



**ECONOMIC DEVELOPMENT CORPORATION  
BOARD OF DIRECTORS SPECIAL MEETING  
TUESDAY, FEBRUARY 4, 2020 – 9:00 A.M.**

**BOARD MEMBERS PRESENT:** Clifford Brown  
Marsha Bruhn  
Linda Forte  
Damon Hodge  
Chris Jackson  
Kwaku Osei

**BOARD MEMBERS ABSENT:** Kimberly Clayson  
Arthur Jemison (Ex-Officio)  
John Naglick (Ex-Officio)  
Jonathan Quarles  
Thomas Stallworth

**SPECIAL DIRECTORS  
PRESENT:** None

**SPECIAL DIRECTORS  
ABSENT:** None

**OTHERS PRESENT:** Pierre Batton (DEGC/EDC)  
Keyra Cokley (DEGC/EDC)  
Charlotte Fisher (DEGC/EDC)  
Catherine Frazier (DEGC/EDC)  
Gay Hilger (DEGC/EDC)  
Paul Kako (DEGC/EDC)  
Malinda Jensen (DEGC/EDC)  
Jennifer Kanalos (DEGC/EDC)  
Glen Long (DEGC/EDC)  
Rebecca Navin (DEGC/EDC)  
Mariangela Pledl (DEGC/EDC)  
Kelly Shovan (DEGC/EDC)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION  
BOARD OF DIRECTORS SPECIAL MEETING  
TUESDAY, FEBRUARY 4, 2020  
DETROIT ECONOMIC GROWTH CORPORATION  
500 GRISWOLD, SUITE 2200  
9:00 A.M.**

**GENERAL**

**Call to Order**

Noting that a quorum was present, Chairperson Forte called the Special meeting of the Economic Development Corporation Board of Directors to order at 9:03 a.m.

**Approval of Minutes**

Ms. Forte asked if there were any additions, deletions or corrections to the minutes of the January 14, 2020 Regular Board meeting. Hearing none, the Board took the following action:

On a motion by Ms. Bruhn, seconded by Mr. Osei, Resolution Code EDC 20-02-02-327 was unanimously approved.

**Receipt of Treasurer's Report**

Ms. Shovan reviewed the Treasurer's Report of Receipts and Disbursements for the month of December 2019 for the benefit of the Board and responded to questions. Subsequent to the discussion, the Board took the following action:

On a motion by Mr. Hodge, seconded by Mr. Osei, Resolution Code EDC 20-02-03-247 was unanimously approved.

**PROJECTS**

**Small Business and Commercial Corridor Revitalization Program: Amendment Number 4 For City of Detroit Contract Number 6000226 for Additional Funding Under Amended and Restated Subrecipient Agreement**

Ms. Pledl advised that as the Board is aware, at the request of the City of Detroit (the "City") Mayor's Office and Housing and Revitalization Department ("HRD"), the Economic Development Corporation of the City of Detroit ("EDC"), is administering small business and commercial corridor revitalization programs, including the programs known as Motor City Match and Motor City Re-Store (the "Programs").

The Programs are currently implemented pursuant to subrecipient agreements with the City, using some Community Development Block Grant funds and some City general funds. In November



2019, the term of the current subrecipient agreement (contract number 6000226) (the “Agreement”) was extended to expire on January 31, 2021.

In order to fund the Programs through the current term of the Agreement, subject to City Council approval, HRD has agreed to amend the Agreement to add \$2,600,000 to the contract value, funded through City general funds, specifically with \$1,600,000 being paid in the City’s 2019-20 Fiscal Year and \$1,000,000 being paid in the City’s 2020-21 Fiscal Year.

EDC Staff recommends the EDC Board of Directors approve the requested contract amendment. A resolution was included for the Board’s consideration.

With there being no questions or discussion, the Board took the following action:

On a motion by Mr. Jackson, seconded by Mr. Hodge, Resolution Code EDC 20-02-91-105 was unanimously approved.

