



**ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
TUESDAY, MARCH 11, 2025 – 8:30 A.M.**

MEMBERS PRESENT: Thomas Stallworth
Damon Hodge
Kwaku Osei

MEMBER ABSENT: Linda Forte

OTHERS PRESENT: Derrick Headd (DEGC/EDC)
Kaci Jackson (DEGC/EDC)
Jennifer Kanalos (DEGC/EDC)
Glen Long (DEGC/EDC)
Rebecca Navin (DEGC/EDC)
Kelly Shovan (DEGC/EDC)
Sidni Smith (DEGC/EDC)
Nasri Sobh (DEGC/EDC)
Sierra Spencer (DEGC/EDC)
David Di Rita (Roxbury Group)
James Van Dyke (Roxbury Group)
Marsha Bruhn



**MINUTES OF THE ECONOMIC DEVELOPMENT CORPORATION
FINANCE COMMITTEE MEETING
TUESDAY, MARCH 11, 2025 – 8:30 A.M.
DETROIT ECONOMIC GROWTH CORPORATION
500 GRISWOLD, SUITE 2200, DETROIT, MI 48226**

CALL TO ORDER

Vice Chair Osei called the meeting of the Finance Committee of the Economic Development Corporation to order at 8:48 a.m. Roll call was conducted, and a quorum was established.

APPROVAL OF MINUTES

Mr. Osei asked if there were any additions, deletions, or corrections to the minutes of the June 25, 2024 Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Hodge made a motion approving the minutes of the June 25, 2024 Finance Committee meeting, as written. Mr. Stallworth seconded the motion. All were in favor with none opposed.

The minutes of the June 25, 2024 Finance Committee meeting were approved.

PROJECTS

Proposed EDC Development Gap Financing Loan Request for Lee Plaza

Mr. Howell explained that Lee Plaza II Limited Dividend Housing Association LLC (the “Developer”) comprises The Roxbury Group, Ethos Development Partners, and Lighthouse MI. Collectively, they are the Co-Sponsors of the redevelopment of Lee Plaza located at 2240 West Grand Blvd (“Project”). Each has experience developing affordable housing. Further, Roxbury and Ethos have extensive experience redeveloping historic buildings with Low-Income Housing Tax Credits, Historic Tax Credits, and other government programs.

The Project is a unique opportunity to revitalize a long-vacant historic 15-story high-rise building. Located at 2240 West Grand Boulevard (“Property”) about one mile west of New Center, the building was registered as a historic site by the State of Michigan and added to the United States National Register of Historic Places on November 5, 1981.

The property has been vacant for over 20 years, and the developers propose to convert the building into 117 units of affordable senior housing (55 years and older). This Project will rehabilitate the first 10 floors of the building only. The units will be priced at AMI levels between 30% and 60%. There will be a total of 100 subsidized units. The total development costs are estimated to be \$88 Million. Given the long vacancy period, the scope of work is a near gut-rehab of the building. According to the Department of the Interior’s Standards for Historic Rehabilitation, the exterior will be restored. All new mechanical, electric, and life safety features will be installed. In addition, new elevators and all new interior finishes will be deployed. The project is financed



with 4% and 9% Low-Income Housing Tax Credits (LIHTC), Historic Tax Credits, ARPA funding from the City of Detroit, and other financing sources.

A future phase of the project is the rehabilitation and build-out of the upper five floors (floors 11-15) of the Lee Plaza building into 65 units of affordable housing. Once completed, the entire Lee Plaza property will be adaptively reused, creating 182 new affordable apartments in the City of Detroit.

To facilitate the project's development and assist in filling the financing gap, the Developer is seeking a \$1,909,000 loan from the Economic Development Corporation ("EDC") Gap Financing Loan Fund (the "EDC Loan"). The EDC Loan will fund the project's construction, and an exact list of uses will be agreed upon between the EDC staff and the Developer.

Development Team

The Development Team is experienced in historic renovations. The members of the team include:

- Ethos Development Partners – Joseph Heaphy
- The Roxbury Group – David Di Rita & James Van Dyke
- Lighthouse MI – Ryan Hertz
- Klein Hornig LLP – Chris Horning
- Scheuren & Associates – Gary Scheuren
- Sachse Construction – Jay Mckee
- Fusco, Shaffer & Pappas, Inc. – James Pappas
- Plante Moran PLLC – Terri Salas

Development Timeline

- MSHDA Board Final Approval of Pass-Through Bond Sale - February 20, 2025
- Acquisition and Financial Closing – April 30, 2025
- Commence Full Construction Scope – May 1, 2025
- Construction Completion – January 31, 2027
- Complete Residential Lease Up – May 30, 2027
- Stabilization and Permanent Loan Conversion – November 30, 2027

