



**ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
TUESDAY, MAY 24, 2021 – 8:30 A.M.**

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

MEMBERS ABSENT: None

OTHERS PRESENT: Cora Capler (DEGC/EDC)
Gay Hilger (DEGC/EDC)
Malinda Jensen (DEGC/EDC)
Paul Kako (DEGC/EDC)
Jennifer Kanalos (DEGC/EDC)
Glen Long (DEGC/EDC)
Rebecca Navin (DEGC/EDC)
Lexi Shaw (DEGC/EDC)
Kelly Shovan (DEGC/EDC)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
DETROIT ECONOMIC GROWTH CORPORATION
500 GRISWOLD, SUITE 2200, DETROIT, MI 48226
TUESDAY, MAY 24, 2021 – 8:30 A.M.**

CALL TO ORDER

Chairperson Forte called the meeting of the Finance Committee of the Economic Development Corporation to order at 8:47 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 December 21, 2021 Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Hodge made a motion approving the minutes of the December 21, 2021 Finance Committee meeting, as written. Mr. Osei seconded the motion. All were in favor with none opposed. The minutes of the December 21, 2021 Finance Committee meeting were unanimously approved.

PROJECTS

Casino Loan Program - Proposed Loan to the Jeda Investment Group LLC

Ms. Shaw presented to the Finance Committee the Proposed Loan to the Jeda Investment Group LLC.

The Jeda Investment Group LLC (the “Developer”) is a Detroit-based development company that is comprised of Jerold Graham and Darryl Brown, two African American men. The Developer was established in November 2015 with a core focus in redeveloping commercial buildings in the Grand River/Greenfield corridor. Jerold Graham is a systems operations supervisor at DTE Energy. Darryl Brown is a systems operation supervisor at DTE Energy, a Wayne County Deputy Sheriff, and is a recently retired police commissioner at the Detroit Police Department. Both Jerold and Darryl are born and raised in Detroit, and Darryl currently resides in Detroit. The Developer is seeking to redevelop 15725 Grand River (the “Property”), formerly the St. Vincent De Paul Thrift Store, into a fully rentable development for tenants. The Property is composed of 9,828 sf of commercial/retail space that sits on a 0.38-acre site. The Developer has an executed lease agreement for the retail/commercial space with Go Puff, a digital consumer goods and food delivery service that will use the Property as a fulfillment center.

The Developer has made a significant contribution to this commercial area with several other developments that they have accomplished over the years and have successfully stabilized. They first purchased 20130-34 Plymouth in 2015, which was vacant at the time, where they made repairs to this 3-unit retail storefront and now has the following tenants-Jackson Hewitt, Dee’s T-



Shirts, and Computers, Eclectic Cafe. 15920-24 Grand River was purchased in 2016 where it was leased to a tenant and was briefly used as the Detroit campaign headquarters for Bernie Sanders in 2020. 15749-51 Grand River is currently being redeveloped for tenancy with the help of EDC's Motor City Match Program and Detroit Development Fund. The Developer has remained consistent with its objective and has an important anchor to this commercial corridor and to the neighborhood. Construction on the project has commenced and the tenant has taken possession of the Property to complete its tenant improvements. The Developer expects that the project will be completed within 3 months following the receipt of additional funding to complete outstanding tasks. As of today, the project has created 12 skilled labor construction jobs and 8 non-skilled labor jobs and, upon completion, it is anticipated that the tenant will create between 40 to 50 jobs, with an intent to market to Detroit residents. The construction of the project has been overseen by the general contractor, Shaw Construction and Management.

To facilitate the completion of the project and to assist in filling the \$200,000 financing gap, the Developer has approached the EDC for a loan from the Casino Development Fund Program in the amount of \$200,000 (the "Loan"). The Loan funds will be used to pay for various construction costs including, but not limited to, the construction of the parking lot of approximately 6,800 sq ft that will provide 18 parking spots, the construction of new façade paneling, and the installation of new windows for the Property. In addition to the Loan, the Borrower received funding in July 2021 from the Superior National Bank for a line of credit in the amount of \$300,000 and received approval to increase the line of credit to \$400,000 in December 2021.

EDC staff recommends the approval of the Loan to Borrower based on the terms and conditions below.

The proposed Loan terms and sources and uses are below:

Sources and Uses

Sources:

| | |
|------------------------|---------------------|
| Superior National Bank | \$400,000.00 |
| EDC | \$200,000.00 |
| Equity | <u>\$132,101.00</u> |
| Total | \$732,101.00 |

Uses:

| | |
|--------------------------------------|--------------|
| Property Acquired | \$157,983.00 |
| Parking Lot Construction | \$123,355.00 |
| Demolition of 15729 Grand River | \$163,004.00 |
| Front Window Installation | \$49,200.00 |
| Façade Design and Build | \$38,059.00 |
| HVAC and other Building Improvements | \$77,164.00 |
| Architectural and Engineering Fees | \$72,928.00 |

| | |
|--------------------------------------------------|--------------------|
| <u>Leasing Fees, Insurance, and Finance Fees</u> | <u>\$50,408.00</u> |
| Total | \$732,101.00 |



Terms of Loan:

Borrower: The Jeda Investment Group LLC
 Amount: \$200,000.00
 Interest Rate: 4%
 Term: 7 years with a balloon payment upon maturity.
 Amortization: 12 months interest only. Principal and interest payments commence on month 13 and will be amortized for a period of 9 years.
 Guaranty: Personal Guaranty of Jerold Graham and Darryl Brown.
 Security: Subordinate lien position on Borrower's fixtures, furniture and equipment; subordinated mortgage on the Property.
 Conditions: Issuance of a Loan Policy of Title Insurance at closing Receipt, review, and approval of any and all information requested by EDC staff.

