



**ECONOMIC DEVELOPMENT CORPORATION
BOARD OF DIRECTORS REGULAR MEETING
TUESDAY, DECEMBER 8, 2020 – 9:00 A.M.**

BOARD MEMBERS PRESENT: Clifford Brown
Marsha Bruhn
Linda Forte
Damon Hodge
Chris Jackson
Kwaku Osei
Jonathan Quarles

BOARD MEMBERS ABSENT: Kimberly Clayson
Thomas Stallworth
Arthur Jemison (Ex-Officio)
John Naglick (Ex-Officio)

**SPECIAL DIRECTORS
PRESENT:** None

**SPECIAL DIRECTORS
ABSENT:** None

OTHERS PRESENT: Kenyetta Bridges (DEGC/EDC)
Cora Capler (DEGC/EDC)
Gay Hilger (DEGC/EDC)
Kate Humphry (City of Detroit)
Malinda Jensen (DEGC/EDC)
Kevin Johnson (DEGC/EDC)
Paul Kako (DEGC/EDC)
Jennifer Kanalos (DEGC/EDC)
Glen Long (DEGC/EDC)
Alexis Mabry (DEGC/EDC)
Rebecca Navin (DEGC/EDC)
Zachary Ormsby (City of Detroit)
Nevan Shokar (DEGC/EDC)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION
BOARD OF DIRECTORS REGULAR MEETING
DECEMBER 8, 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 9:00 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 10, 2020 Regular Board meeting. Hearing none, Ms. Forte called for a motion:

Ms. Bruhn made a motion approving the minutes of the November 10, 2020 Regular Board meeting, as presented. Mr. Hodge seconded the motion. A roll call vote was conducted with the following result:

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

Nays: None.

EDC Resolution Code 20-12-02-339 was approved.

Receipt of Treasurer's Report

Mr. Long reviewed the Treasurer's Report of Receipts and Disbursements for the month of October 2020 for the benefit of the Board and responded to questions.

Ms. Forte called for a motion.

Mr. Brown made a motion approving the October 2020 Treasurer's Report, as presented. Mr. Osei seconded the motion. A roll call vote was conducted with the following result:

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

Nays: None.

EDC Resolution Code 20-12-03-257 was approved.

PROJECTS

Loan and Grant Funding for La Joya Gardens Project

Mr. Shokar advised that 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, 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 Developer has secured funding from the Michigan State Housing Development Authority ("MSHDA") and Invest Detroit but overall, there is a remaining \$1.5 million gap driven by the market rate housing and retail component of the Project. Staff of the Economic Development Corporation of the City of Detroit ("EDC") has evaluated the Project in detail and seeks to support this Project by providing an entity affiliated with Developer, Hubbard Vernor 4 LDHA, LLC (the "Borrower"), with the remaining funds required for the completion of the Project.

EDC staff is proposing that \$1,500,000 be provided to the Project as follows: \$1,000,000 of recycled Urban Development Action Grant ("UDAG") funding in the form of a loan to Borrower (the "Loan") in accordance with the terms below, and \$500,000 in UDAG funds provided in the form of a UDAG grant to Developer (the "Grant").

Mr. Shokar reviewed the Loan and Grant terms for the project as follows:

PROJECT FINANCING TERMS

Loan: \$1,000,000 payable to the EDC pursuant to a promissory note and in accordance with the following:

Borrower: Hubbard Vernor 4 LDHA, LLC

Interest Rate: 1.0% Interest payments will be calculated annually based on the remaining principal.

Term: 240 months. No prepayment penalties will be applied. Repayment of the loan will be due upon the maturity date of the promissory note, sale of the property or refinance of the existing mortgage, whichever occurs earlier.

Amortization: 240 months.

Payments: Interest only payments will be due commencing on the first business day of the month following the initial disbursement of the Loan and continue through the 24th month following the issuance of the Certificate of Occupancy. Thereafter, payments of principal and interest on the balance of the Loan shall be payable until the maturity date. All unpaid principal and accrued but unpaid interest shall be due and payable on the maturity date or such other event triggering repayment of the Loan, as described by the loan documents.