### **Authorization to Establish the Economic Development Gap Financing Loan Fund Program**

Ms. Frazier reported that the Michigan Community Redevelopment Program (“MCRP”), administered by the Michigan Strategic Fund (“MSF”) through the Michigan Economic Development Corporation (“MEDC”), provides a critical gap financing tool for eligible mixed-use development projects in areas throughout the State of Michigan and, in particular, in the City of Detroit. However, recent budget reductions in the MCRP have caused the available funds to economic development projects within the City of Detroit to also decrease. Although initially MCRP assistance was focused primarily on projects located in greater downtown, including Midtown and Corktown, more recently projects receiving MCRP funding have also been located within commercial corridors targeted by the City of Detroit’s Strategic Neighborhood Fund.

Given decrease in the MCRP budget, staff for The Economic Development Corporation of the City of Detroit (the “EDC”) recommended that the EDC establish a gap funding program targeted primarily at projects that align with the program requirements of MCRP, to be known as the Economic Development Gap Financing Loan Fund Program (the “Program”). The Program would utilize gap financing in the form of loans to spur the economic development of key industrial and commercial mixed-use projects within Detroit, increasing private investment, creating jobs, revitalizing functionally obsolete properties, and reducing blight. Available funds may be available for financing in conjunction with or in place of MCRP loans. In addition, in certain circumstances, funding may be made available for site readiness activities that would spur new employment opportunities on publicly owned industrial sites. Proposed Program guidelines are attached as **Exhibit A** (the “Program Guidelines”).

Pursuant to the terms of certain transfer agreements between the City of Detroit, acting through its Community and Economic Development Department, now known as the Housing and Revitalization Department (“HRD”) and the City of Detroit Downtown Development Authority (the “DDA”), the DDA is in possession of certain funds through the Urban Development Action Grant program (“UDAG”). These UDAG proceeds were received by the DDA as repayments of loans made by the DDA using UDAG grants and/or proceeds of UDAG grants. As such, these proceeds



are now available for certain economic development purposes, subject to the provisions of the original UDAG grants and transfer agreements.

The DDA Board of Directors has authorized that available UDAG funds in an amount up to \$4,000,000.00 (the “DDA Funds”) be made available to the EDC the purposes of initial funding for the Program pursuant to a funding agreement to be negotiated between the EDC and the DDA. The EDC would only be able to draw upon the DDA Funds for loans that have been approved by the EDC Board and comply with the Program Guidelines established by the EDC Board, as well as applicable provisions of the original UDAG grants and transfer agreements, which may include the written consent of the Director of HRD.

The EDC Finance Committee has reviewed the matter and recommends the establishment of the Program, the acceptance of the DDA Funds, and the approval of the Program Guidelines.

A resolution was included for the Board's consideration.

Ms. Bruhn asked what is considered “significant” as stated in the Program Guidelines under No. 3 and No. 5. Ms. Frazier informed that on the industrial side for job creation, it really comes down to the type of use on the land. Within the Industrial team and the City, they are looking at attracting the type of industrial uses where job creation is identified—less automated uses and less warehousing, to more distribution and manufacturing centers. The Administration has a goal of roughly 15 jobs per acre on an industrial site that is being used as a “rule of thumb.” What we have in mind is related to FCA and hopefully with GM. The owner equity comes in more on the mixed-use side of the Program, and the owner equity coming in on the State side is generally between 10 to 15 percent of the overall costs of the development project. Typically, the entity has already secured the land. Ms. Bruhn questioned, and Ms. Frazier confirmed that they are using the State criteria.

Mr. Brown inquired if the land must be owned by the developer. Ms. Frazer answered that they do not have to own the land but typically that is what is in place.

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

On a motion by Mr. Osei, seconded by Mr. Brown, Resolution Code EDC 20-02-84-07 was unanimously approved.

## **ADMINISTRATION**

Ms. Jensen informed the Board that Ms. Hilger would be off on medical leave for at least six weeks and to expect to receive Board information emails from herself, Ms. Kanalos and Ms. Capler, and to please respond accordingly.

