DIVERSITY IN DEVELOPMENT
DETROIT LOAN FUND

Webinar

May 19, 2020 | 2:00 p.m.
1. Introductions – Presenters, Capital impact
2. Background
3. Equitable Development Initiative
4. Diversity in Development – Detroit Loan Fund
5. Q&A
INTRODUCTIONS
PRESENTERS, CAPITAL IMPACT
PRESENTERS

Ellis Carr
President & CEO

Elizabeth Luther
Detroit Program Director

Nicholas Pohl
Business Development Officer, Great Lakes

Jarrett Sanders
Detroit Real Estate Program Specialist
WHERE WE WORK

- Capital Impact Offices
- Core Geographies
Address Systemic Poverty
Effect systemic change at scale – from social systems to government programs – so that all people have paths out of poverty

Create Equity
Support equitable access to quality services and economic opportunity regardless of race, ethnicity, gender, income or geography

Build Healthy Communities
Foster connections and social supports that strengthen the links between health, education, housing and opportunity that help people and communities thrive together

Promote Inclusive Growth
Build diverse, mixed-income communities that promote economic mobility and empower individuals to break the barriers to success.
DETROIT PROGRAM

Detroit Mission

- Catalyze equitable and inclusive growth.
- Contribute to building opportunity rich, mixed-income neighborhoods that increase density, deconcentrate poverty, improve neighborhood assets, and increase residents’ access to services and amenities.

Areas of Focus

- Programs and Initiatives
- Catalytic Financing
- Research and Policy Development
- Partnerships
DETROIT LENDING ACTIVITY
COMMUNITY-LEVEL / BORROWER-LEVEL

Community-Level Outcomes
• Density
• Mixed-Income Housing
• Reduced vacancy
• Increased Community assets
• Stabilized neighborhoods

Borrower-Level Outcomes
• Property ownership
• Long-term wealth building
• Development expertise
OUR ACTIVITIES AND RESEARCH

2016 PORTFOLIO REVIEW

We looked closely at our lending in Detroit. It was meeting our stated community outcomes (jobs created, decreased vacancy, increased density, provision of mixed-income housing), but our borrowers were not reflective of Detroit’s demographics.

- 81% of loans had gone to experienced and very experienced developers
- 69% of funds were spent in Midtown and New Center
- Majority of loans went to high wealth developers
A CHALLENGING REAL ESTATE MARKET

Market-Level Challenges
- Weak real estate markets
- Varied markets w/in small area
- Environmental contamination
- Municipal approval processes
- Impact of COVID-19

Project-/Individual-Level Challenges
- Experience
- Knowledge
- Connections
- Access to capital
- Four Cs of credit
- Access to equity
EQUITABLE DEVELOPMENT INITIATIVE
THE EQUITABLE DEVELOPMENT INITIATIVE supports local minority developers with training and technical assistance. Goals:

- Long-term wealth-building for communities of color
- Increased knowledge and connections within Detroit’s real estate development industry
- Neighborhood stabilization through improvements to the built environment
DETROIT EDI LEARNING SERIES TO DATE

- Fall 2017 – first application open
- Spring 2018 – Cohort 1
- Fall 2018 – application open
- Spring 2019 – Cohort 2
- Summer, Fall 2020 – Cohort 3
- June 1, 2020 – Cohort 3 final presentations
- Spring 2020 – Cohort 3 learning series (Feb. – June; moved online in March)
- Fall 2019 – application open
- Spring 2019 – Cohort 2 June

Assess 2021 training
PROGRAM OUTCOMES

• 33 Training and Technical Assistance Sessions
• 47 program alumni / 20 current participants
• 9 program advisors
• Free Urban Land Institute conference attendance and membership
• Grants to training project group winners and runners-up

• 5+ networking events with local partners
• 2 projects closed on predevelopment financing in 2019
• 4 Invest Detroit RFPs won
• Over 50 community/government partners engaged
OPPORTUNITIES TO GROW AND IMPROVE

• Ongoing/enhanced technical assistance for program graduates
• Additional resources for participants to assess project feasibility
• Networking opportunities
• Financing products, including the Diversity in Development – Detroit Loan Fund
DIVERSITY IN DEVELOPMENT – DETROIT LOAN FUND
DIVERSITY IN DEVELOPMENT – DETROIT LOAN FUND

- Build on EDI program efforts
- Break down barriers to accessing capital
- Further our commitment to equitable development and inclusive growth in Detroit
FUND: CONCEPT TO CREATION

- CDFI Application
- Fund Structuring
- Fund Goals
ELIGIBILITY CRITERIA

• Projects within Detroit city limits
• Projects led by minority developers
• Projects must have at least 5 residential units
**Sample Terms**

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Loan Amount:</strong></td>
<td>Target loans up to $5 million</td>
</tr>
<tr>
<td><strong>Term:</strong></td>
<td>2 to 10 years</td>
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<tr>
<td><strong>Amortization:</strong></td>
<td>Up to 35 Years</td>
</tr>
<tr>
<td><strong>Payments:</strong></td>
<td>Interest only during construction, Principal and interest thereafter</td>
</tr>
<tr>
<td><strong>Interest Rate:</strong></td>
<td>A 50 basis point reduction compared to Capital Impact’s standard pricing, with the same reduction on our pricing floor</td>
</tr>
<tr>
<td><strong>Fees:</strong></td>
<td>1.25% origination fee</td>
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<tr>
<td><strong>Collateral:</strong></td>
<td>1st position real estate lien, up to 100% Loan-to-Value</td>
</tr>
<tr>
<td><strong>Debt Service Coverage Ratio:</strong></td>
<td>As low as 1.10x based on 10% vacancy assumption. When a project contains fewer than 10 units, DSCR calculation incorporates a vacancy factor of at least one unit</td>
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<td><strong>Loan Purpose:</strong></td>
<td>Rehabilitation or new construction of mixed-use, multifamily housing</td>
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<td><strong>Equity:</strong></td>
<td>Minimum equity contribution of 5%</td>
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<tr>
<td><strong>Guarantees:</strong></td>
<td>Personal guarantees required</td>
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TIMING

- Loan Fund Timeline
- Application Timeline
- Project Readiness
WEBSITE & APPLICATION

tinyurl.com/CIP-DDDF

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