Reporting: Annual financial statements prepared certified by a certified public accountant in accordance with Generally Accepted Accounting Procedures will be provided to the EDC staff.

Security for Loan: Subordinated Lien position on all business assets, Assignment of Leases and Rents, Subordinated Mortgage on the Project property. The EDC's security interest will be subordinated to that of the senior lenders.

Guaranty: Corporate Guaranty of Cinnaire Solutions Corporation ("Cinnaire"), or such other corporate entity affiliated with Borrower, subject to EDC staff's review of corporate financial statements.

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 EDC funds, and then followed by senior lenders' funds. The Loan will be funded through multiple disbursements following closing. It is anticipated that the EDC grant funds will be provided to Cinnaire Solutions Corporation in a single disbursement.

Eligible Uses: New construction, site improvements, 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 Loan and 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.

SOURCES AND USES

SOURCES	Amount	% of TDC
Senior Debt		
MSHDA Perm 9	\$919,489	4.9%
MSHDA Perm 4	\$1,522,192	8.1%
Invest Detroit Commercial Loan	\$680,050	3.6%
Subordinate Debt/Grants		
EDC UDAG Loan	\$1,000,000	5.3%
EDC UDAG Grant	\$500,000	2.6%
ALF Fund	\$2,500,000	13.2%
MSHDA HOME	\$300,000	1.6%
Income from Operations	\$13,177	0.1%



Deferred Fees/Cash Equity		
Deferred Developer Fees	\$101,805	0.5%
LIHTC Equity	\$9,491,839	50.2%
SNF Equity	\$1,500,000	7.9%
Sponsor Loan	\$364,210	1.9%
TOTAL SOURCES	\$18,892,762	100.0%

USES	Amount	% of TDC
Land Acquisition	\$184,216	1.0%
Site Work, Infrastructure, Etc	\$682,181	3.6%
Hard Construction Costs	\$13,406,994	71.0%
Machinery, FFE, Etc.	\$629,555	3.3%
Developer Fee	\$1,116,344	5.9%
Consultant Fees	\$1,159,738	6.1%
Total Soft Costs	\$1,713,734	9.1%
TOTAL USES	\$18,892,762	100.0%

CASH FLOW PROJECTION

Cash Flow Projection	1	2	3	4	5	6	7	8	9	10
<i>Effective Income</i>	\$563,980	\$575,259	\$586,765	\$600,402	\$612,410	\$624,658	\$637,151	\$649,895	\$662,892	\$676,150
<i>OPEX</i>	\$295,352	\$304,213	\$313,339	\$322,739	\$332,421	\$342,394	\$352,666	\$363,246	\$374,143	\$385,367
<i>NOI</i>	\$268,628	\$271,047	\$273,426	\$277,663	\$279,989	\$282,264	\$284,486	\$286,649	\$288,749	\$290,783
Debt Service										
<i>MSHDA Perm 9</i>	\$56,909	\$56,909	\$56,909	\$56,909	\$56,909	\$56,909	\$56,909	\$56,909	\$56,909	\$56,909
<i>MSHDA Perm 4</i>	\$86,873	\$86,873	\$86,873	\$86,873	\$86,873	\$86,873	\$86,873	\$86,873	\$86,873	\$86,873
<i>Commercial Loan</i>	\$52,579	\$52,579	\$52,579	\$52,579	\$52,579	\$52,579	\$52,579	\$60,679	\$60,679	\$60,679
Total Debt Service before EDC Loan	\$196,361	\$204,462	\$204,462	\$204,462						
Subtotal	\$72,266	\$74,685	\$77,064	\$81,302	\$83,627	\$85,903	\$88,124	\$82,187	\$84,288	\$86,321
<i>EDC Loan</i>	\$10,000	\$10,000	\$55,187	\$55,187	\$55,187	\$55,187	\$55,187	\$55,187	\$55,187	\$55,187
Cash Flow after Debt Service	\$62,266	\$64,685	\$21,877	\$26,114	\$28,440	\$30,716	\$32,937	\$27,000	\$29,100	\$31,134
<i>DSCR</i>	1.30x	1.31x	1.09x	1.10x	1.11x	1.12x	1.13x	1.10x	1.11x	1.12x

The EDC Finance Committee has recommended the approval of the proposed Loan and Grant to the EDC Board of Directors and EDC staff requested approval of the Loan and Grant consistent with the terms noted. A resolution was included for the Board's consideration.