Debt Service Analysis:

| | Proforma | |
|------------------------------------------------------------|-----------------------------|------------------------------|
| | <u>Year 1</u> | <u>Year 2</u> |
| Rent Received | \$82,555 | \$82,555 |
| NNN | <u>\$23,265</u> | <u>\$23,265</u> |
| Gross Profit | \$105,820 | \$105,820 |
| Total Operating Expenses | <u>\$29,196</u> | <u>\$29,309</u> |
| Cash for Debt Service | \$76,624 | \$76,512 |
| EDC Debt Service | <u>Year 1</u> \$8,000.04 | <u>Year 2</u> \$26,498.28 |
| 4%, 9-year amortization Principal & Interest Payment | (\$2,208.19) | (\$2,208.19) |
| SNB Debt Service | <u>Year 1</u> \$18,000 | <u>Year 2</u> \$30,367.20 |
| 4.5%, 20-year amortization Principal & Interest Payment | (\$2,530.60) | (\$2,530.60) |
| Debt Coverage Ratio | 2.95 | 1.35 |



EDC staff requested that the Finance Committee recommend the Loan to the EDC Board of Directors for approval.

Ms. Forte called for a motion. Mr. Hodge made a motion to approve the loan to Jeda Investment Group LLC, and Mr. Osei seconded the motion.

Ms. Forte called for questions/comments.

Mr. Hodge asked approximately how long the construction will take and when the building will be ready for occupancy. Ms. Shaw responded that the building is currently occupied by the tenant and the construction will take about two months.

Ms. Forte asked why the construction is such a short time. Ms. Shaw responded that what needs to be done is easy, like the parking lot, façade paneling, removing a sign, and window installation.

Ms. Forte questioned the number of jobs created pointing out that the write-up says 12 and she mentioned 20. Ms. Shaw clarified that it actually is 12 skilled jobs for the construction of the project and 8 unskilled jobs.

Ms. Forte asked if the Finance Committee is reviewing this proposal because it is a loan from the Casino Loan Program. Ms. Shaw responded that was correct.

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

Mr. Hodge made a motion to recommend approval of the Loan to Jeda Investment Group 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 Jeda Investment Group LLC to the Board of Directors.

ADMINISTRATION

EDC Budget for FY 2022-2023

Mr. Long reviewed the EDC Operating Budget for FY 2022-2023.

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

Mr. Hodge made a motion to recommend approval of the FY 2022-2023 Operating Budget to the EDC Board of Directors. Mr. Hodge seconded the motion. All were in favor with none opposed. The Committee recommended approval of the FY 2022-2023 Operating Budget to the Board of Directors.



OTHER MATTERS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

On a motion by Mr. Hodge, seconded by Mr. Osei, Chairperson Forte adjourned the meeting at 8:58 a.m.

**ECONOMIC DEVELOPMENT CORPORATION OF THE CITY OF DETROIT
OPERATING BUDGET
JULY 1, 2022 TO JUNE 30, 2023**

| | Projected Total June 30, 2022 | Budget June 30, 2022 | Variance | Proposed Budget June 30, 2023 |
|-------------------------------------------|------------------------------------------|---------------------------------|-------------------------|------------------------------------------|
| <u>REVENUE</u> | | | | |
| City of Detroit | 275,000 | 275,000 | 0 | 275,000 |
| TSF From Waterfront Reclamation | 300,000 | 300,000 | 0 | 300,000 |
| TSF From Motor City Match/Restore | 668,395 | 900,000 | (231,605) | 900,000 |
| TSF From Projects for DEGC Legal | 159,692 | 180,000 | (20,308) | 180,000 |
| TSF From Casino Development Fund | 350,000 | 350,000 | 0 | 350,000 |
| TSF From Repaid Loans | 550,000 | 550,000 | 0 | 550,000 |
| TSF From Other Projects | 85,387 | 125,000 | (39,613) | 150,000 |
| Other Revenue & Service Fees | 35,638 | 25,000 | 10,638 | 25,000 |
| | <u>2,424,112</u> | <u>2,705,000</u> | <u>(280,888)</u> | <u>2,730,000</u> |
| TOTAL REVENUE | <u>2,424,112</u> | <u>2,705,000</u> | <u>(280,888)</u> | <u>2,730,000</u> |
| <u>EXPENSES</u> | | | | |
| Detroit Economic Growth Corp | 800,000 | 800,000 | 0 | 800,000 |
| Detroit Economic Growth Corp Special Proj | 600,000 | 600,000 | 0 | 600,000 |
| Other Projects Administrative Fees | 753,782 | 1,025,000 | 271,218 | 1,050,000 |
| Next Michigan Development Corp | 20,000 | 20,000 | 0 | 20,000 |
| DEGC Legal Services | 173,717 | 200,000 | 26,283 | 200,000 |
| Legal Services | 5,319 | 10,000 | 4,681 | 10,000 |
| Audit | 30,000 | 30,000 | 0 | 30,000 |
| Miscellaneous | 9,960 | 20,000 | 10,040 | 20,000 |
| | <u>2,392,778</u> | <u>2,705,000</u> | <u>312,222</u> | <u>2,730,000</u> |
| TOTAL EXPENSES | <u>2,392,778</u> | <u>2,705,000</u> | <u>312,222</u> | <u>2,730,000</u> |
| Operating Surplus/(Shortfall) | 31,334 | 0 | 31,334 | 0 |
| Debt Service | 0 | 0 | 0 | 0 |
| (Increase)/Decrease in Reserve | (31,334) | 0 | (31,334) | 0 |
| | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| NET SURPLUS/(SHORTFALL) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |