

City of Detroit Brownfield Redevelopment Authority

Local Brownfield Revolving Fund

Guidelines

Approved May 9, 2018

Introduction

The City of Detroit Brownfield Redevelopment Authority (the “DBRA”) has established a Local Brownfield Revolving Fund (“LBRF”), formerly known as the Local Site Remediation Revolving Fund, pursuant to Section 8 of Act 381, Public Acts of Michigan, 1996, as amended (“Act 381”). The LBRF is funded through tax capture on eligible property (as defined by Act 381) where an approved brownfield plan has been implemented.

In accordance with Act 381, the LBRF may be used only to fund “eligible activities” on “eligible property” as these terms are defined in Act 381.

DBRA may utilize the LBRF to provide loans and/or grants to eligible applicants to assist with the upfront costs associated with the completion of eligible activities in connection with brownfield plans approved by the DBRA and the City.

With respect to LBRF loans, as these loans are repaid, the principal loan amount portion of the repayments are “revolved” back into the LBRF and these funds become available to fund new loans to other eligible borrowers, thus providing an on-going source of capital to other eligible brownfield projects within the City of Detroit. This source of gap financing can assist with the redevelopment of brownfield sites by providing developers/property owners with an alternate method of financing, which may provide more flexible and favorable borrowing and repayment terms than conventional financing.

This document (the “LBRF Guidelines”) is intended to provide interested parties with a general overview of the objectives of the LBRF, LBRF loan and grant eligibility requirements, LBRF application process and associated costs, etc. Interested parties are strongly encouraged to review the LBRF Guidelines in detail and contact DBRA staff if they have any additional questions. The DBRA reserves the right to depart from these guidelines as it deems necessary in order to further the purposes for which the DBRA was established.

The LBRF Guidelines may be amended or modified, from time to time, by the DBRA Board of Directors, in its sole discretion. As such, please check the DBRA website or contact DBRA staff to ensure you have the most recent version of the LBRF Guidelines, applications, and/or forms.

Objectives

The LBRF Program is intended to meet the following objectives:

1. Assist in the revitalization of eligible property, as defined in Act 381, in the City of Detroit.
2. Provide a funding source that encourages the leveraging of additional private investment into the community

LBRF Revolving Loan Fund

The LBRF is primarily funded through tax capture from eligible property as part of an approved Brownfield redevelopment plan and, if school capture is to be applied to the project, a state approved work plan. In connection with the LBRF, DBRA offers a revolving loan fund for eligible Brownfield projects. This incentive will only be approved by DBRA as part of an approved development project, and not solely for clean-up activities.

LBRF funds may be used to provide revolving loans to eligible entities (ex. non-profit organizations, state sanctioned economic development organizations, private developers, etc.) to support redevelopment of brownfields in the City of Detroit. LBRF loans are intended to support development projects that are demonstrated to be economically viable to the satisfaction of DBRA.

This source of gap financing can assist property owners and/or developers by providing financing for a portion of the project with flexible and favorable borrowing terms. It provides the Brownfield project developer and/or owner the opportunity to monetize (in whole or in part) the DBRA's tax increment financing ("TIF") commitment to the project. LBRF loans will only be provided to applicants who are unable to monetize the DBRA's TIF commitment with traditional conventional private financing as evidenced by documentation from a financial institution.

The minimum amount the DBRA will consider for a loan shall be \$50,000.00. Only one loan may be given to each project. The loan amount allocated for any project shall not exceed fifty percent (50%) of the DBRA's TIF commitment for the Brownfield Plan or one million and 00/100 dollars (\$1,000,000), whichever is less; however, notwithstanding anything to the contrary in these LBRF Guidelines, the DBRA shall not be obligated to provide any funds in excess of what is available in the LBRF.

As security for the repayment of any LBRF Loan, the TIF capture from the project shall be pledged to DBRA for loan repayment. Additional security may also be required by the DBRA (ex. mortgage lien on eligible property, personal guaranty, etc.). Unless otherwise agreed to by the DBRA in writing, any collateral assignment of TIF that may be required by the Developer's other lenders shall be subject to DBRA's priority for repayment of the LBRF Loan using TIF proceeds.

The principal loan portion of the repayments will be deposited into the LBRF, providing a sustainable source of capital within the community. Payments of interest received by DBRA in connection with LBRF loans shall be used by DBRA to fund LBRF operating costs. Interest rates and repayment terms on LSRFF loans will be market competitive based on loan underwriting and project needs.

LBRF Grants

LBRF funds may be utilized in the form of grants to support redevelopment of brownfields in the City of Detroit. Entities that will qualify for LBRF grants include: Detroit Headquartered Businesses, non-profit organizations, and state sanctioned economic development organizations.

Grants will not exceed the current maximum amount established by DBRA resolution and will be prioritized to fund environmental due diligence, BEA, due care and other environmental response activities. The DBRA shall reserve twenty-five (25%) of its annual deposit for grant funding.

Application & Review

To apply for a LBRF loan or grant, developers of eligible projects shall submit the following documents to the DBRA staff:

1. A completed and executed LBRF Program Application.
2. A non-refundable LBRF loan application fee in an amount equal to 1% of the requested loan amount.
3. Evidence, satisfactory to DBRA, of the Developer/Owner's inability to monetize the DBRA TIF commitment at reasonable terms from other financial institutions.
4. Disclosure of existing project financing and proof of commitments.
5. Such other documentation requested by DBRA staff.

Upon receipt of an application for an LBRF grant or loan, DBRA staff will review the grant or loan application, along with any applicable supporting documentation, and make a

recommendation to the DBRA Board of Directors regarding approval or rejection of the application.

