



**ECONOMIC DEVELOPMENT CORPORATION  
BOARD OF DIRECTORS SPECIAL MEETING  
MONDAY, MAY 11, 2020 – 9:00 A.M.**

**BOARD MEMBERS PRESENT:** Clifford Brown  
Marsha Bruhn  
Linda Forte  
Chris Jackson  
Kwaku Osei  
Jonathan Quarles  
Kimberly Clayson

**BOARD MEMBERS ABSENT:** Damon Hodge  
Arthur Jemison (Ex-Officio)  
John Naglick (Ex-Officio)  
Thomas Stallworth

**SPECIAL DIRECTORS  
PRESENT:** None

**SPECIAL DIRECTORS  
ABSENT:** None

**OTHERS PRESENT:** Kenyetta Bridges (DEGC/EDC)  
Cora Capler (DEGC/EDC)  
Catherine Frazier (DEGC/EDC)  
Myles Hamby (The Platform)  
Gay Hilger (DEGC/EDC)  
Denise Hundley (DEGC/EDC)  
Paul Kako (DEGC/EDC)  
Malinda Jensen (DEGC/EDC)  
Jennifer Kanalos (DEGC/EDC)  
Glen Long (DEGC/EDC)  
Rebecca Navin (DEGC/EDC)  
Kelly Shovan (DEGC/EDC)  
Allen Weiss (The Platform and Capital Market)  
Ed Wizner (The Platform)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION  
BOARD OF DIRECTORS SPECIAL MEETING  
MONDAY, MAY 11, 2020  
HELD VIA ZOOM VIRTUAL MEETING  
9:00 A.M.**

**GENERAL**

**Call to Order**

Chairperson Forte called the meeting of the Economic Development Corporation Board of Directors to order at 9:04 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 March 31, 2020 Board meeting. Hearing none, the Board took the following action:

Ms. Bruhn made a motion approving the minutes of the March 31, 2020 Board meeting, as presented. Mr. Quarles seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Brown, Ms. Bruhn, Ms. Clayson, Ms. Forte, Mr. Jackson, Mr. Osei, and Mr. Quarles.

Nays: None.

EDC Resolution Code 20-05-02-330 was approved.

**Receipt of Treasurer's Report**

Ms. Shovan reviewed the Treasurer's Report of Receipts and Disbursements for the month of March 2020 for the benefit of the Board. Seeing no discussion, the Board took the following action:

Mr. Osei made a motion accepting the Treasurer's Report of Receipts and Disbursements for the month of March 2020, as presented. Ms. Bruhn seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Brown, Ms. Bruhn, Ms. Clayson, Ms. Forte, Mr. Jackson, Mr. Osei, and Mr. Quarles.

Nays: None.

EDC Resolution Code 20-05-03-250 was approved.

**PROJECTS**

**Proposed EDC Development Gap Financing Loan Request for Queen Lillian II LLC**

Ms. Frazier asked that the principals of the project introduce themselves. Mr. Jackson stated that he is the principal of the Queen Lillian II project and one of the investors. Mr. Allen Weiss, Director of The Platform and Partner with Capital Markets, Mr. Myles Hamby, Development Manager at The Platform, and Mr. Ed Wizner, Executive VP of The Platform, introduced themselves.



Ms. Navin advised that an EDC Board member, Mr. Jackson, has disclosed that he is an equity holder in this development project, and as such, the voting procedure will be different and will have to be conducted in accordance with Public Act 317 of 1968. The Act provides that when a public servant has a pecuniary interest, a disclosure must be made in writing or at a Board meeting and a vote cannot be taken for seven (7) days. That is why we are holding this meeting now. Another special meeting will be scheduled for May 18 at 9:00 a.m. A super quorum must be present at that meeting, or two-thirds of the Board members, and a vote will be taken, and it must pass with a two-thirds majority, excluding Mr. Jackson.

Ms. Frazier advised that Queen Lillian II, LLC, (the "Developer") is a Detroit-based development team formed in 2018 comprised of Chris Jackson, James Jenkins, and The Platform. The Developer is seeking to redevelop the site of 3439-3455 Woodward and 13 Stimson into a mixed-use commercial development. To facilitate the development, the Developer is seeking a \$2.2MM 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 smaller than expected loan from MSF. The MSF has asked EDC to service Developer's loan from MSF as well.