## **OTHER MATTERS**

## **PUBLIC COMMENT**



## **ADJOURNMENT**

On a motion by Ms. Bruhn, seconded by Mr. Hodge, Ms. Forte adjourned the meeting at 9:16 a.m.



CODE EDC 20-02-02-327

**APPROVAL OF MINUTES OF JANUARY 14, 2020 REGULAR MEETING**

**RESOLVED**, that the minutes of the Regular meeting of January 14, 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.

February 4, 2020



CODE EDC 20-02-03-247

**RECEIPT OF TREASURER'S REPORT FOR DECEMBER 2019**

**RESOLVED**, that the Treasurer's Report of Receipts and Disbursements for the period ending December 31, 2019, as presented at this meeting, is hereby in all respects accepted as action of the Economic Development Corporation.

February 4, 2020



**CODE EDC 20-02-91-105**

**SMALL BUSINESS AND COMMERCIAL CORRIDOR REVITALIZATION PROGRAM:  
AMENDMENT NUMBER 4 FOR CITY OF DETROIT CONTRACT NUMBER 6000226 FOR  
ADDITIONAL FUNDING UNDER AMENDED AND RESTATED SUBRECIPIENT AGREEMENT**

**WHEREAS**, at the request of the City of Detroit (the “City”) Mayor’s Office and Housing and Revitalization Department (“HRD”), the Economic Development Corporation of the City of Detroit (“EDC”), is administering small business and commercial corridor revitalization programs, including the programs known as Motor City Match and Motor City Re-Store (the “Programs”); and

**WHEREAS**, the Programs are currently implemented pursuant to subrecipient agreements with the City, using some Community Development Block Grant funds and some City general funds; and

**WHEREAS**, the current subrecipient agreement (contract number 6000226) (the “Agreement”) expires on January 31, 2021; and

**WHEREAS**, in order to fund the Programs through the current term of the Agreement, subject to City Council approval, HRD has agreed to amend the Agreement to add \$2,600,000 to the contract value, funded through City general funds, specifically with \$1,600,000 being paid in the City’s 2019-20 Fiscal Year and \$1,000,000 being paid in the City’s 2020-21 Fiscal Year (the “Proposed Amendment”); and

**WHEREAS**, the EDC Board of Directors has determined that the Proposed Amendment is appropriate and otherwise consistent with the EDC’s statutory purposes; and

**NOW, THEREFORE, BE IT, RESOLVED**, the Proposed Amendment is 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 an amendment to the Agreement and 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.

February 4, 2020





**CODE EDC 20-02-84-07**

**AUTHORIZATION TO ESTABLISH THE ECONOMIC DEVELOPMENT GAP FINANCING  
LOAN FUND PROGRAM**

**WHEREAS**, pursuant to the terms of certain transfer agreements between the City of Detroit, acting through its Community and Economic Development Department, now known as the Housing and Revitalization Department (“HRD”) and the City of Detroit Downtown Development Authority (the “DDA”), the DDA is in possession of certain funds through the Urban Development Action Grant program (“UDAG”); and

**WHEREAS**, the UDAG proceeds were received by the DDA as repayments of loans and/or other advances made by the DDA using UDAG grants and/or proceeds of UDAG grants and are now available for certain economic development purposes, subject to the provisions of the original UDAG grants and transfer agreements; and

**WHEREAS**, the DDA has approved the transfer of up to \$4,000,000.00 of on-hand UDAG proceeds (the “DDA Funds”) to the Economic Development Corporation of the City of Detroit (the “EDC”) for the establishment of a gap funding program; and

**WHEREAS**, EDC staff proposes that the EDC use the DDA Funds to administer the Economic Development Gap Financing Loan Fund Program (the “Program”) in accordance with the proposed Program Guidelines attached hereto as **Exhibit A** (the “Program Guidelines”) 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 DDA Funds would only be drawn upon for loans that have been approved by the EDC Board and comply with the Program Guidelines, as well as applicable provisions of the original UDAG grants and transfer agreements, which may include the written consent of the Director of HRD; and

**WHEREAS**, the EDC Board of Directors has reviewed the proposed receipt of DDA Funds and the Program Guidelines and determined that they are consistent with the EDC’s statutory purposes.

