



**ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
TUESDAY, DECEMBER 21, 2021 – 9:00 A.M.**

MEMBERS PRESENT: Linda Forte, Chair
Damon Hodge
Kwaku Osei

MEMBERS ABSENT: Thomas Stallworth

OTHERS PRESENT: Gay Hilger (DEGC/EDC)
David Howell (DEGC/EDC)
Kaci Jackson (DEGC/EDC)
Malinda Jensen (DEGC/EDC)
Paul Kako (DEGC/EDC)
Jennifer Kanalos (DEGC/EDC)
Glen Long (DEGC/EDC)
Lexi Mabry (DEGC/EDC)
Rebecca Navin (DEGC/EDC)
Mike Vieregge (Invest Detroit)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
TUESDAY, DECEMBER 21, 2021
ZOOM VIRTUAL MEETING – 9:00 A.M.**

CALL TO ORDER

Chairperson Forte called the meeting of the Finance Committee of the Economic Development Corporation to order at 9:00 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 November 22, 2021 Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Osei made a motion approving the minutes of the November 22, 2021 Finance Committee meeting, as written. Mr. Hodge seconded the motion. All were in favor with none opposed. The minutes of the November 22, 2021 Finance Committee meeting were approved.

PROJECTS

Proposed EDC Loan Fund Loan Request for Life is a Dreamtroit, LLC.

Ms. Jackson reported that Life Is A Dreamtroit, LLC (the “Developer”) is a Detroit-based development company that is comprised of Matt Naimi and Oren Goldenberg. Matt Naimi is the founder and owner of Recycle Here!, Green Living Spaces and Lincoln St. Art Park. Oren Goldenberg is a filmmaker and is the owner of Cass Corridor Films. Each have called Detroit home for over 15 years. The Development team is seeking to redevelop 1331 Holden St. into a mixed-use development consisting of 81 residential units; 36,000 sf of commercial/retail space, and approximately 100,000 sf of programmed public space. The residential units will be primarily marketed to artists desiring to reside in the City of Detroit and the Developer has executed lease agreements for the retail/commercial spaces with Recycle Here!, Make Art Work, TXL Adventures, MABABA LLC. (*Marble Bar*), and Cass Corridor Films.

This project began construction in Q1 2021 with a redevelopment budget of \$34M. Ms. Jackson stated that she wanted to correct the amount, which should be \$32.3 million. However, the project has since experienced a budget shortfall in the amount of \$1.7M, which is directly attributed to unforeseen structural damages, coupled with the rising costs



of materials and unexpected consequences of the COVID-19 pandemic. In order to complete the construction and to fill the financing gap created by the aforementioned events, the Developer is seeking a \$500,000 loan (“Loan”) from the Economic Development Corporation (“EDC”). The remaining funds to address the financing gap are a \$500,000 Housing Trust Fund grant from the City of Detroit, a \$500,000 increase from the MSF Michigan Community Revitalization Program and a \$200,000 loan from Invest Detroit. The Loan will fund construction or other costs incurred for the Project, an exact list of which will be agreed between EDC staff and Borrower.

The Construction Manager selected by the developer is MIG, a minority-owned, Detroit-based construction management firm. Additionally, Detroit-based, Kramer Design Group has been selected as the lead design and architect. The developer initially targeted a 18-month construction timeline, which would have delivered completed units to market in Q3 2022. However, due to project delays, the Developer anticipates a completed product in Q3 2023. Upon completion, the Project will produce 81 - mixed income residential units, comprised of studios, 1 bedroom and 2-bedroom units. Unit sizes will range from 282 sf to 990 sf, with 57 units having rental rates falling between 40% to 80% Area Median Income (*studios \$600 - \$900; 1-bedroom \$1,100 - \$1,400; 2 bedroom – \$1,875*). The development will preserve and remediate the Original Lincoln Motor Factory, provide 1 acre of public spaces accessible 24 hours a day, provide a recycling center for Detroiters, a 15,000 sf outdoor venue, and a home for Detroit creatives. The Project will create 46 skilled labor construction jobs and it is anticipated the project will employ 1 FTE.

Project financing is provided by Capital Impact and IFF, Invest Detroit, Michigan Strategic Fund’s (“MSF”) Michigan Community Revitalization Program funds, Affordable Housing Leverage funding and sponsor equity. In addition, the Project utilizes Brownfield TIF, a PA 210 and NEZ abatement, historic tax credit and new market tax credit financing.

To facilitate the development of the Project and to assist in filling the \$1.7M financing gap, the Developer is seeking financing from the EDC in the form of a loan in the amount not to exceed \$500,000 (the “Loan”). Due to the timing needs of the Project, in the event that EDC is unable to close on the Loan in the timeframe required by the Project, the Loan will be made by Invest Detroit and assigned to EDC following the satisfaction of all EDC approvals and conditions.

The proposed Loan terms, sources and uses, and debt service analysis follows.



Borrower Name: Life Is A Dreamtroit, LLC.
Borrower Location: 1331 Holden St., Detroit, MI 48201
Request: \$500,000
Rate: 3%
Term: 84 months, amortized over 25 years
Repayment: Interest payments deferred for the first 24 months, followed by 24 months of interest only payments. Deferred interest will be treated as capitalized interest and added to principal balance at the start of the 5th year. Principal and interest payments are due each month through maturity starting at year 5.

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 and pari passu with the MEDC and Invest Detroit.