The EDC Loan will support a \$59 million mixed-use, new construction development of a 188,000 square foot, five-story, mixed-use building with 204 apartment units, approximately 24,000 square feet of ground-floor retail, and 84 on-site surface parking spaces on a currently vacant site. Of the 204 units, 20% will be affordable at 80% of the area median income, consisting of 35 studios and 5 one-bedroom units. The affordable unit rental rates are inclusive of utilities. Approximately 1,000 SF of retail space will be reserved along Stimson as "entrepreneur space" for an up-and-coming company, offering below-market rental rates. In addition, the development team is committed to reaching out to Detroit-based and minority owned businesses who are looking for brick and mortar locations.

The Developer has assembled a project team of Detroit-based talent including Sachse Construction as the general contractor, Hamilton Anderson Associates as the architect and interior designer (MBE), Skidmore Studio as the branding and marketing consultant, Center City Properties as the property management company, and Honigman as the tax incentive consultant. The Developer also plans to engage local artists to provide artwork for the project.

This development fills an important gap along Woodward between other thriving mixed-use developments in the heart of Detroit's Midtown neighborhood. The retail and food options at the Queen Lillian II project will increase the density of people living in Midtown as well as increasing the amenity offerings for the surrounding neighborhood. It is projected to create a total of 52 FTEs (50 in retail, 2 in building operations) and anticipated 300 construction jobs.

Please find below the proposed terms of the EDC Loan, sources and uses, and debt service analysis:



**Borrower Name:** Queen Lillian II LLC  
**Borrower Location:** 3011 West Grand Blvd., Suite 2300, Detroit MI 48202  
**Request:** \$2,200,000  
**Rate:** 3%

**Fee:** 1% of the award amount due at closing. Additional fees to be applied and paid throughout the term of the loan for servicing the MSF loan.

**Term:** 36 months with two 12-month extensions conditioned upon a corresponding extension of the senior loan and MSF loan. EDC shall have the option to extend the maturity date by an additional 5 years without seeking further EDC Board approval; provided, however, that (i) the EDC Loan is not then in default and (ii) each of the senior lender and MSF extend the maturity date of their respective loans by 5 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 (or to match the MSF loan, not to exceed 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.

**Amortization:** Interest only for 36 months, followed by principal and interest payments based on a 30-year amortization of the original amount of the EDC Loan.

**Security:** Subordinated Lien position on all business assets, Assignment of Leases and Rents, Subordinated Mortgage on the property, security interest in Tax Increment Financing Reimbursements. EDC's security interest will be subordinated to that of the senior lender, and pari passu with MSF.

**Guaranty:** Corporate Guaranty of Platform Neighborhood Investment Fund 1 LP, in which EDC will be subordinated to senior lender and pari passu with MSF. In addition, EDC will have a springing guaranty from Southern Realty Group Inc ("SRG") to be effective upon Corporate Guarantor's failure to satisfy certain financial covenants including, but not limited to, maintaining a minimum liquidity of \$3.5 million and a specified minimum net worth value throughout the term of the Loan. With respect to the Corporate Guarantor, liquidity will include irrevocable, capital commitments from the Corporate Guarantor's partners. Further, if the springing guaranty from SRG becomes effective, the minimum liquidity requirement applicable to SRG will be \$2.2 million.

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

**Disbursement:** Owner equity contributions are first, followed by a pro rata split between MSF and 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. Approval by City of Detroit Housing and Revitalization Department Director of EDC loan.

## SOURCES AND USES

### Sources

Senior Lender	\$41,165,000	70%
MEDC - CRP	\$5,300,000	9%
EDC - Economic Development Gap Financing	\$2,200,000	4%
Owner Equity	\$10,340,956	18%
<b>Total Sources</b>	<b>\$59,005,956</b>	<b>100%</b>

### Use of Funds

<b>Land Acquisition</b>	\$300,000	0.5%
<b>Hard Costs</b>		
Site Improvements (ROW, landscaping, fencing, site lighting, drainage, utilities)	\$2,451,648	4.2%
Structures	\$35,912,458	60.9%
Builder Overhead/Profit/General Requirements / Temp Facilities	\$3,617,229	6.1%
Permits/Tap Fees/Bond/Cost Certification	\$454,404	0.8%
Construction Contingency	\$4,011,369	6.8%
Furniture & Fixtures	\$327,000	0.6%
<b>Subtotal Hard Costs</b>	<b>\$46,774,108</b>	<b>79.3%</b>
<b>Soft Costs</b>		
Architectural & Engineering	\$2,617,140	4.4%
Environmental Studies/Soil Testing	\$78,089	0.1%
Other Professional, Security, and Related Fees	\$678,757	1.2%
Loan Fees	\$1,047,461	1.8%
Construction Interest, Taxes, and Insurance	\$2,889,599	4.9%
Title Work	\$55,000	0.1%
Operating Reserve, Administrative, Marketing & Leasing	\$1,146,526	1.9%
Developer Fee	\$2,259,811	3.8%
Project Management, Consulting, Related Party Fees	\$577,888	1.0%
Soft Cost Contingency	\$581,578	1.0%
<b>Subtotal Soft Costs</b>	<b>\$11,931,847</b>	<b>20.2%</b>