Ms. Forte added that the Finance Committee met last week, discussed this project and is in complete support, and asked if there were any questions.



Mr. Jackson asked who the developer was. Mr. Shokar advised that Cinnaire Solutions and Southwest Detroit Business Association have formed a new LLC for this project.

Ms. Forte commented that there is something to be said about the high number of AMI units there are in this project and the catalytic affect it will have for this area.

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

Mr. Hodge made a motion approving the loan and grant funding for the La Joya Gardens project, as presented. Mr. Brown seconded the motion. A roll call vote was conducted with the following result:

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

Nays: None.

EDC Resolution Code 20-12-84-10 was approved.

Detroit Gateway Park Outlet Mall, LLC- Casino Loan National Retail/UDAG - Loan Restructure

Ms. Mabry advised that in March 2012, the Economic Development Corporation of the City of Detroit ("EDC") approved a \$2,000,000.00 loan (the "Loan") to Detroit Gateway Park Outlet Mall, LLC (the "Borrower"). The Loan consisted of \$1,500,000.00 of recycled Urban Development Action Grant funds and \$500,000.00 from the EDC's Casino Loan fund. The Borrower utilized the Loan funds for the Detroit Gateway Park Outlet Mall project which consisted of a 340,000 square foot service-oriented retail center located at Eight mile and Woodward (the "Project"). The Project was the first major retail center within the City of Detroit in 50 years with a total Project cost in excess of \$28,000,000. In addition to the Loan, the Borrower also received funding from the General Retirement System of the City of Detroit ("GRS") and Meijer Corporation as well as tax incentives through New Market Tax Credits.

The collateral for the Loan includes a subordinated mortgage on the Project properties, assignment of lease & rents and a UCC asset filing. The Loan had an initial term of 7 years with a maturity date in 2019 and the interest rate was 4%. Monthly loan payments were interest only (\$6,666.67) until maturity. Upon maturity of the Loan, the Borrower requested that EDC restructure its Loan, however, prior to restructuring the Loan, the Borrower was required to complete a number of New Markets Tax Credit financial procedures. During such time, the Borrower continued to timely remit to the EDC interest only payments.

As for the Project itself, the Project property currently is fully leased, except for 7,400 square feet which was location of the former space for Payless Shoes. This space will be split into 2 smaller spaces and the Borrower is currently negotiating a lease with a commercial and dental facility to locate their businesses on the property. The Meijer store is the anchor tenant and some other tenants include, but are not limited to Applebee's, Planet Fitness, K&G, and SVS Optical.



Earlier this year, the "exit/unwind" financial procedures of the New Market Tax Credit financing structure were completed and the Borrower was able to complete an extension and amendment to the GRS and Meijer loans. The maturity dates of both loans were extended to December 2024.

The Borrower is now requesting that the EDC restructure the Loan to match the terms of the Meijer loan as follows: 1) maturity date will be extended to December 2024; 2) interest only payments (payable quarterly, in arrears) through maturity at the rate of 2.0%; and 3) one-time principal payment of 10% of the outstanding principal balance of the Loan (\$200,000.00) to be paid within 10 days of Borrower's receipt of the Summer 2020 tax increment financing revenues. It is anticipated that Borrower will receive a payment of such revenues in December 2020.

As economic development is one of EDC's primary roles, in the inception of this Loan, the subordinated debt was deemed to be an acceptable risk. EDC staff will remain vigilant in monitoring updates from the Borrower, GRS and Meijer before Loan maturity.

