



**ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
MONDAY, SEPTEMBER 27, 2021 – 10:00 A.M.**

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

MEMBERS ABSENT: None

OTHERS PRESENT: Gay Hilger (DEGC/EDC)
Malinda Jensen (DEGC/EDC)
Cora Kapler (DEGC/EDC)
Paul Kako (DEGC/EDC)
Glen Long (DEGC/EDC)
Lexi Mabry (DEGC/EDC)
Greg Mangan (Southwest Detroit Business Association)
Rebecca Navin (DEGC/EDC)
Ed Potus (Cinnaire Solutions Corporation)
Nevan Shokar (DEGC/EDC)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
MONDAY, SEPTEMBER 27, 2021
ZOOM VIRTUAL MEETING – 10:00 A.M.**

CALL TO ORDER

Noting that a quorum was present, Chairperson Forte called the meeting of the Finance Committee of the Economic Development Corporation to order at 10:02 a.m. A 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 May 21, 2021 Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Stallworth made a motion approving the minutes of the May 21, 2021 Finance Committee meeting, as written. Mr. Hodge seconded the motion. All members were in favor of the approval of the minutes.

The minutes of the May 21, 2021 Finance Committee meeting were approved.

PROJECTS

Revised Funding Terms for La Joya Gardens Project

Mr. Shokar shared his screen to give a brief overview of the project and reported that in December 2020, the Board of Directors of the Economic Development Corporation of the City of Detroit (“EDC”) approved funding in the amount of \$1,500,000.00 for the La Joya Gardens project (the “Project”), located on a vacant site at the main street commercial corridor of West Vernor Hwy and Hubbard St. The Project is a planned 53-unit residential building with over 7,200 square feet of retail space. The Project is led by Cinnaire Solutions & Southwest Detroit Business Association (the “Developer”). The Project is a cornerstone of the comprehensive implementation actions coming from the City’s Southwest Detroit Planning Framework and is being supported by the Strategic Neighborhood Fund. It is also a priority project for the City’s Housing and Revitalization Department. Of the 53-units, it is anticipated that just a fraction will be market-rate, with approximately 75% of the units being reserved for households between 40-80% AMI for a period of at least 45 years. The Developer is committed to working with the Small Business Association of Michigan to attract minority-owned, Detroit based businesses to the Project. This Project is adjacent to a historic residential neighborhood and will bring



much needed affordable housing and jobs to one of the City of Detroit's key commercial corridors.

The funding terms originally approved by the EDC Board of Directors consisted of \$1,000,000 of recycled Urban Development Action Grant ("UDAG") funding in the form of a loan to Borrower and \$500,000 in UDAG funds provided in the form of a UDAG grant to Developer (the "Grant"). Since the approval, Developer and EDC became aware of certain regulations relating to the senior financing being provided by MSHDA that would have required the EDC to release most of its security for the Loan post-project completion. As a result, Developer worked to identify a suitable substitute in the capital stack for the Loan. For this reason, the Developer now requests to proceed with the Grant funding only. EDC staff has evaluated the Project and its capital stack in detail and recommends the EDC's continued support of this Project by providing a Grant in accordance with the terms below described in **Exhibit A** (the "Grant Terms"). For the Committee's reference, updated sources and uses for the Project were included in the committee materials.

EDC staff requested that the EDC Finance Committee recommend approval of the Grant Terms to the Board.

EXHIBIT A

GRANT TERMS

Grant: \$500,000.00 to be paid to Cinnaire, or such other non-profit corporation designated by Borrower, Cinnaire and Borrower's tax credit lender, to avoid a taxable event for the Project. Grant recipient will then use the grant proceeds to make a long-term cash flow contingent loan to Borrower. Grant will be recoverable from grant recipient to the extent of any loan proceeds received by grant recipient pursuant to the above-described loan.

Disbursement: Owner equity contributions and MSHDA HOME funds will be first, followed by disbursements of the Grant, and then followed by senior lenders' funds. It is anticipated that the Grant will be provided to Cinnaire Solutions Corporation in a single disbursement.

Eligible Uses: New construction, site improvements, purchase of additional machinery, equipment or fixtures for the Project, architectural and engineering or similar fees.

Conditions: Satisfactory review and acceptance of standard due diligence items. Binding commitments for all project loans. Execution of mutually agreeable Grant documents. Borrower will provide itemized schedule and use of funds. Approval by City of Detroit Housing and Revitalization Department Director of EDC Project financing.



Ms. Forte thanked Mr. Shokar and called for questions/comments.

Mr. Hodge asked what the source of the \$1 million was—how is the developer going to bridge the gap that EDC was going to finance. Mr. Shokar directed the question to the developer, Ed Potus, Development Manager for Cinnaire Solutions Corporation. Mr. Potus explained that there were really three things that happened in early 2021. First, there was an interest rate reduction through the MSHDA product, so we were able to support a little more debt there. Second, we were awarded additional product-based vouchers for the project so that allowed an increase in the Perm loan for MSHDA. The third and biggest thing was there was a change in in the Recovery Act to allow the 4 percent low-income tax credit to go to a fixed 4 percent. Previously it floated. So additional equity came into the project to help bridge that last \$1 million.

Ms. Forte asked if there were any additional questions. Hearing none, she called for a motion.

Mr. Stallworth made a motion approving the Revised Funding Terms of the La Joya Gardens Project, as presented. Mr. Hodge seconded the motion. All members were in favor, with none opposed.

The Committee unanimously agreed to recommend the Revised Funding Terms of the La Joya Gardens Project to the Board for approval.

ADMINISTRATION

None.

OTHER MATTERS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

On a motion by Mr. Stallworth, seconded by Mr. Hodge, Chairperson Forte adjourned the meeting at 10:10 a.m.