



**DETROIT BROWNFIELD REDEVELOPMENT AUTHORITY  
LBRF COMMITTEE MEETING  
TUESDAY, OCTOBER 27, 2021  
1:00 PM**

**COMMITTEE MEMBERS PRESENT:** Pamela McClain  
Raymond Scott  
Donele Wilkins

**COMMITTEE MEMBERS ABSENT:**

**OTHERS PRESENT:** Jennifer Kanalos (DEGC/DBRA)  
Brian Vosburg (DEGC/DBRA)  
Cora Capler (DEGC/DBRA)  
Malinda Jensen (DEGC/DBRA)  
Glen Long (DEGC)  
Paul Kako (DEGC)  
Rebecca Navin (DEGC)  
Kaci Jackson (DEGC)  
Clifford Brown (Woodborn Partners)  
Brian Holdwick (Riopelle Market Development LP)  
Rod Hardamon (URGE Development)  
Marcia Ventura (Invest Detroit)  
Bret Stuntz (SME)  
Erica Barker (City of Detroit)

**CALL TO ORDER**

Ms. McClain, as LBRF Committee Chair, called the meeting to order at 1:04 PM.

**GENERAL**

**Minutes of the April 27, 2021 LBRF Committee Meeting:**

Ms. McClain called for a motion to approve the minutes of the April 27, 2021 LBRF Committee meeting.

Mr. Scott made a motion to approve the minutes of the April 27, 2021 LBRF Committee meeting. Ms. McClain seconded the motion.

A roll call vote was conducted with the following result:

Ayes: Ms. McClain and Mr. Scott

Nays: None.

The minutes of the April 27, 2021 LBRF Committee meeting were unanimously approved.

Ms. Wilkins joined the meeting at 1:08 pm.

**Local Brownfield Revolving Fund Loan Modification Request for Riopelle Market Development LP for the Mosaic Eastern Market Project**

Ms. Kanalos presented the Local Brownfield Revolving Fund Loan Modification Request for Riopelle Market Development LP for the Mosaic Eastern Market Project to the LBRF Committee.

In August 2020, the City of Detroit Brownfield Redevelopment Authority (the "DBRA") approved a \$250,000.00 (the "Loan") to Riopelle Market Development, LP, (the "Developer") from the DBRA Local Brownfield Revolving Fund (the "LBRF") to facilitate the project described in the Mosaic Eastern Market Brownfield Plan (the "Plan"), which was approved by the DBRA Board of Directors (the "Board") on October 23, 2019, City Council on November 5, 2019 and the Work Plan was approved on January 22, 2020 by the Michigan Strategic Fund (the "MSF"). As the Board may recall, the Developer is redeveloping the former Detroit Water & Sewerage Department building located at 3500 Riopelle (the "Property") in Eastern Market into a mixed-use commercial development (the "Project").

The loan request was a result of the Developer's desire to begin Brownfield Plan Eligible Activities for the Project, which entails a \$24 million mixed-use renovation of a 105,544 square foot building into commercial office space, food accelerator space, restaurant space, event space, and common area space supported by 370 on-site surface parking spaces. Approximately \$4.47 million in Brownfield TIF revenue will be captured for eligible activities which include environmental studies and remediation, demolition, lead & asbestos abatement, site preparation, infrastructure, brownfield and work plan preparation, and interest.

The Loan closed on October 22, 2020 and was approved with the following terms between the Developer and the DBRA:

<b>Loan Amount:</b>	\$250,000.00
<b>Interest Rate:</b>	4.0% per annum
<b>Maturity Date:</b>	The closing date of the Developer's Construction Loan or October 22, 2021, whichever occurs first.
<b>Security:</b>	First lien mortgage on the Property. Property has a value of \$3,116,838.00 per a Broker's Price Opinion
<b>Eligible Uses:</b>	Demolition and demolition soft costs.

Although work did begin on the Project, the Developer has experienced delays due to COVID-19 which adversely impacted leasing commitments and the ability to obtain financing. The Developer approached DBRA staff in spring of 2021 and requested an extension to the maturity date of the Loan from October 22, 2021 to September 30, 2022. The extension to the loan maturity date coincides with an extension to the Development Agreement between the Developer and the City of Detroit (the "City") to begin Phase II of the Project by the same date, which extension was granted by the City in July 2021. In July 2021, Invest Detroit approved a \$750K predevelopment loan for the Project which is in a subordinate position to the Loan.