The EDC Finance Committee has recommended the approval of the proposed loan restructure to the EDC Board of Directors and EDC staff requested approval of the loan restructure consistent with the terms noted above. A resolution was included in the Board material for consideration and approval.

Ms. Forte asked if there were questions or comments.

Mr. Hodge questioned what the total amount of rentable space in the project is. Ms. Mabry answered that Payless provided the figure of 74,000 square feet. She doesn't have the mall's total rentable square feet and offered to get that information and provide it to him. Mr. Hodge stated it would not change his vote in any way but suggested that it would be helpful to know the percentage of vacant space in the mall rather than the square feet of vacant space.

Mr. Hodge asked if it was known how the Meijer store is doing. Ms. Mabry responded that looking at all of Meijer's projections and financials, it seems they have had an increase and have a positive cash flow.

Ms. Forte called for a motion.

Mr. Hodge made a motion approving the loan restructure of the Gateway Park Outlet Mall, as presented. Ms. Bruhn seconded the motion. A roll call vote was conducted with the following result:

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

Nays: None.

EDC Resolution Code 20-12-74-48 was approved

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 9:22 a.m.



CODE EDC 20-12-02-339

APPROVAL OF MINUTES OF NOVEMBER 10, 2020 REGULAR MEETING

RESOLVED, that the minutes of the regular meeting of November 10, 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.

December 8, 2020



CODE EDC 20-09-03-256

RECEIPT OF TREASURER'S REPORT FOR SEPTEMBER 2020

RESOLVED, that the Treasurer's Report of Receipts and Disbursements for the period ending September 30, 2020, as presented at this meeting, is hereby in all respects accepted as action of the Economic Development Corporation.

December 8, 2020



CODE EDC 20-12-84-10

UDAG RECYCLED FUNDS: LOAN AND GRANT FUNDING FOR LA JOYA GARDENS PROJECT

WHEREAS, the La Joya Gardens project (the “Project”), led by Cinnaire Solutions & Southwest Detroit Business Association (the “Developer”), is located on a vacant site at the main street commercial corridor of West Vernor Hwy and Hubbard St, is a planned 53-unit residential building with over 7,200 square feet of retail space; and

WHEREAS, the Economic Development Corporation of the City of Detroit (“EDC”) was approached by Developer to provide \$1.5 million in financing for the construction and completion of the Project due to the gap driven by the market rate housing and retail component of the Project; and

WHEREAS, EDC staff has evaluated the Project in detail and seeks to support this Project by providing recycled Urban Development Action Grant (“UDAG”) funds in the form of a loan to an entity affiliated with Developer, Hubbard Vernor 4 LDHA, LLC (the “Borrower”), as follows:

Loan Amount:	\$1,000,000
Interest Rate:	1%
Term:	240 months. No prepayment penalties will be applied. Repayment of the loan will be due upon the maturity date of the promissory note, sale of the property or refinancing of the existing mortgage, whichever occurs earlier.
Amortization:	240 months.
Payments:	Interest only payments will be due commencing on the first business day of the month following the initial disbursement of the Loan and continue through the 24th month following the issuance of the Certificate of Occupancy. Thereafter, payments of principal and interest on the balance of the Loan shall be payable until the maturity date. All unpaid principal and accrued but unpaid interest shall be due and payable on the maturity date or such other event triggering repayment of the Loan, as described by the loan documents.
Security:	Subordinated Lien position on all business assets, Assignment of Leases and Rents, Subordinated Mortgage on the Project property. The EDC’s security interest will be subordinated to that of the senior lenders.
Guaranty:	Corporate Guaranty of Cinnaire Solutions Corporation (“Cinnaire”), or such other corporate entity affiliated with Borrower, subject to EDC staff’s review of corporate financial statements.



Additional 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 Project financing.

; and

WHEREAS, EDC staff seeks to provide further support to the Project by providing UDAG funding in the form of a grant to Cinnaire (the “Grant”) as follows:

Grant Amount: \$500,000
Grant Conditions: Grant 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.

