



**ECONOMIC DEVELOPMENT CORPORATION  
FINANCE COMMITTEE MEETING  
THURSDAY, MARCH 4, 2021 – 2:00 P.M.**

**MEMBERS PRESENT:** Damon Hodge  
Kwaku Osei  
Thomas Stallworth, Acting Chair

**MEMBERS ABSENT:** Linda Forte

**OTHERS PRESENT:** Cora Capler (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)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION  
FINANCE COMMITTEE MEETING  
THURSDAY, MARCH 4, 2021  
ZOOM VIRTUAL MEETING – 2:00 P.M.**

**CALL TO ORDER**

Noting that a quorum was present, Treasurer and Acting Chair Stallworth called the meeting of the Finance Committee of the Economic Development Corporation to order at 2:13 p.m.

**APPROVAL OF MINUTES**

Mr. Stallworth asked if there were any additions, deletions or corrections to the minutes of the December 4, 2020 Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Hodge made a motion approving the minutes of the December 4, 2020 Finance Committee meeting, as presented. Mr. Osei seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Hodge, Mr. Osei, and Mr. Stallworth.

Nays: None.

The minutes of the December 4, 2020 Finance Committee meeting were approved.

**PROJECTS**

**EDC Development Gap Financing Loan: Proposed Loan Modification Request for Spearman Partners LLC**

Ms. Jackson reported that Spearman Partners, LLC. (the “Developer”) is a Detroit-based development team formed in 2015 comprised of Detroit residents Chase Cantrell and Jason Headen. The Developer will be redeveloping the blighted property located at 7400 W. McNichols (the “Property”) into two bar and restaurant retail spaces. To facilitate the development, the Developer received approval in September 2020 for a \$275,000 loan from the Economic Development Corporation of the City of Detroit (“EDC”) Economic Development Gap Financing Loan Fund (the “EDC Loan”). The loan request was a result of the reduction of the Michigan Strategic Fund (“MSF”) 2019-2020 annual budget, which reduced the amount of Community Revitalization Program funding dollars available to development projects statewide and resulted in a no funding from MSF.

The EDC Loan will support a \$2.8 MM redevelopment of the 7,000 square foot, single-story building located on the Property into restaurant and bar retail spaces (the “Project”).



In preparation to close Invest Detroit's construction loan and the SNF grant for this Project and complete final analysis and underwriting, Invest Detroit has come to the EDC requesting a modification in the terms of the EDC Loan in order to satisfy the New Market Tax Credit true debt analysis for the Project (the "Modification Request")

The Modification Request is as follows:

EDC will agree in advance to resubordinate the EDC Loan and extend the maturity date to match the maturity of any takeout/refinance loans ("Refi Loans") that are put in place to refinance the original loans senior to EDC ("Senior Debt") or any subsequent refinances of the Refi Loans, provided the following conditions are met:

1. Borrower has made good faith efforts to maximize the refinance/takeout proceeds available to the project and is unable to fully repay the EDC Loan at the time of any maturity extension and resubordination.
2. The total combined term of the EDC loan extensions shall not exceed 25 years (i.e. 33-year maximum maturity including the initial 8-year term).
3. Any new refinance loans senior to EDC are equal to or less than the then-current principal amount of the loans they are refinancing plus closing costs of the refinance loan(s).
4. EDC will not be required to resubordinate to any refinance of the New Markets Tax Credit "C" Note.
5. No original senior lender to the Project is providing refinance debt with a higher interest rate or increased annual amortization payments as compared to the original debt.

The original terms approved by the Board contemplated extensions of up to four (4) years on the 8-year EDC Loan term. Given the overall capital stack and Project proforma, staff believes it is likely that full repayment will be feasible within the first twelve (12) years of the loan, but with the Modification Request, a 33-year term will be permissible. Nonetheless, in light of the importance of this Project in the Liv-6 Strategic Neighborhood and its potential impact as an anchor to this commercial corridor and to the neighborhood, staff requested that the Finance Committee recommend the Modification Request to the EDC Board for approval.

Mr. Stallworth asked if there was a motion. Mr. Osei made a motion to approve and Mr. Hodge supported that motion. Mr. Stallworth opened the floor to discussion.

Mr. Hodge asked about the borrower's interest rate and if the borrower could refinance at a higher interest rate. Ms. Jackson advised that there are different rates for different parts of the stack and advised she would get the rates. While Ms. Jackson was pulling up the interest rate information, Ms. Navin pointed out that it is the original lender that cannot



raise the interest rate. So, if the refinance is going to be done through the original lender, they cannot increase the interest rate. If they went to a third-party lender to do a refinance, market rate would be permissible under the proposed language. Ms. Jackson advised that Invest Detroit's interest rate was at six percent and they were the only other lender. Mr. Hodge thanked Ms. Navin and Ms. Jackson for the information.

With there being no other questions, the Committee took the following action:

Mr. Osei made a motion approving the minutes of the December 4, 2020 Finance Committee meeting, as presented. Mr. Hodge seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Hodge, Mr. Osei, and Mr. Stallworth.

Nays: None.

The Loan Modification Request for Spearamus Partners LLC was approved.

