



**ECONOMIC DEVELOPMENT CORPORATION  
FINANCE COMMITTEE MEETING  
FRIDAY, SEPTEMBER 18, 2020 – 10:00 A.M.**

**MEMBERS PRESENT:**

Linda Forte, Chair  
Damon Hodge  
Kwaku Osei  
Thomas Stallworth

**MEMBERS ABSENT:**

None

**OTHERS PRESENT:**

Kenyetta Bridges (DEGC/EDC)  
Chase Cantrell (Spearamus Partners LLC)  
David Esshaki (George Johnson and Company)  
Jason Headen (Spearamus Partners LLC)  
Gay Hilger (DEGC/EDC)  
Kaci Jackson (DEGC/EDC)  
Malinda Jensen (DEGC/EDC)  
Paul Kako (DEGC/EDC)  
Jennifer Kanalos (DEGC/EDC)  
Glen Long (DEGC/EDC)  
Rebecca Navin (DEGC/EDC)  
Michael Nicholas (George Johnson and Company)  
Kelly Shovan (DEGC/EDC)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION  
FINANCE COMMITTEE MEETING  
FRIDAY, SEPTEMBER 18, 2020  
ZOOM VIRTUAL MEETING – 10:00 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 10:01 a.m.

**APPROVAL OF MINUTES**

Ms. Forte asked if there were any additions, deletions or corrections to the minutes of the July 21, 2020 Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Osei made a motion approving the minutes of the July 21, 2020 Finance Committee meeting, as presented. Mr. Hodge seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Hodge, Mr. Osei, Mr. Stallworth and Ms. Forte

Nays: None.

The minutes of the July 21, 2020 Finance Committee meeting were approved.

**ADMINISTRATION**

Mr. Long introduced the auditors from George Johnson and Company. Mr. Michael Nicholas and Mr. David Esshaki reviewed the information on the Audit Wrap-up document (attached) and responded to Committee members' questions.

Mr. Long stated that George Johnson & Company and DEGC accounting staff did a great job overcoming many hurdles due to Covid-19 to get all of the information digitized. Ms. Forte commended the auditors and staff for the hard work getting the audit done during these extenuating circumstances.

Subsequent to the discussion, Ms. Forte asked if there was a motion.

Mr. Hodge made a motion to recommend the FY 2019-2021 Audit to the EDC Board of Directors for approval, as presented. Mr. Osei seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Hodge, Mr. Osei, Mr. Stallworth and Ms. Forte

Nays: None.

The Committee recommended approval of the FY 2019-20 Audit to the EDC Board of Directors.

**PROJECTS**



## **Proposed EDC Development Gap Financing Loan Request for Spearamus Partners LLC**

Ms. Kaci Jackson introduced herself and reviewed the following information:

### **LOAN PURPOSE AND DEVELOPMENT DESCRIPTION**

Spearamus Partners, LLC. (the “Developer”) is a Detroit-based development team formed in 2015 comprised of Detroit residents Chase Cantrell and Jason Headen. The Developer is seeking to redevelop the blighted property located at 7400 W. McNichols (the “Property”) into two bar and restaurant retail spaces. To facilitate the development, the Developer is seeking a \$275,000 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 no funding from MSF.

The EDC Loan will support a \$2.1MM redevelopment of the 7,000 square foot, single-story building located on the Property into restaurant and bar retail spaces.

The Developer has assembled a project team of Detroit-based talent with MiG Construction as general contractor and African American-architecture firm Dokes Design & Architecture, LLC, led by Kim Dokes and supported by Damon Dickerson.

This redevelopment is located in a Strategic Neighborhood identified through an extensive planning study conducted by the City of Detroit’s Planning and Development Department. Including this redevelopment project, there is an anticipated \$10MM of investment being made to this commercial corridor within the next 24 months.

This redevelopment project is an important anchor to this commercial corridor and to the neighborhood. The project will create 34 skilled labor construction jobs and 8 non-skilled labor jobs and, upon completion, it is anticipated that the project will employ 10 FTE and 10 PTE. Furthermore, it will provide local and future residents a much-needed alternative dining option and will increase residential and consumer density in the W. McNichols and Livernois corridor and adjacent neighborhoods.

Please find below the proposed terms of the EDC Loan and sources and uses:

<b>Borrower Name:</b>	Spearamus Partners LLC
<b>Borrower Location:</b>	400 Renaissance Center, Detroit MI 48243
<b>Request:</b>	\$275,000
<b>Rate:</b>	3%
<b>Term:</b>	96 months, amortized over 30 years with one 12-month extensions conditioned upon a corresponding extension of the senior loan. EDC shall have the option to extend the maturity date by an additional 3 years without seeking further EDC Board approval; provided, however, that (i) the



**EDC Loan is not then in default and (ii) the senior lender extends the maturity date of its respective loan by 3 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 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.

**Security:** Subordinated Lien position on all business assets, Assignment of Leases and Rents, Subordinated Mortgage on the Property. EDC's security interest will be subordinated to that of the senior lender.

**Guaranty:** Personal Guaranty of Chase Cantrell and Jason Headen, in which EDC will be subordinated to senior lender.

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

**Disbursement:** Owner equity contributions are first, followed by 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.