; and

WHEREAS, EDC staff presented such information to the EDC Finance Committee which recommends the approval of the Loan and Grant in accordance with the terms noted above; and

WHEREAS, the EDC Board of Directors has reviewed the terms of the Loan and Grant and determined it is consistent with the EDC’s statutory purposes.

NOW, THEREFORE, BE IT, RESOLVED, that the execution of a Loan with Developer and the execution of the Grant with Cinnaire consistent with the terms provided herein are hereby approved.

BE IT FURTHER RESOLVED, that any two Officers, or any one of the Officers and any one of the Authorized Agents or any two of the EDC’s Authorized Agents, shall hereafter have the authority to negotiate and execute the Loan and the Grant together with such other terms and conditions that are determined by such Authorized Agents and/or Officers to be customary or appropriate and not inconsistent with this resolution, and to negotiate and execute all other documents, contracts, or papers, and take all actions, necessary or appropriate to implement the provisions and intent of this resolution on behalf of the EDC.

BE IT FINALLY RESOLVED, that all of the acts and transactions of any officer or authorized agent of the EDC, in the name and on behalf of the EDC, relating to matters contemplated by the foregoing resolutions, which acts would have been approved by the foregoing resolutions except that such acts were taken prior to execution of these resolutions, are hereby in all respects confirmed, approved and ratified.

December 8, 2020



CODE EDC 20-12-74-48

**DETROIT GATEWAY PARK OUTLET MALL, LLC- CASINO LOAN NATIONAL RETAIL/UDAG
- LOAN RESTRUCTURE**

WHEREAS, in March 2012, the Economic Development Corporation of the City of Detroit (“EDC”) approved a \$2,000,000.00 loan (the “Loan”) to Detroit Gateway Park Outlet Mall, LLC (the “Borrower”) which consisted of \$1,500,000.00 of recycled Urban Development Action Grant funds and \$500,000.00 from the EDC’s Casino Loan fund; and

WHEREAS, in addition to the Loan, the Borrower also received funding from the General Retirement System of the City of Detroit (“GRS”) and Meijer Corporation as well as tax incentives through New Market Tax Credits.; and

WHEREAS, earlier this year, certain financial procedures of the New Market Tax Credit financing structure were completed, and the Borrower was able to complete an extension and amendment to the GRS and Meijer loans; and

WHEREAS, Borrower is now requesting that the EDC restructure the Loan to match the terms of the Meijer loan as follows: 1) extend the maturity date to December 2024; 2) interest only payments (payable quarterly, in arrears) through maturity at the rate of 2.0%; and 3) one-time principal payment of 10% of the outstanding principal balance of the Loan (\$200,000.00) to be paid within 10 days of Borrower’s receipt of the Summer 2020 tax increment financing revenues (collectively, the “Modified Terms”); and

WHEREAS, EDC staff has reviewed the request and finds the Modified Terms reasonable; and

WHEREAS, the EDC Finance Committee has reviewed the Modified Terms and recommends their approval to the Board of Directors; and

WHEREAS, the EDC Board has determined that approval of the Modified Terms is in the best interests of the EDC.

NOW, THEREFORE, BE IT RESOLVED, that the EDC Board of Directors hereby approves the Modified Terms.

BE IT FURTHER RESOLVED that any two Officers, any two of the Authorized Agents of the EDC, or any one of the Officers and any one of the Authorized Agents of the EDC, shall hereafter have the authority to negotiate and execute any and all documents, contracts, or other papers, or take any and all actions, necessary or appropriate to implement the provisions and intent of this resolution on behalf of the EDC.



BE IT FINALLY RESOLVED that all of the acts and transactions of any Officer or Authorized Agent of the EDC, in the name and on behalf of the EDC, relating to matters contemplated by the foregoing resolutions, which acts would have been approved by the foregoing resolutions except that such acts were taken prior to execution of these resolutions, are hereby in all respects confirmed, approved and ratified.

December 8, 2020