



**ECONOMIC DEVELOPMENT CORPORATION
BOARD OF DIRECTORS REGULAR MEETING
TUESDAY, SEPTEMBER 22, 2020 – 9:00 A.M.**

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

BOARD MEMBERS ABSENT: Arthur Jemison (Ex-Officio)
John Naglick (Ex-Officio)

**SPECIAL DIRECTORS
PRESENT:** None

**SPECIAL DIRECTORS
ABSENT:** None

OTHERS PRESENT: Chase Cantrell (Spearamus Partners LLC)
Cora Capler (DEGC/EDC)
Jason Headen (Spearamus Partners LLC)
Gay Hilger (DEGC/EDC)
Kaci Jackson (DEGC/EDC)
Malinda Jensen (DEGC/EDC)
Kevin Johnson (DEGC/EDC)
Paul Kako (DEGC/EDC)
Jennifer Kanalos (DEGC/EDC)
Glen Long (DEGC/EDC)
Lexi Mabry (DEGC/EDC)
Rebecca Navin (DEGC/EDC)
Kelly Shovan (DEGC/EDC)



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION
BOARD OF DIRECTORS REGULAR MEETING
SEPTEMBER 22, 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 9:01 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 September 8, 2020 Regular Board meeting.

Hearing none, Ms. Forte called for a motion:

Ms. Bruhn made a motion approving the minutes of the September 8, 2020 Regular Board meeting, as presented. Mr. Hodge seconded the motion. A roll call vote was conducted with the following result:

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

Nays: None.

EDC Resolution Code 20-09-02-336 was approved.

Receipt of Treasurer's Report for August 2020

Ms. Shovan reviewed the Treasurer's Report of Receipts and Disbursements for the month of August 2020. With there being no questions, Ms. Forte called for a motion:

Mr. Osei made a motion receiving the August 2020 Treasurer's Report, as presented. Ms. Clayson seconded the motion. A roll call vote was conducted with the following result:

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

Nays: None.

EDC Resolution Code 20-09-03-255 was approved.



PROJECTS

Proposed EDC Development Gap Financing Loan Request for Spearamus Partners LLC

Ms. Jackson presented the following information for the Board's consideration:

LOAN PURPOSE AND DEVELOPMENT DESCRIPTION

Spearamus Partners, LLC (the "Developer") is a Detroit-based development team formed in 2015 comprised of Detroit residents Chase Cantrell and Jason Headen. The Developer is seeking to redevelop the blighted property located at 7400 W. McNichols (the "Property") into two bar and restaurant retail spaces. To facilitate the development, the Developer is seeking 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 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 no funding from MSF.

The EDC Loan will support a \$2.1MM redevelopment of the 7,000 square foot, single-story building located on the Property into restaurant and bar retail spaces.

The Developer has assembled a project team of Detroit-based talent with MiG Construction as general contractor and African American-architecture firm Dokes Design & Architecture, LLC, led by Kim Dokes and supported by Damon Dickerson.

This redevelopment is located in a Strategic Neighborhood identified through an extensive planning study conducted by the City of Detroit's Planning and Development Department. Including this redevelopment project, there is an anticipated \$10MM of investment being made to this commercial corridor within the next 24 months.

This redevelopment project is an important anchor to this commercial corridor and to the neighborhood. The project will create 34 skilled labor construction jobs and 8 non-skilled labor jobs and, upon completion, it is anticipated that the project will employ 10 FTE and 10 PTE. Furthermore, it will provide local and future residents a much-needed alternative dining option and will increase residential and consumer density in the W. McNichols and Livernois corridor and adjacent neighborhoods.

Please find below the proposed terms of the EDC Loan and sources and uses:

Borrower Name:	Spearamus Partners LLC
Borrower Location:	400 Renaissance Center, Detroit MI 48243
Request:	\$275,000
Rate:	3%



Term: 96 months, amortized over 30 years with one 12-month extensions conditioned upon a corresponding extension of the senior loan. EDC shall have the option to extend the maturity date by an additional 3 years without seeking further EDC Board approval; provided, however, that (i) the EDC Loan is not then in default and (ii) the senior lender extends the maturity date of its respective loan by 3 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 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.

Security: Subordinated Lien position on all business assets, Assignment of Leases and Rents, Subordinated Mortgage on the Property. EDC's security interest will be subordinated to that of the senior lender.

Guaranty: Personal Guaranty of Chase Cantrell and Jason Headen, in which EDC will be subordinated to senior lender.

Eligible Uses: Site improvements, additional machinery, equipment or fixtures for the project, architectural and engineering or similar fees.

Disbursement: Owner equity contributions are first, followed by 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.