Since redevelopment of contaminated and blighted properties is one of the DBRA's primary objectives and given the City's support for the Project extension, as well as additional financial support from Invest Detroit, DBRA staff is recommending modification of the Loan to extend the maturity date to September 30, 2022.

DBRA staff requested that the Local Brownfield Revolving Fund Committee recommend the proposed Loan modification to the DBRA Board of Directors.

Mr. Scott asked for more information on the need for the extension. Mr. Holdwick stated that in April of 2020, about 70% of the commercial spaces were committed to future tenants, and due to Covid-19, some of those tenants, including the largest one, re-evaluated their commitments to the development and are no longer going to be occupying those commercial spaces. Mr. Holdwick added that about \$2.5 million has been invested into the Property to clean and remediate the building.

Citing no further discussion, Ms. McClain called for a motion recommending support for the Local Brownfield Revolving Fund Loan Modification Request for Riopelle Market Development LP for the Mosaic Eastern Market Project, as presented. The Committee took the following action:

Mr. Scott made a motion recommending support for the Local Brownfield Revolving Fund Loan Modification Request for Riopelle Market Development LP for the Mosaic Eastern Market Project, as presented. Ms. Wilkins seconded the motion. A roll call vote was conducted with the following result:

Ayes: Ms. McClain, Ms. Wilkins, and Mr. Scott

Nays: None.

The committee members present unanimously recommended approval of the Local Brownfield Revolving Fund Loan Modification Request for Riopelle Market Development LP for the Mosaic Eastern Market Project, as presented.

### **Proposed Local Brownfield Revolving Fund Grant and Loan Request for 3820 West End, LLC for Osi West End Project**

Mr. Vosburg presented the Proposed Local Brownfield Revolving Fund Grant and Loan Request for 3820 West End, LLC for Osi West End Project to the LBRF Committee.

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

3820 West End, LLC, (the “Developer”) is development team formed in 2019 led by Roderick Hardamon and George N’Namdi. The Developer is seeking to redevelop a 0.36-acre vacant parcel of land at 3820 Grand River into a mixed-use development (the “Project”). To facilitate the development, the Developer is seeking \$375,000.00 from the Detroit Brownfield Redevelopment Authority (“DBRA”) Local Brownfield Revolving Fund (the “LBRF”) as follows: \$100,000 in the form of a grant (“Grant”) and \$275,000.00 as a loan to Developer (the “Loan”).

The Project’s Osi West End Brownfield Plan was approved by the DBRA on October 9, 2019 and City Council on November 5, 2019 and the Work Plan was approved on January 22, 2020 by the Michigan Strategic Fund (the “MSF”). The Brownfield Plan and Work Plan will both need to be amended in order to incorporate the Grant and Loan and therefore any approval will be contingent upon full approval by the DBRA, Detroit City Council, MSF (for the CRP loan only) and EGLE of the amended Brownfield Plan and Work Plan.

The Grant and Loan request is a result of the Developer encountering greater than expected Brownfield Plan Eligible Activities at the Project. The Project has received approval for loan funding from the following sources: Local Initiatives Support Corporation (“LISC”) for \$3.78M, the MSF’s CRP for \$1.2M, the City of Detroit’s Affordable Housing Leverage Fund (“AHLFF”) for \$470,000 and Invest Detroit for \$400,000. The Project has also received a grant from the AHLFF for \$150,000. In addition, the Developer’s equity contribution to the Project will be approximately \$700,000.

The Grant and Loan will support a \$7 million new construction project of a 5 story, 30-unit apartment building with 5,000 square feet of ground floor retail and 23 spaces of surface parking behind the building. Approximately \$833,284 in Brownfield TIF revenue will be captured for eligible activities which include environmental studies and remediation, demolition, site preparation, public infrastructure, green stormwater systems, and brownfield and work plan preparation.

This Project brings back to life a large vacant site on Grand River near the intersection of the Woodbridge, North Corktown and Core City neighborhoods. It is projected to create a total of 43 construction jobs and 2 FTEs permanent jobs.

Under the LBRF, funds are available to developers to use for only Brownfield Plan eligible activities with approved Brownfield Plans. Grants are available for government, non-profit and Detroit headquartered developers. Loans and Grants are available for all eligible activities on eligible property defined under Michigan Public Act 381 of 1996, as amended. DBRA staff is recommending the approval of the Grant and Loan through the LBRF in accordance with the proposed terms below.