**NOW, THEREFORE, BE IT RESOLVED**, that the EDC Board of Directors hereby approves the following: (i) the establishment and administration of the Program by the EDC, pursuant to the Program Guidelines; and (ii) the negotiation and execution of a funding agreement with the DDA for the acceptance of the DDA Funds.

**BE IT FURTHER RESOLVED** that the EDC Board of Directors hereby authorizes any two of its Officers or any two of its Authorized Agents or any one Officer and any one Authorized Agent to negotiate and execute a funding or similar agreements necessary or appropriate to effectuate the proposed transfer as deemed appropriate by such Authorized Agents and counsel which are not inconsistent with this resolution and do not adversely affect the rights and/or obligations of the EDC hereunder.



**BE IT FURTHER RESOLVED** the EDC Board of Directors hereby authorizes any two of its Officers or any two of its Authorized Agents or any one Officer and any one Authorized Agent to execute and all other documents, contracts and papers and take such other 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.

February 4, 2020



## EXHIBIT A

### Economic Development Gap Financing Loan Fund – Program Guidelines

#### **Overview**

The State of Michigan Economic Development Corporation budget was significantly reduced for fiscal year 2019-2020, which negatively impacted funding available for economic development projects within the City of Detroit. To spur the economic development of key industrial and commercial mixed-use projects within Detroit, the EDC has established the Economic Development Gap Financing Loan Fund (the “Program”). The purpose of the Program is to create jobs through private investment and to expand the City’s tax base. Eligible industrial and mixed-use projects must demonstrate a substantial gap related to the costs associated with site readiness and offer significant new job creation in the City of Detroit, while aligning with the program requirements of Michigan Community Redevelopment Program (“MCRP”) at the Michigan Economic Development Corporation (“MEDC”). The Program will initially be funded using loan repayment proceeds from loans original made using grant funds previously made available to the City of Detroit by the Department of Housing and Urban Development under the Urban Development Action Grant Program (“UDAG”).

#### **Program Goals**

To spur economic development through loans based on demonstrated financial need and projected project performance. Eligible industrial and commercial mixed-use projects include supplementing private investment to create jobs, revitalize functionally obsolete properties, and reduce blight.

#### **Program Criteria**

All projects will be competitively evaluated based on the following criteria:

1. Financing: Maximize all available financing with preference through a federally insured and regulated senior lender.
2. Fees: Minimize or defer all developer and other related-party fees.
3. Equity: Provide significant owner equity investment.
4. Debt Service Coverage Ratio: Ensure that the debt service coverage ratio is above 1.20x after all financing tools are applied.
5. Significant job creation.
6. The applicant's financial need for the incentive and whether the project is financially and economically sound.
7. The importance of the project to the community, the amount of local financial support to the project, and the level of private sector and other contributions to the project, such as federal tax credits.
8. For mixed-use projects, whether the project incorporates basic tenants of urban design by promoting mixed-use development, walkable communities and/or increasing the density of the area.
9. For industrial projects, whether the project site is located on publicly owned land that will require site readiness activities in order to make it shovel ready for industrial use.



10. Whether the project will redevelop a brownfield and/or historic resource and/or a vacant structure; if historic, whether the project will follow the federal secretary of the interior's standards for rehabilitation of historic buildings;
11. Whether the project promotes sustainable development.
12. The level and extent of environmental contamination.
13. If the project will act as a catalyst for additional revitalization and/or addresses area-wide redevelopment strategies.
14. Whether the project addresses underserved markets of commerce; converts abandoned public buildings to private use; and if the project will compete with or affect existing businesses.
15. Whether the project / proposed uses satisfy applicable requirements relating to the source of funds, including but not limited to UDAG requirements and/or City approvals.
16. Any other relevant criteria that are specific to each individual project as determined by the EDC Board of Directors.