SOURCES AND USES

Sources	Cost	%
Invest Detroit NMTC	\$ 1,455,000.00	68%
Invest Detroit Direct Loan	\$ 196,118.00	9%
EDC - Gap Financing	\$ 275,000.00	13%



	Owner Equity	\$ 214,013.00	10%
	Total Sources	\$ 2,140,131.00	100%
Use of Funds			
Land Acquisition		\$ 208,000.00	13%
Hard Costs			
	Site Improvements (ROW, landscaping, fencing, site lighting, drainage, utilities)	\$ 75,000.00	5%
	Demolition	\$ 36,009.00	2%
	Structures	\$ 969,015.00	60%
	Builder		
	Overhead/Profit/General Requirements/Temp Facilities	\$ 122,025.00	8%
	Permits/Tap Fees/Bond/Bost Certification	\$ 26,832.00	2%
	Construction Contingency	\$ 187,050.00	12%
	Furniture & Fixtures		
	Subtotal		
	Hard Costs	\$ 1,623,931.00	76%
Soft Costs			
	Architectural & Engineering	\$ 80,000.00	4%
	Environmental Studies/Soil Testing	\$ 14,774.00	1%
	Other Professional, Security, and Related Fees	\$ 27,000.00	1%
	Loan Fees	\$ 147,000.00	7%
	Construction Interest, Taxes, and Insurance	\$ 71,750.00	3%
	Title Work	\$ 7,500.00	0%
	Operating Reserve, Administrative, Marketing & Leasing	\$ 38,250.00	2%
	Developer Fee	\$ 50,000.00	2%
	Project Management, Consulting, Related Party Fees	\$ 54,699.00	3%
	Soft Cost Contingency	\$ 25,227.00	1%
	Subtotal Soft Costs	\$ 516,200.00	24%
	TOTAL DEVELOPMENT COSTS	\$ 2,140,131.00	100%



Debt Service Analysis

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Gross Income	\$ 107,431.00	\$ 108,505.00	\$ 109,590.00
Vacancy Loss	\$ (5,372.00)	\$ (5,425.00)	\$ (5,480.00)
Effective Income	\$ 102,059.00	\$ 103,080.00	\$ 104,110.00
Total Expenses	\$ (25,375.00)	\$ (25,375.00)	\$ (25,375.00)
Unleveraged Cash Flow	\$ 76,684.00	\$ 77,705.00	\$ 78,753.00
Debt Service			
Invest Detroit	\$ (28,518)	\$ (28,518.00)	\$ (28,518.00)
SNF Loan	\$ (17,363.00)	\$ (17,867.00)	\$ (18,205.00)
EDC	\$ (13,913.00)	\$ (13,913.00)	\$ (13,913.00)
Leveraged Cash Flow	\$ 28,524.00	\$ 28,863.00	\$ 29,182.00
Debt Service Coverage Ratio	1.28	1.29	1.30

The EDC Finance Committee recommended the approval of the proposed loan to the EDC Board of Directors and EDC staff requested approval of a loan to Developer consistent with the terms noted. A resolution was included for the Board’s consideration.

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

Mr. Brown made a motion approving the Gap Financing Loan Request to Spearamus Partners LLC, as presented. Mr. Jackson seconded the motion. A roll call vote was conducted with the following result:

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

Nays: None.

EDC Resolution Code 20-09-84-09 was approved.

ADMINISTRATION

None.

OTHER MATTERS

None.

PUBLIC COMMENT

None.



ADJOURNMENT

On a motion by Mr. Stallworth, seconded by Ms. Clayson, Ms. Forte adjourned the meeting at 9:11 a.m.



CODE EDC 20-09-02-335

APPROVAL OF MINUTES OF SEPTEMBER 8, 2020 REGULAR MEETING

RESOLVED, that the minutes of the regular meeting of September 8, 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.

September 22, 2020



CODE EDC 20-09-03-255

RECEIPT OF TREASURER'S REPORT FOR AUGUST 2020

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

September 22, 2020



CODE EDC 20-09-84-09

UDAG RECYCLED FUNDS: PROPOSED EDC DEVELOPMENT GAP FINANCING LOAN REQUEST FOR SPEARAMUS PARTNERS LLC.

WHEREAS, On February 4, 2020 the Economic Development Corporation of the City of Detroit (“EDC”) established the Economic Development Gap Financing Loan Fund Program (the “Loan Program”) to make available gap financing in the form of performance-based loans to spur the economic development of key industrial and commercial mixed-use projects within Detroit; and

WHEREAS, the EDC was approached by Spearamus Partners, LLC (the “Developer”) for a loan under the Loan Program (the “Loan”) for costs associated with developing the property located at 7400 W. McNichols into two bar and restaurant retail spaces; and

WHEREAS, EDC staff has reviewed the Borrower’s financial documentation and proposes the following terms and conditions for the Loan under the Loan Program between the Developer and the EDC:

Loan Amount:	\$275,000
Rate:	3%
Term:	96 months, amortized over 30 years with one 12-month extensions conditioned upon a corresponding extension of the senior loan. EDC shall have the option to extend the maturity date by an additional 3 years without seeking further EDC Board approval; provided, however, that (i) the EDC Loan is not then in default and (ii) the senior lender extends the maturity date of its respective loan by 3 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 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.
Security:	Subordinated Lien position on all business assets, Assignment of Leases and Rents, Subordinated Mortgage on the Property. EDC’s security interest will be subordinated to that of the senior lender.
Guaranty:	Personal Guaranty of Chase Cantrell and Jason Headen, in which EDC will be subordinated to senior lender.



- Eligible Uses:** Site improvements, additional machinery, equipment or fixtures for the project, architectural and engineering or similar fees.
- Disbursement:** Owner equity contributions are first, followed by 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.
- ; and

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

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

NOW, THEREFORE, BE IT, RESOLVED, that the provision of a Loan to Developer consistent with the terms provided herein is 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 agreement 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.

September 22, 2020