<b>Grantee/Borrower Name:</b>	3820 West End, LLC
<b>Grantee/Borrower Location:</b>	3820 Grand River, Detroit MI 48208
<b>Loan Request:</b>	\$275,000.00
<b>Interest Rate:</b>	1.0% per annum
<b>Loan Term:</b>	10 years, amortized over 30 years
<b>Loan Repayment:</b>	Interest only payments for years 1-3, principal & interest years 4-10. Balloon payment at end of term.
<b>Security:</b>	Pari passu lien position on Brownfield TIF revenue with LISC. Invest Detroit will have a second lien position on the Brownfield TIF revenue. Brownfield TIF will have a value of \$833,284 with the Amended & Restated Brownfield Plan.
<b>Grant Request</b>	\$100,000.00
<b>Fee:</b>	1% of the Grant and Loan amount due at application.
<b>Eligible Uses:</b>	Act 381 eligible activities identified in the Brownfield Plan, including environmental studies & investigation, environmental remediation, demolition, infrastructure (including green storm water systems), site preparation, brownfield & work plan preparation & implementation.
<b>Disbursement:</b>	DBRA will disburse funds no more frequently than on a monthly basis for Developer's requested Brownfield Plan eligible expenses. Funds will be disbursed as part of project construction draw requests and in coordination and agreement with other funders, or on a reimbursement basis.
<b>Conditions:</b>	Satisfactory review and acceptance of standard due diligence items. Binding commitments for construction loan(s) and evidence of equity contribution. Borrower will provide itemized schedule and use of funds. Execution of mutually acceptable loan documents. Approval by the DBRA, Detroit City Council, MSF (for the CRP loan only) and EGLE of the amended Brownfield Plan and Work Plan.

DBRA staff requests that the LBRF Committee recommend approval of the Loan and Grant to the DBRA Board of Directors.

Mr. Scott asked if the Loan and Grant are being requested because of the increase in environmental remediation costs. Mr. Vosburg confirmed that the Loan and Grant are being requested because of the increase in environmental remediation costs.

Mr. Scott asked what the total amount of the environmental remediation for the project is. Mr. Hardamon stated that the total environmental remediation costs for the project are around \$650,000 and they had anticipated having to excavate about 20% of the Property to a depth of 6 feet to remove contaminated soils and ended up having to remove 7,000 tons of contaminated soil and then backfill the Property, and that the Developer has contributed an additional \$250,000 of capital to cover the increase in costs.

Mr. Scott asked what the increase is in TIF for environmental costs under the Plan. Mr. Hardamon stated that the increase in TIF for environmental costs under the Plan were about \$450,000.

Mr. Scott asked who the environmental consultant is for the project. Mr. Hardamon stated that Mannik and Smith is the environmental consultant for the project and that the increase in environmental remediation needed on the Property was not due any negligence on their part, extensive environmental testing was conducted on the Property, and that a smaller increase in remediation costs was anticipated but not to the extent that was discovered and remediated.

Mr. Scott asked who has first position on the TIF reimbursements should the Developer default on the Loan. Mr. Vosburg stated that the DBRA is in a co-first position with LISC on the TIF reimbursements should the Developer default on the Loan.

Citing no further discussion, Ms. McClain called for a motion recommending support for the Proposed Local Brownfield Revolving Fund Grant and Loan Request for 3820 West End, LLC for Osi West End Project, as presented. The Committee took the following action:

Ms. Wilkins made a motion recommending support for the Proposed Local Brownfield Revolving Fund Grant and Loan Request for 3820 West End, LLC for Osi West End Project, as presented. Mr. Scott seconded the motion. A roll call vote was conducted with the following result:

Ayes: Ms. McClain, Ms. Wilkins, and Mr. Scott

Nays: None.

The committee members present unanimously recommended approval of the Proposed Local Brownfield Revolving Fund Grant and Loan Request for 3820 West End, LLC for Osi West End Project, as presented.

#### **Proposed Local Brownfield Revolving Fund Grant and Loan Request for Woodborn Partners for Brooke on Bagley Development Project**

Mr. Vosburg presented the Proposed Local Brownfield Revolving Fund Grant and Loan Request for Woodborn Partners for Brooke on Bagley Development Project to the LBRF Committee.

Woodborn Partners, LLC, (the "Developer") is development team formed in 2018 led by Cliff Brown, majority owner and minority ownership partners. The Developer is seeking to redevelop various blighted properties in the southwest Detroit Strategic Neighborhood located at Bagley and 16<sup>th</sup> Street including the properties located at 2420 Bagley, and 1725 and 1729 16<sup>th</sup> St. (collectively, the "Property") into 78 residential units and approximately 2,600 SF of commercial space (the "Project"). Upon completion of construction, the Project will feature 78 residential of which 20% will be reserved for households at 80% AMI. This Project will activate vacant land adding density and activity to a once blighted area. It is projected to create a total of 105 construction jobs and 3 FTEs permanent jobs.