An examination of the sources of capital for the \$88 Million development project illustrates significant participation in the capital stack by local sources, including the City of Detroit and Invest Detroit, totaling \$15.1 Million and \$6.6 Million, respectively. Given the significant development costs, the project requires a complex capital structure with 16 sources of capital. Even still, the project has a \$1.9M gap. The co-sponsors have approached the EDC for a loan equal to the financing gap. The Sources of Capital Statement is illustrated below:



Sources of Capital Statement
LEE Plaza 4% - 9% Consolidated
2/5/2025

Sources of Capital	Combined Updated Budget	9% LIHTC Residential (2/5/25)	4% LIHTC Residential (2/5/25)
MSHDA-Permanent Mortgage		52 Units	65 Units
Conventional Mortgage	\$ 8,860,000.00	\$ 3,824,000.00	\$ 5,036,000.00
Equity Credit fom Tax Credit Syndication	\$ 34,075,456.00	\$ 12,472,753.00	\$ 21,602,703.00
MSHDA NSP Funds	\$ -		
UDAG Loan-Detroit	\$ 1,909,000.00		\$ 1,909,000.00
GP Equity (at Landlord and Master Tenant)	\$ 200.00		\$ 200.00
Lighthouse Sponsor Loan-from MSHDA Pass-Thru	\$ 3,900,000.00		\$ 3,900,000.00
Invest Detroit Foundation Loan (City ARPA funded)	\$ 500,000.00	\$ 500,000.00	
Sponsor Perm Loan (Per Detroit for net incr Dev Fee)	\$ 2,783,180.00		\$ 2,783,180.00
Other Equity: Historic Tax Credit	\$ 13,263,986.00	\$ 4,583,145.00	\$ 8,680,841.00
Transferred Reserves	\$ -		
Accrued Soft Loan Construction Period Interest	\$ 468,000.00	\$ 130,000.00	\$ 338,000.00
Invest Detroit Foundation Loan (MEDC entrance grant)	\$ 5,999,863.00	\$ 1,397,336.00	\$ 4,602,527.00
City of Detroit Loan (ARPA-funded)	\$ 13,602,912.00	\$ 7,543,177.00	\$ 6,059,735.00
City of Detroit Loan (NSP-funded)	\$ 1,500,000.00		\$ 1,500,000.00
Other	\$ -		
Deferred Developer Fee	\$ 960,000.00	\$ 310,000.00	\$ 650,000.00
TOTAL SOURCES	\$ 87,822,597.00	\$ 30,760,411.00	\$ 57,062,186.00

The revenue, expense, cash flow, and debt service coverage ratios for the first three years of stabilized operations are illustrated below:



Income	Year 1	Year 2	Year 3
Annual Rental Income	936,240	954,965	974,064
Annual Non-Rental Income	5,000	5,100	5,202
Total Project Revenue	941,240	960,065	979,266
Expenses			
Vacancy Loss	46,812	47,748	48,703
Management Fee	41,210	42,446	43,720
Administration	77,332	79,652	82,042
Project-paid Fuel	24,375	25,106	25,859
Common Electricity	48,750	50,213	51,719
Water and Sewer	33,150	34,145	35,169
Operating and Maintenance	136,276	140,364	144,575
Real Estate Taxes	0	0	0
Payment in Lieu of Taxes (PILOT)	3,916	3,989	4,063
Insurance	35,750	36,823	37,927
Replacement Reserve	19,500	20,085	20,688
Other: Landlord Audit/Returns	20,000	20,600	21,218
Other:	0	0	0
Subtotal: Operating Expenses	487,071	501,170	515,683
Debt Service			
Debt Service Part A	0	0	0
Debt Service Conventional/Other Financing	382,000	382,000	382,000
Total Expenses	869,071	883,170	897,683
Cash Flow/(Deficit)	72,169	76,895	81,584
Cash Flow Per Unit	1,110	1,183	1,255
Debt Coverage Ratio	1.19	1.20	1.21

The EDC staff has conducted a comprehensive qualitative and quantitative analysis of the proposed development project and has made the following determinations:

- The Project will address blight and safety concerns stemming from long-term vacancy of the property;
- The high cost of construction, the complex nature of the sources of capital, necessitates additional financial support from the EDC;
- The Project is designed to meet Detroiters' needs for senior and profoundly affordable housing, reflecting our commitment to community and social responsibility.

Based on the above-referenced financial analysis and considerations, EDC staff requests that the EDC Finance Committee recommends to the EDC Board the approval of the developer's request for a \$1.9 Million loan upon the loan terms described on Exhibit A.

The EDC Loan would be payable from EDC's on-hand recycled UDAG loan proceeds, subject to appropriate approvals from the City's Director of the Housing and Revitalization Department.