#### **Loan Modification: Tabor Way LLC-Casino Loan Program-Non-Affiliated Retail/Restaurant**

Ms. Mabry advised that in July 2020, the Economic Development Corporation of the City of Detroit ("EDC") Board of Directors approved a loan request in the amount of \$150,000 (the "Loan") for Tabor Way, LLC, (the "Borrower"). The Borrower operates the business known as Terri's Cakes Detroit, an award-winning specialty cake shop that is owned by Garnet Terri Conerway. In 2018, a separate real estate holding company operated by Garnet and affiliated with Borrower (the "Holding Company") purchased a 6,000 SF two story building to expand the bakery business located at 16311 East Warren, Detroit, MI 48224 (the "Property"). Upon completion, the Borrower will occupy 3,676 SF on the ground floor of the Property, with the opportunity for the Holding Company to rent the second story residential unit for additional income.

Currently the Borrower and the Holding Company have each received financing commitments for the rehab and renovations of the Property, along with the purchase of necessary equipment for the operation of Borrower's business. Invest Detroit will provide financing to the Holding Company in the form of a construction loan of \$413,000 and an additional \$597,700 through Invest Detroit's Strategic Neighborhood Fund Recoverable Grant ("SNF"). SNF is a recoverable grant utilized in 10 micro neighborhoods to build a focused retail strategy. In addition to the SNF grant and Invest Detroit's Construction Loan being provided to the Holding Company, EDC is partnering with Invest Detroit Foundation General Fund to provide financing to the Borrower to purchase fixtures, furniture, and equipment.

In the Board's original approval of the Loan, the security for the Loan included a lien on all business assets of the Borrower as well as a subordinated mortgage on property



owned by Garnet Conerway. In addition, the previously approved terms required that the Loan be cross-lien and match the liens and security interests held by Invest Detroit for the provision of the SNF grant to the Holding Company. Part of Invest Detroit's security for the SNF grant includes a mortgage on the Property. In the beginning stages of closing Invest Detroit's construction loan and the SNF grant with the Holding Company, Invest Detroit has come to the EDC requesting that the EDC agree to remove its crossed lien position with the SNF grant provided to the Holding Company. EDC will keep its cross defaulted position with the SNF grant.

With the structure of the SNF grant being a second lien position on the Property, the EDC's pari passu position with Invest Detroit would not be realized under the original collateral structure. In the case of a loan default by the Holding Company, EDC would be deeply subordinated as a third shared collateral position, and EDC would not receive any additional funds if we were cross collateralized. For this reason, and to allow the project to move forward, EDC staff believes that this request is reasonable and recommends that the requirement for the Loan to have a cross-lien security position with the SNF funds be omitted.

The modified terms are as follows:

Sources

Invest Detroit Foundation General Fund	\$150,000
Motor City Match	\$75,000
<u>EDC Loan</u>	<u>\$150,000</u>
TOTAL	\$375,000

Uses

Tenant Improvements	\$150,924
Equipment	\$150,000
Interest/Operating Reserve (12 mos.)	\$38,163
<u>Contingency</u>	<u>\$35,913</u>
TOTAL	\$375,000

Proposed Terms and Conditions:

Loan Amount:	\$150,000
Interest Rate:	5%
Term:	5 years
Amortization:	Ten-year amortization period
Security:	Pari Passu Position on All Business Assets. Cross defaulted with the grant provided by SNF to the Holding Company. Personal Guaranties of Garnet Conerway and Terri Conerway, and their respective trusts, if any. A subordinated



Additional Conditions: mortgage on personal property owned by Garnet Conerway, pari-passu with Invest Detroit. Receipt, review and approval of any and all information requested by EDC staff.

EDC staff requested that the Finance Committee recommend this loan modification to the EDC Board for approval.

Mr. Stallworth asked if there was a motion. Mr. Hodge made a motion and Mr. Osei seconded the motion.

Mr. Stallworth called for questions/discussion.

Mr. Hodge stated that it appears EDC is giving up its position on the real estate mortgage and asked if that was correct. Ms. Mabry responded that EDC would be pari pasu with Invest Detroit, but our position on the real estate building would have been a third position. So, Invest Detroit, if this were approved, would be eliminated from that collateral. Mr. Hodge stated that it is his understanding that EDC is not getting any consideration for releasing its position on the real estate. It is the same transaction but with less collateral in the form of the real estate. Mr. Mabry answered that was correct. Mr. Hodge also stated that he understands this to be a \$1.4 million transaction inclusive of the grant and the construction loan being provided by the other bank. Ms. Mabry stated that was correct. Mr. Hodge asked what the construction duration is going to be. Ms. Mabry advised she will have to get back to him with that information. Mr. Hodge asked if it is safe to assume it will be within 12 months. Ms. Mabry answered yes. Mr. Hodge asked if she could just get back if the construction period is more than 12 months.

Mr. Stallworth asked if that interferes with Mr. Hodge's readiness to vote. Mr. Hodge stated that if the 12-month interest reserve is deemed to be sufficient to get through the construction period, he is ready to vote. Ms. Navin advised that staff would get that information before Tuesday, when the full Board is asked to approve this item.

With there being no other questions, Mr. Stallworth called for a roll call.

Mr. Hodge made a motion approving the Loan Modification to Tabor Way, LLC, as presented. Mr. Osei seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Hodge, Mr. Osei, and Mr. Stallworth.

Nays: None.

The Loan Modification Request for Tabor Way LLC was approved.



## **ADMINISTRATION**

None.

## **OTHER MATTERS**

None.

## **PUBLIC COMMENT**

None.

## **ADJOURNMENT**

With there being no other business to come before the Committee, on a motion by Mr. Osei, seconded by Mr. Hodge, Treasurer and Acting Chair Stallworth adjourned the meeting at 2:31 p.m.