### ***Who is eligible to apply?***

A person or multiple persons, business owners, developers, or governmental entities may apply to for assistance under the Program.

### ***Eligible Property***

Any property meeting one or more of the following conditions:

- Facility;
- Historic resource;
- Blighted;
- Functionally obsolete;
- Neighborhood and Commercial Corridor Food Initiative;
- Any other property promoting community development as determined by the EDC Board.

### ***Loan Fund Program – Key Terms***

- *Total Loan Pool* – up to \$4,000,000, with potential for additional funding, subject to availability of funds and approval by the EDC Board
- *Loan Size* – up to \$2,500,000, not to exceed 10% of the eligible investment,
- *Loan Type* – Repayable Loan
- *Interest Rate* – 1%-4% interest rate, with up to 36 months interest-only
- *Loan Term*: Maturity date and amortization schedule set based on terms of senior debt or project need
- *Security* – security will include any of the following:
  - Senior/Subordinated secured position on real property (if available)
  - Guarantees of borrower's principals and/or affiliated entities
  - Security interest in all FF&E
  - Other pledged security – Accounts receivable, inventory, equipment and other business and/or personal assets
- *Eligible uses* –
  - Alteration, construction, improvement, demolition or rehabilitation of buildings;
  - Site improvement and clean up;



- Environmental Testing and Reporting (Phase I ESA, Phase II ESA, BEA, Documentation of Due Care Compliance, etc.);
- Removal and remediation of contamination;
- The addition of machinery, equipment or fixtures;
- Architectural, engineering, surveying and similar professional fees for a project including third-party green building certification;
- Other uses as approved by the EDC Board.

### ***Eligible Investment***

An eligible investment is defined as at least one, or any combination of, the following expenditures which may have occurred prior to the EDC approval of the application and has not been completely reimbursed to, or paid for on behalf of, the applicant. Collectively these expenditures are eligible investments and are referred to as “Hard Costs”:

- a) Any fees or costs for alteration, construction, improvement, demolition, or rehabilitation of buildings of an approved project, including utility tap fees, and fees and costs paid to a governmental entity for permits, zoning, and inspections;
- b) Any fees or costs for site improvements to an approved project, including, a surface parking lot, parking garage, parking ramp, utilities and public infrastructure, such as roads, curbs, gutters, sidewalks, landscaping, lighting, grading and land balancing;
- c) Any fees or costs for the addition of machinery, equipment or fixtures to an approved project; or
- d) Professional fees or costs for an approved project for architectural services, engineering services, Phase I environmental site assessment, Phase II environmental site assessment, or Baseline Environmental Assessment, or surveying services.
- e) Professional fees associated with obtaining a third-party certification for environmentally sustainable design, building materials and/or development practices.

\*The EDC Staff, on its behalf, may impose additional terms and conditions involving any Hard Costs that meet eligibility for reimbursement under any tax increment financing, including requiring those costs to be repaid to the EDC, or excluding any such costs from Hard Costs.

### ***Operations of the Economic Development Gap Financing Loan Fund***

EDC will manage the operations of the Program, including, but not limited to:

- Project management and facilitation of the Program
- Processing and servicing of the loans approved under the Program
- Marketing of the Program
- Ongoing monitoring and management of loans including review of project performance, measured against original financial documentation, operating statements or other appropriate metrics
- Credit and Underwriting – See Exhibit B – “Due Diligence Process”

### ***Loan Process***

1. Loan application and supporting documents submitted through electronic submission and reviewed by EDC staff
  - Additional materials/information may be requested
2. Internal due diligence and evaluation of proposal performed
  - Additional materials/information requested



3. Presentation to EDC Finance Committee, where feasible
4. Presentation to EDC Board for final approval
5. If approved, documentation of the loan
6. Closing
7. Monitoring of loan by EDC staff

### **Investment Guidelines**

The EDC, as the entity overseeing and managing the Economic Development Gap Financing Loan Fund, will be the lender. The EDC will maintain sufficient flexibility in its lending guidelines and practices, in order to best assist projects requiring gap financing.