**SOURCES AND USES**

	Cost	%
<b>Sources</b>		
Invest Detroit NMTC	\$ 1,455,000.00	68%
Invest Detroit Direct Loan	\$ 196,118.00	9%
EDC - Gap Financing	\$ 275,000.00	13%
Owner Equity	\$ 214,013.00	10%
<b>Total Sources</b>	<u>\$ 2,140,131.00</u>	<u>100%</u>
<b>Use of Funds</b>		
<b>Land Acquisition</b>		
<b>Hard Costs</b>		
Site Improvements (ROW, landscaping, fencing, site lighting, drainage, utilities)	\$ 208,000.00	13%
	\$ 75,000.00	5%



Demolition	\$ 36,009.00	2%
Structures	\$ 969,015.00	60%
Builder		
Overhead/Profit/General		
Requirements/Temp		
Facilities	\$ 122,025.00	8%
Permits/Tap Fees/Bond/Bost		
Certification	\$ 26,832.00	2%
Construction Contingency	\$ 187,050.00	12%
Furniture & Fixtures		
	<b>Subtotal</b>	
	<b>Hard</b>	
	<b>Costs</b>	
	\$ 1,623,931.00	76%

**Soft Costs**

Architectural & Engineering	\$ 80,000.00	4%
Environmental Studies/Soil		
Testing	\$ 14,774.00	1%
Other Professional, Security,		
and Related Fees	\$ 27,000.00	1%
Loan Fees	\$ 147,000.00	7%
Construction Interest, Taxes,		
and Insurance	\$ 71,750.00	3%
Title Work	\$ 7,500.00	0%
Operating Reserve,		
Administrative, Marketing &		
Leasing	\$ 38,250.00	2%
Developer Fee	\$ 50,000.00	2%
Project Management,		
Consulting, Related Party		
Fees	\$ 54,699.00	3%
Soft Cost Contingency	\$ 25,227.00	1%
	<b>Subtotal Soft</b>	
	<b>Costs</b>	
	\$ 516,200.00	24%
	<b>TOTAL DEVELOPMENT</b>	
	<b>COSTS</b>	
	\$ 2,140,131.00	100%

**Debt Service Analysis**

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Gross Income	\$ 107,431.00	\$ 108,505.00	\$ 109,590.00



Vacancy Loss	\$ (5,372.00)	\$ (5,425.00)	\$ (5,480.00)
Effective Income	\$ 102,059.00	\$ 103,080.00	\$ 104,110.00
Total Expenses	\$ (25,375.00)	\$ (25,375.00)	\$ (25,375.00)
<b>Unleveraged Cash Flow</b>	\$ 76,684.00	\$ 77,705.00	\$ 78,753.00
Debt Service			
Invest Detroit	\$ (28,518)	\$ (28,518.00)	\$ (28,518.00)
SNF Loan	\$ (17,363.00)	\$ (17,867.00)	\$ (18,205.00)
EDC	\$ (13,913.00)	\$ (13,913.00)	\$ (13,913.00)
<b>Leveraged Cash Flow</b>	\$ 28,524.00	\$ 28,863.00	\$ 29,182.00
<b>Debt Service Coverage Ratio</b>	1.28	1.29	1.30

The EDC Finance Committee was requested to recommend the proposed loan to the EDC Board of Directors for approval.

Ms. Forte opened the floor to discussion, stating she had one question.

Mr. Forte asked about the provision for automatic extension. Ms. Jackson stated that staff would have the option without requiring Board approval to extend the loan for an additional three years if it is not in default, and there wouldn't be any increase to the outstanding principle balance, interest rate, amortization or any material terms at first modification. Ms. Navin added that the important part about this automatic extension is that it would only kick in if the senior lender is extending their loan by three years without a change in the terms. We would just be extending the loan in kind without requiring Board approval.

Mr. Osei asked when the project is scheduled to be completed. Mr. Cantrell responded that they plan to close with Invest Detroit by Thanksgiving. The completion of the project is anticipated by next spring.

Mr. Osei asked if this loan is replacing community dollars that are no longer available. Ms. Jackson answered that this project was supposed to receive funding from CRP through the Michigan Strategic Fund and that funding is no longer available. Mr. Osei asked if the terms are the same. Ms. Jackson stated that the terms are structured to match the senior lender and are a little different from the CRP.

There being no additional questions, the Board took the following action:

Mr. Osei made a motion to recommend the proposed EDC Development Gap Financing Loan Request for Spearamus Partners LLC to the EDC Board of Directors for approval, as presented. Mr. Hodge seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Hodge, Mr. Osei and Ms. Forte

Nays: None.



The Committee recommended approval of the EDC Development Gap Financing Loan Request for Spearamus Partners LLC to the EDC Board of Directors.

**OTHER MATTERS**

None.

**PUBLIC COMMENT**

None.

**ADJOURNMENT**

With there being no other business to come before the Committee, on a motion by Mr. Osei, seconded by Mr. Hodge, Chairperson Forte adjourned the meeting at 10:30 a.m.