To facilitate the development, the Developer is seeking \$732,439.00 in financing from the City of Detroit Brownfield Redevelopment Authority ("DBRA") Local Brownfield Revolving Fund (the "LBRF") to be provided to the Project as follows: \$632,439.00 to be provided as a loan to Developer (the "Loan") and \$100,000.00 to be provided as a grant to Developer (the "Grant"). The Project's Brownfield Plan was presented to and approved by the DBRA Board of Directors on June 9, 2021 and presented and approved by City Council on July 20th. The Developer has targeted to present the Project to the Michigan Strategic Fund December 7, 2021.

The Loan and Grant request is a result of the Developer's desire to begin Brownfield Plan Eligible Activities for the Project, often the first construction activities of any project, in advance of Developer's closing on its construction financing. The Project has received a \$10,265,956 construction financing letter of interest from Mercantile Bank and it is anticipated that the Project will include financing from Invest Detroit, the Economic Development Corporation of Detroit, Michigan Strategic Fund ("MSF") Community Revitalization Program funds, and sponsor equity.

In addition to the financing being directly provided to the Project, approximately \$2.504M in Brownfield TIF revenue will be captured for eligible activities which include environmental studies and remediation,

demolition, lead & asbestos abatement, site preparation, infrastructure, brownfield and work plan preparation, and interest.

Under the LBRF, funds are available to developers to use for only Brownfield Plan eligible activities with approved Brownfield Plans. Loans and grants are available for all eligible activities on eligible property defined under Michigan Public Act 381 of 1996, as amended. As the Developer has an approved Brownfield Plan and the Property is an eligible property under Act 381, DBRA staff is recommending approval of the Loan and Grant through the LBRF in accordance with the proposed terms and sources and uses below.

**Borrower Name:** Woodborn Partners, LLC.

**Borrower Location:** 3663 Woodward, Suite 500, Detroit, MI 48201

**Loan Request:** \$632,439.00 payable to the DBRA pursuant to a promissory note in accordance with the following:

**Interest Rate:** 2% per annum

**Fee:** 1% of the loan amount due at application.

**Term:** One hundred and twenty (120) months.

**Repayment:** Interest only payments for forty-eight (48) months followed by monthly P & I payments through the maturity date. Upon maturity, a balloon payment of principal plus accrued interest shall be due and payable.

**Security:** First-Position lien on Brownfield Tax Increment Financing Revenue

**Grant Request:** \$100,000 grant to be provided to Developer for the eligible uses described hereinafter

**Eligible Uses:** Those identified in Attachment E of the Bagley & 16<sup>th</sup> Brownfield Plan approved by the DBRA Board of Directors

**Disbursement:** DBRA will disburse funds no more frequently than on a monthly basis for Developer's requested eligible expenses

**Conditions:** Satisfactory review and acceptance of standard due diligence items.  
Binding commitments for construction loan(s).  
Borrower will provide itemized schedule and use of funds.  
Execution of mutually acceptable loan and grant documents.

**SOURCES AND USES**

	Cost	%
Senior Loan - Mercantile Bank	\$ 10,265,956.00	49%
EDC Loan #1	\$ 200,000.00	1%
EDC Loan #2	\$ 911,400.00	4%
Brownfield Revolving Loan Fund (loan)	\$ 632,439.00	3%
Invest Detroit SNF	\$ 1,693,408.00	8%
CRP	\$ 3,771,862.00	18%
EGLE Grant	\$ 1,000,000.00	5%

Brownfield Revolving Grant	\$ 100,000.00	0%
Deferred Developer Fee	\$ 203,484.00	1%
Cash Equity	\$ 2,323,792.00	10%
<b>Total Sources</b>	<b>\$ 21,102,341.00</b>	<b>100%</b>

**Use of Funds**

<b>Land Acquisition</b>	\$ 1,457,000.00	8%
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**Hard Costs**

Site Improvements (ROW, landscaping, fencing, site lighting, drainage, utilities)	\$ 273,825.00	1%
Demolition	\$ -	0%
Structures	\$ 12,665,701.00	68%
Earthwork	\$ 273,957.00	1%
Builder Overhead/Profit/General Requirements/Temp Facilities	\$ 2,023,211.00	11%
Permits/Tap Fees/Bond/Bost Certification	\$ 145,249.00	1%
Soft Cost Contingency	\$ 82,404.00	0%
Construction Contingency	\$ 1,614,818.00	9%
Furniture & Fixtures	\$ 220,001.00	1%
<b>Subtotal Hard Costs</b>	<b>\$ 18,756,166.00</b>	<b>89%</b>