**TOTAL DEVELOPMENT COSTS**

**\$59,005,956 100%**

**Debt Service Analysis**

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Gross Income	\$ 5,190,824	\$ 5,261,253	\$ 5,364,287
Vacancy Loss	\$ (283,464)	\$ (289,134)	\$ (294,916)
Effective Income	\$ 4,907,359	\$ 4,972,119	\$ 5,069,370
Total Expenses	\$ (1,140,947)	\$ (1,179,532)	\$ (1,219,379)
<b>Unleveraged Cash Flow</b>	\$ 3,766,412	\$ 3,792,587	\$ 3,849,991
Debt Service			
CIBC (5%, 5 year, 30 year AMT)	\$ (2,651,791)	\$ (2,651,791)	\$ (2,651,791)
EDC (3%, 10 year, 30 year AMT)	\$ (116,363)	\$ (116,363)	\$ (116,363)
CRP (3%, 10 year, 30 year AMT)	\$ (268,140)	\$ (268,140)	\$ (268,140)
<b>Leveraged Cash Flow</b>	\$ 763,796	\$ 790,645	\$ 848,736

**Debt Service Coverage Ratio**      1.25                      1.26                      1.28

The EDC Finance Committee has recommended the approval of the proposed loan to the EDC Board of Directors and EDC staff now seeks approval of a loan to Developer consistent with the terms noted above. Attached is a project summary and a resolution for the Board's consideration.

Mr. Weiss explained for the benefit of the Board the Platform Neighborhood Fund and the corporate guaranty and springing guaranty structures.

Ms. Bruhn questioned why the interest rate on page 45 and page 47 were different. One is 3% and one is 4%. Board Member Clayson explained that the 3% is the interest rate of the EDC loan and the EDC loan represents 4% of the total lending.

Ms. Forte asked for clarification on the guaranty by The Platform and if EDC was subordinate to the senior lender. Mr. Weiss responded that there is no subordination to the other lenders.

Ms. Clayson asked what the timeline for the project is. Ms. Frazier answered that they expect to close in August, with construction starting in September.

Mr. Brown questioned when construction is expected to be completed and the building will open. Ms. Frazier anticipated construction timeline is ed 24 months, with opportunity for final punch list for completed construction between 24-36 months. She also noted that this public land and there will be a development agreement in place with the Detroit Brownfield Redevelopment Authority.



Ms. Bruhn asked about the size of the units. Mr. Hamby advised that the studios will be 425 to 525 sq. ft., 1-bedroom units will be 700 – 750 sq. ft. and 2-bedroom units will be over 1,100 sq. ft., with various layouts.

Ms. Forte asked about the proposed rental rates for the project. The average market rental rate will be \$2.25 per sq. ft., with studios a little higher and 2 bedrooms a little lower.

Mr. Brown has an ownership interest in the Scott at Brush Park. He advised that these rates are roughly consistent with this project which is located across the street.

Ms. Forte asked if there were any other questions. Hearing none, she called for a motion. Ms. Navin reminded that the Board cannot take a motion or approve until next week. At the May 18 Special Board meeting, there will not be another presentation, however, the Board will have an opportunity to ask any additional questions they may have and then call for a vote.

#### **ADMINISTRATION**

None.

#### **OTHER MATTERS**

None.

#### **PUBLIC COMMENT**

None.

#### **ADJOURNMENT**

On a motion by Ms. Bruhn, seconded by Mr. Osei, Ms. Forte adjourned the meeting at 9:31 a.m.



**CODE EDC 20-05-02-330**

**APPROVAL OF MINUTES OF MARCH 31, 2020 SPECIAL MEETING**

**RESOLVED**, that the minutes of the special meeting of March 31, 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.

May 11, 2020



CODE EDC 20-05-03-250

**RECEIPT OF TREASURER'S REPORT FOR MARCH 2020**

**RESOLVED**, that the Treasurer's Report of Receipts and Disbursements for the period ending March 31, 2020, as presented at this meeting, is hereby in all respects accepted as action of the Economic Development Corporation.

May 11, 2020