Any grant or loan approval is contingent upon the approval of the DBRA Board of Directors and, in the case of a loan award, the execution of a Loan Agreement, between the applicant and the DBRA, and such other documents that may be executed in conjunction therewith.

Borrower Minimum Criteria:

Eligible Applicants wishing to use LBRF funding shall meet the following criteria:

1. Must be a financially sound corporation or sole proprietor, as determined by the DBRA in its sole discretion, wishing to redevelop a Brownfield site which would result in an increase in taxable value.
2. Must have a redevelopment plan consistent with local zoning.
3. Must have control over the property (either ownership or purchase option), and if not owned must have a signed access agreement that permits the activities contemplated for funding with LBRF funds.
4. Must not be the party responsible for the contamination, if any, on the eligible property.
5. Must not be delinquent in taxes, fee assessments, loan payments, or other indebtedness to the City of Detroit, the State of Michigan or any political subdivision.
6. Must have an approved Brownfield Plan for local-only portion of TIF activities. *
7. Must have an approved Work Plan for school portion of TIF capture. *
8. Must have an approved Reimbursement Agreement.*

*If seeking approval of Brownfield TIF & LBRF funding concurrently, the LBRF application may be approved contingent upon the successful approval of these items.

Loan Terms & Conditions:

1. The amount of the loan and repayment period will be determined on a case-by-case basis. Consideration will be given to the requested funding, the amount of the investment and the anticipated tax capture.
2. The DBRA reserves the right to set flexible terms on a case-by-case basis, including, but not limited to: balloon payments, deferred or forgivable loans, and interest-only payments; however, interest-only repayment will be for a maximum period of 24 months.
3. The DBRA's obligation to provide the LBRF funding pursuant to the executed LBRF loan documents shall be contingent upon the Developer/Owner providing DBRA with evidence, satisfactory to the DBRA, that the financing for the project has been committed and secured.
4. Loan proceeds for each LBRF loan will be disbursed in accordance with the LBRF loan documents. Disbursement shall be made upon completion of the project.
5. Loan repayment will have priority on the full amount of TIF capture prior to any reimbursement to the developer.
6. Any sale of the eligible property requires payment of the outstanding loan balance including any accrued interest.
7. Projects requesting any funding from the LBRF are subject to the DBRA Guidelines. A copy of the DBRA Guidelines shall be provided upon request.
8. To remain eligible for the approved loan, unless otherwise agreed to in writing by the DBRA, development must start within eighteen (18) months and the project must be completed within three (3) years of the executed Reimbursement Agreement. Failure to meet these deadlines shall be a default under the LBRF loan documents.
9. Unless otherwise agreed to by the DBRA Board of Directors, any collateral assignment of TIF that may be required by the Developer's other lenders shall be subject to DBRA's priority for repayment of the LBRF Loan using TIF proceeds.

LBRF Process:

1. Submit to DBRA a completed and executed DBRA Local Brownfield Redevelopment Fund Application Form (copy attached) and, if seeking a loan, a non-refundable application fee equal to 1% of the requested loan amount to the DBRA.
 - a. The following information/documentation must be attached to the application form:
 - i. Project description including sources and uses of funds, business financial information for the development company, brief history of the company, including a description of similar projects completed with references and contact information, resumes of owners and/or key management, schedule for redevelopment, site plan, legal description and associated maps of the project property, cost estimates, project budget, equity and loan information, proof of ownership of the eligible property (i.e. deed, purchase agreement or option to purchase), a property appraisal, a statement describing how the loan funding is critical to the project and is consistent with DBRA policies and procedures, and such other documents as may be requested by the DBRA.
 - ii. Any and all documentation necessary to evidence satisfaction of the aforementioned "Borrower Minimum Criteria."
 - b. PLEASE NOTE: Incomplete applications will be returned to the applicant.
2. Schedule an initial project meeting with DBRA staff.
3. The LBRF Committee will review application and supporting documentation and, if applicable (i.e. no further documentation is required by applicant), prepare a recommendation for approval or denial to the DBRA Board of Directors. Please note: Regardless of the LBRF Committee recommendation, the DBRA Board of Directors will be the entity to approve or deny grant or loan applications.
4. DBRA Board of Directors shall review and either approve or deny the application. In connection with a LBRF loan applications, upon DBRA Board approval of the application, a loan agreement, and such other documentation that may be executed in conjunction therewith, shall be prepared by DBRA legal counsel. Upon execution of the loan agreement and such other documents that may be executed in conjunction therewith, funds will be disbursed on a draw basis (unless otherwise agreed to by the DBRA board) to pay for eligible costs pursuant to the loan agreement.

5. In connection with LBRF grant applications, upon DBRA approval of the application, a grant agreement, and such other documentation that may be executed in conjunction therewith, shall be prepared by DBRA legal counsel. Upon execution of the grant agreement and such other documents that may be executed in conjunction therewith, funds will be disbursed within ten (10) business days after the completion of the eligible activities, as evidenced by a final invoice from the consultant or contractor (unless otherwise agreed to by the DBRA board) to pay for eligible costs pursuant to the grant agreement.
6. Denied applications may re-apply for reconsideration after 45 days from the date their application was denied by the DBRA Board of Directors.
7. In connection with approved and consummated LBRF loans, the DBRA staff shall periodically review all financial statements and loan amortization schedules of LBRF loan recipients, review and approve documentation of business expenditures financed with LBRF proceeds, record LBRF security instruments, maintain the LBRF accounting records and report annually to the DBRA Board of Directors regarding the use of the LBRF funds.

LBRF Contact & Administration:

Ms. Jennifer Kanalos, Director - Detroit Brownfield Redevelopment Authority, Detroit Economic Growth Corporation. (313) 483-4150 or jkanalos@degc.org.