Architectural & Engineering	\$ 510,000.00	2%
Loan Fees	\$ 181,000.00	1%
Construction Interest, Taxes, and Insurance	\$ 493,904.00	2%
Title Work	\$ 20,000.00	0%
Operating Reserve, Administrative, Marketing & Leasing	\$ 107,371.00	1%
Soft Cost Contingency	\$ 82,404.00	0%
Project Management Fee	\$ 25,000.00	0%
Developer Fee	\$ 813,936.00	4%
Marketing Study	\$ 112,560.00	1%
<b>Subtotal Soft Costs</b>	<b>\$ 2,346,175.00</b>	<b>11%</b>

<b>TOTAL DEVELOPMENT COSTS</b>	<b>\$ 21,102,341.00</b>	<b>100%</b>
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**Debt Service Analysis**

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Gross Income	\$ 1,413,006.00	\$ 1,454,286.00	\$ 1,496,788.00
Total Expenses	\$ (459,533.00)	\$ (471,760.00)	\$ (484,315.00)
Net Operating Income	\$ 953,473.00	\$ 982,526.00	\$ 1,012,473.00

**Debt Service**

Sr. Loan   Mercantile Bank	(24 months I/O, then P&I)	\$ (410,638.00)	\$ (410,638.00)	\$ (650,250.00)
EDC Loan #1 (\$200K)	(24 months I/O, then P&I)	\$ (8,000.00)	\$ (8,000.00)	\$ (14,544.00)
EDC Loan #2 (\$911K)	(36 months I/O, then P&I)	\$ (36,800.00)	\$ (36,800.00)	\$ (36,800.00)
Brownfield Revolving Loan Fund	(48 months I/O, then P&I)	\$ (12,640.00)	\$ (12,640.00)	\$ (12,640.00)
Invest Detroit SNF	(24 months I/O, then P&I)	\$ (61,537.00)	\$ (61,537.00)	\$ -
MEDC CRP Loan	(36 months I/O, then P&I)	\$ (37,719.00)	\$ (37,719.00)	\$ (37,719.00)
<b>Leveraged Cash Flow</b>		\$ 384,130.00	\$ 413,183.00	\$ 258,511.00

**Total Debt Service Coverage Ratio** 1.68 1.73 1.35

DBRA staff requested that the LBRF Committee recommend approval of the Loan and Grant to the DBRA Board of Directors.

Mr. Scott asked why the Developer is requesting the Grant and Loan. Mr. Vosburg stated that the Grant and Loan are being requested to help fill the capital stack to fund the project.

Mr. Scott asked if the Grant and Loan are going to be used for any specific purpose for the project. Mr. Vosburg stated that the Grant and Loan can be used for any of the approved eligible activities in the Plan.

Mr. Scott asked how the interest rate for the Loan was determined. Mr. Vosburg stated that the interest rate was determined by the amount of the Loan as well as what the project could financially support.

Mr. Brown asked if the Grant and Loan could be through Bagley + 16<sup>th</sup>, LLC instead of Woodborn Partners, LLC. Mr. Vosburg confirmed that the Grant and Loan could be through Bagley + 16<sup>th</sup>, LLC instead of Woodborn Partners, LLC and that the documents would be updated to reflect the change in entity.

Citing no further discussion, Ms. McClain called for a motion recommending support for the Proposed Local Brownfield Revolving Fund Grant and Loan Request for Woodborn Partners for Brooke on Bagley Development Project, as presented. The Committee took the following action:

Mr. Scott made a motion recommending support for the Proposed Local Brownfield Revolving Fund Grant and Loan Request for Woodborn Partners for Brooke on Bagley Development Project, as presented. Ms. Wilkins seconded the motion. A roll call vote was conducted with the following result:

Ayes: Ms. McClain, Ms. Wilkins, and Mr. Scott  
Nays: None.

The committee members present unanimously recommended approval of the Proposed Local Brownfield Revolving Fund Grant and Loan Request for Woodborn Partners for Brooke on Bagley Development Project, as presented.

**PUBLIC COMMENT**

None.

**ADJOURNMENT**

Citing no further business, Ms. McClain called for a motion to adjourn the meeting. Committee members present unanimously approved adjournment at 1:36 PM.