provide itemized schedule and use of funds. Approval by City of Detroit Housing and Revitalization Department Director of the Loan.

Additional Conditions:

; and

**WHEREAS**, in addition to the foregoing, EDC staff will also administer the loan provided by MSF to Developer pursuant to a Loan Participation and Servicing Agreement (the “Agreement”) between the EDC and MSF; and

**WHEREAS**, EDC staff presented such information to the EDC Finance Committee which recommends the approval of the Loan in accordance with the terms noted above; and

**WHEREAS**, the EDC Board of Directors has reviewed the terms of the Loan and determined it is consistent with the goals of the Loan Program and is consistent with the EDC’s statutory purposes.

**NOW, THEREFORE, BE IT, RESOLVED**, that the execution of a Loan with Developer and the execution of the Agreement with MSF consistent with the terms provided herein are hereby approved.

**BE IT FURTHER RESOLVED**, that any two Officers, or any one of the Officers and any one of the Authorized Agents or any two of the EDC’s Authorized Agents, shall hereafter have the authority to negotiate and execute the Loan and the Agreement together with such other terms and conditions that are determined by such Authorized Agents and/or Officers to be customary or appropriate and not inconsistent with this resolution, and to negotiate and execute all other documents, contracts, or papers, and take all actions, necessary or appropriate to implement the provisions and intent of this resolution on behalf of the EDC.



**BE IT FINALLY RESOLVED**, that all of the acts and transactions of any officer or authorized agent of the EDC, in the name and on behalf of the EDC, relating to matters contemplated by the foregoing resolutions, which acts would have been approved by the foregoing resolutions except that such acts were taken prior to execution of these resolutions, are hereby in all respects confirmed, approved and ratified.

May 18, 2020