EXHIBIT A

PROPOSED LOAN TERMS

Borrower Name:	Lee Plaza II Limited Dividend Housing Association LLC
Project Location:	2240 West Grand Blvd , Detroit, MI 48208
Request:	\$1,909,000
Rate:	1% simple interest accrued over the term, commencing January 1, 2027.
Term:	240 months, with a balloon payment at the end of the term.
Repayment:	Annual payments will commence on January 1, 2028 calculated as the greater of (a) \$2,500; or (b) the lesser of (i) 1% interest only or (ii) 50% of net cash flow (calculated after operating expenses, required deposits to reserves, deferred developer fee and required senior debt service payments). However, provided that during any period in which net cash flow contingent payments are due to the senior lender, only the \$2,500 minimum annual payment will be due to EDC.
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 and senior to the City.
Eligible Uses:	Site improvements, construction, acquisition of real estate, and/or FFE.
Disbursement:	Tax credit equity contributions are first, followed by other subordinate debt and grants, the EDC Loan funds, and 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. Issuance of title policy insuring EDC's mortgage interest. Borrower will provide an itemized schedule and use of funds. Approval by City of Detroit Housing and Revitalization Department Director of EDC loan.



Mr. Osei called for questions.

Mr. Hodge questioned the capital stack and asked what the terms were for the subordinated debt pieces and added that he was trying to understand flexibility over the short term before stabilization. Mr. Di Rita stated that the incentivized items in the capital stack would be similarly structured between the City of Detroit loans of fifteen million dollars (\$15,000,000.00).

Mr. Howell added that EDC is in second position ahead of Invest Detroit and that the EDC worked closely with the City of Detroit to ensure consistent loan terms.

Mr. Hodge asked if Invest Detroit's loan was interest only or if there was a principal portion as well. Mr. Di Rita responded that the loan was interest only.

Mr. Hodge stated that he would be switching positions from Capital Impact Partners to Invest Detroit.

Mr. Hodge stated that he was curious about the financial structure of the project, noting that many times, the capital stack is complex, and many projects are challenged in the cash flow perspective. Mr. Hodge continued that with this in mind, he was inquiring about the long-term portfolio management perspective, specifically if there was flexibility in the repayment terms to allow for adjustments for the subordinate lenders.

Mr. Howell stated that the repayment terms are flexible, continuing that there is a minimum payment of twenty-five hundred dollars (\$2,500.00) a year or the lesser of one percent (1%) interest or fifty percent (50%) of net cash flow. Mr. Howell added that there are three (3) possibilities in terms of how the loan would be paid based upon the cash flow between the two (2) lenders. Mr. Di Rita added that Roxbury was comfortable with the terms across all lenders.

Mr. Stallworth asked about the project's crossroads. Mr. Di Rita stated that the project is located on West Grand Boulevard and Lawton Street, directly next to Northwestern High School.

Mr. Di Rita stated that he is looking forward to the project, noting that many successful projects, such as the Griswold that was completed, had complicated capital stacks. Mr. DiVita continued that putting together the transaction in a continually moving environment with interest rates and construction costs can be extremely complicated. Mr. Di Rita explained that despite the challenges, he and his team were excited to be completing work on Detroit's last vacant high rise and believe it will catalyze the neighborhood, which has already responded to the project with investments.

Mr. Stallworth asked if the newly imposed tariffs had been factored into the estimated completion cost. Mr. Di Rita stated that he believes his team has taken the tariffs into account as there has



been an ongoing effort for two and a half (2 ½) years related to construction with Sachse Construction.

Mr. Osei called for further questions. Hearing none, he called for a motion.

Mr. Hodge made a motion to recommend approval for the Proposed EDC Development Gap Financing Loan Request for Lee Plaza, as presented, to the EDC Board. Mr. Stallworth seconded the motion. All were in favor with none opposed.

ADMINISTRATION

Ms. Kanalos explained that to streamline the Economic Development Corporation of the City of Detroit (EDC) Finance Committee meetings, EDC staff is proposing the following EDC Finance Committee dates, **to be held on the third Tuesday of each month at 9:00 a.m.**, through Fiscal Year 2025:

2025

April 15, 2025

May 20, 2025

June 17, 2025

EDC staff requested that the EDC Finance Committee recommend to the EDC Board the approval of the above Finance Committee dates through fiscal year 2025.

Mr. Osei called for questions.

Mr. Stallworth stated he would prefer to hold the EDC Finance Committee meetings before the EDC Board meetings to limit the number of trips.

Mr. Hodge agreed and stated that he preferred the same; making one trip for both meetings would be more efficient.

Mr. Osei stated that he agreed and suggested that new dates be proposed.

Ms. Kanalos proposed that EDC Finance Committee meetings be scheduled for the fourth Tuesday of each month at 8:30 a.m.

Mr. Osei called for a motion. Mr. Hodge made a motion to recommend approval of the Schedule of Regular EDC Finance Committee Meeting Dates for the Remainder of Fiscal Year 2024-2025,



as amended, to the EDC Board. Mr. Stallworth seconded the motion. All were in favor with none opposed.

OTHER MATTERS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

On a motion by Mr. Hodge, seconded by Mr. Stallworth, Mr. Osei adjourned the meeting at 9:13 a.m.