Guaranty: Personal Guaranty of Matthew Naimi and Oren Goldenberg, in which EDC will be subordinated to senior lender.

Eligible Uses: Site improvements, construction, acquisition of Property, and/or purchase of FFE.

Disbursement: The 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. Issuance of a Loan Policy of Title Insurance at closing.

SOURCES AND USES

	Cost	%
Sources		
Senior Loan - IFF and CIP	\$ 3,839,632.00	
Subordinated Debt	\$ 3,302,411.00	10%
NMTC QLICI Loans	\$ 15,827,000.00	
Equity	\$ 7,651,027.00	22%
Investor Equity Bridge (NMTC)	\$ 3,412,500.00	10%
Total Sources	\$ 34,032,570.00	42%



Use of Funds

Land Acquisition	\$ 3,850,000.00	17%
Hard Costs		
Site Improvements (ROW, landscaping, fencing, site lighting, drainage, utilities)	\$ 225,448.00	1%
Demolition	\$ 939,841.00	4%
Structures	\$ 12,390,954.00	55%
Earthwork	\$ 1,516,742.00	7%
Builder		
Overhead/Profit/General Requirements/Temp Facilities	\$ 1,642,228.00	7%
Permits/Tap Fees/Bond/Bost Certification	\$ 311,256.00	1%
Construction Contingency	\$ 1,749,933.00	8%
Subtotal Hard Costs	\$ 22,626,402.00	66%
Soft Costs		
Architectural & Engineering	\$ 811,196.00	2%
Loan Fees	\$ 1,513,682.00	4%
Construction Interest, Taxes, and Insurance	\$ 1,099,378.00	3%
Title Work	\$ 20,000.00	0%
Operating Reserves	\$ 2,106,236.00	6%
Soft Cost Contingency	\$ 200,000.00	1%
Developer Fee	\$ 208,144.00	1%
Subtotal Soft Costs	\$ 5,958,636.00	18%
Return of Capital - Borrower Equity	\$ 1,620,000.00	5%
Repayment of Senior Direct Loan	\$ 2,053,835.00	6%
Repayment of HTC Bridge	\$ 1,773,697.00	5%
Subtotal	\$ 5,447,532.00	16%
TOTAL DEVELOPMENT COSTS	\$ 34,032,570.00	100%



Debt Service Analysis

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Gross Income	\$ 1,301,000.00	\$ 1,326,000.00	\$ 1,353,000.00
Total Expenses	\$ (547,000.00)	\$ (563,000.00)	\$ (580,000.00)
Net Operating Income	\$ 754,000.00	\$ 763,000.00	\$ 773,000.00
Debt Service			
Senior Loan	\$ (233,000.00)	\$ (233,000.00)	\$ (233,000.00)
Subordinated Debt + NMTC QLICI Loans	\$ (429,000.00)	\$ (429,000.00)	\$ (439,000.00)
EDC Loan	\$ (16,000.00)	\$ (16,000.00)	\$ (27,000.00)
Leveraged Cash Flow	\$ 76,000.00	\$ 85,000.00	\$ 74,000.00
Total Debt Service Coverage Ratio	1.11	1.13	1.11

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

Ms. Forte asked for a motion. Mr. Osei made a motion to approve the project, which was supported by Mr. Hodge.



Ms. Forte called for questions/comments/discussion.

Mr. Hodge asked why the project was delayed and what the proposed date is for the beginning of construction.

Ms. Jackson stated that some of the financing closed earlier this year and construction began. However, construction has now stopped, and it is anticipated to restart the first quarter of next year.

Mr. Vieregge of Invest Detroit said that he would like to provide additional information for consideration. They closed on the capital stack in February 2021. Construction, demolition, and reconstruction began, and a couple of events happened. One was COVID and the costs went up. The issue was that we had a guaranteed maximum price contract, but there was a condition in that contract that allowed the price to increase, which is no longer a part of the current GMP, but that is what allowed some of these overruns. There also was a windstorm that knocked down one of the historic walls, so that had to be restored. Insurance proceeds of \$1.2 million will be coming into the project to cover that. With the overage, an increase in the capital stack was necessary. The new market tax credits have come in to help, but there is still this \$1.7 million gap. Various pieces have come together in the community—the City, EDC, MEDC--and Invest Detroit approved a bridge loan last week.

Ms. Forte asked what GMP is. Mr. Vieregge responded that it is a guaranteed max price contract which is supposed to lock in costs, but there was a clause that allowed it to increase. Ms. Forte questioned what that clause was. Mr. Vieregge advised that it was a force majeure clause and that clause is not a part of the current GMP contract.

Mr. Hodge asked when completion was anticipated. Mr. Vieregge stated that the project is approximately 20 percent complete, construction will resume early January and it is anticipated to be completed in 10 months.

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

Mr. Osei made a motion to recommend approval of the Loan to Life is a Dreamtroit, 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 Life is a Dreamtroit, LLC to the Board of Directors.

ADMINISTRATION

None.



OTHER MATTERS

Ms. Navin advised that the authorization that allows remote meetings of this body and all of the public authorities is sunsetting December 31, and at this time we will have to resume in-person meetings in January. Ms. Navin stated that due to the current amount of COVID cases, there is a possibility that the authorization could be extended later this month, and will notify you if this happens.

PUBLIC COMMENT

None.

ADJOURNMENT

On a motion by Mr. Osei, seconded by Mr. Hodge, Chairperson Forte adjourned the meeting at 9:14 a.m.