### **Loan Fees**

Loan fee equal to 1% of the award amount, plus third-party costs incurred by the EDC in closing the transaction

### **Additional Information**

Except as noted below, the EDC will not share an applicant or borrower's proprietary and confidential data with any third parties except as needed during the loan underwriting, closing and servicing processes. Applicants and borrowers should clearly mark such information as proprietary and confidential. Applicant and borrower data will not be sold.

**NOTE:** The EDC is a governmental body and documents in the EDC's possession are subject to disclosure under the Michigan Freedom of Information Act ("FOIA"). EDC will endeavor to not disclose any information of an applicant or borrower it believes to be exempt under the FOIA; however, notwithstanding anything stated otherwise herein, the EDC cannot guarantee the confidentiality of an applicant or borrower's submissions and specifically does not warrant that any documents submitted in connection with the loan application or the loan are exempt from disclosure under the FOIA. Accordingly, applicants and borrowers are advised that documents and information submitted to the EDC may become a public record. With respect to information submitted to the EDC as part of a loan application or loan, applicants and borrowers should give specific attention to the identification of information they deem confidential, commercial or personal financial information, proprietary information, or trade secrets and should appropriately mark such information as confidential prior to submission. Applicants and borrowers should be prepared to provide justification why such marked information should not be publicly disclosed under the FOIA. Applicants and borrowers are hereby advised that, without notice to the applicant or borrower, upon request from a third party, the EDC is required to make an independent determination as to whether the information may or must be divulged to that party and does not warrant that such information will be exempt from disclosure.

The information contained herein is subject to the actual loan documents and the written terms and conditions contained therein, as the same may be amended from time to time. EDC also reserves the right to make the final determination of any person's or organization's eligibility and/or qualifications for program benefits, and to make allocation of program benefits as it may, in sole discretion deem appropriate.



## **EXHIBIT A – MARKETING PLAN**

The primary audience for marketing this fund are developers and business owners seeking to develop properties in the City of Detroit, who also qualify for MEDC MCRP or Brownfield Programs. The Program will initially focus its efforts on development projects seeking the State of Michigan funding.

Potential businesses and developers may receive notice about the fund through multiple channels:

- Public announcements and meetings
- Social media eg., DEGC website
- Flyers directly delivered to each business in person and via email

Other stakeholders that reach businesses will be informed of the fund so that they can in turn spread the word to qualified applicants. These stakeholders include other business support organizations and City agencies.

Marketing materials for the loan fund may include the following:

- One-page flyer, including application instructions
- Term sheet
- Application checklist
- Application – available electronically online and in paper copy
- Website with FAQ



## **EXHIBIT B – DUE DILIGENCE PROCESS**

As a condition to receive a loan, applicants must comply with the following requirements:

- Applicant will turn in all required documentation outlined in the application and application checklist
- EDC staff will review documentation and provide recommendations to the EDC Finance Committee, when feasible, and the EDC Board of Directors based on Program underwriting guidelines, which may include but not be limited to the following considerations:
  - The character, competence, integrity and expertise of management and willingness to repay the loan
  - The source, timing and probability of future cash flows to service the borrower's obligations
  - The overall financial condition of the borrower
  - The condition of the industry in which the borrower operates and the condition of the economy in general
  - The adequacy of collateral to serve as an alternative source of loan repayment
- All loans are subject to final approval by the EDC Board
- Within 90 days of submission, the applicant will be notified of the final status of their application.
- The EDC shall consider the Program criteria set forth in the Program Guidelines
- Whether the project / proposed uses satisfy applicable requirements relating to the source of funds, including but not limited to UDAG requirements and/or City approvals.