



# DEVELOP MICHIGAN, INC.

## WHAT IS DEVELOP MICHIGAN, INC?

- Develop Michigan, Inc. (DMI) is a private equity fund established for the purpose of providing capital for commercial real estate projects to promote economic development and/or community revitalization throughout Michigan
- DMI provides capital to real estate projects across the entire financing spectrum including, with current capital focus on providing :
  - (i) subordinated debtor (ii) quasi-equity or mezzanine debt; or (iii) equity.
- DMI is flexible and creative in structuring its capital contribution within the “capital stack” in order to make deals financially feasible.

## WHAT CAN BE FINANCED?

- DMI finances projects that fall into asset classes such as:
  - Mixed-Use Commercial and Residential
  - Single and Multi-tenant Office Buildings
  - Light Industrial Facilities and Warehouses
  - Community Facilities (not for profit)
  - Retail

DMI seeks out project that have a strong impact on low-or-moderate income communities, either through the jobs that are created for LMI residents, workforce housing that would be provided or other elements of the project that benefit the community such as strong revitalization or economic activity.

## WHAT ARE DMI LENDING GUIDELINES?

	<b>Senior Debt (NO LONGER AVAILABLE)</b>	<b>Quasi-Equity or Mezzanine</b>
Maximum Loan to Value	75%	90% (30% maximum exposure)
Minimum Debt Service Coverage	1.30	1.15
Security	First Mortgage Lien	Varies by transaction, typically a second lien and a pledge of ownership interest
Term	5 - 7 years	2 - 5 years
Amortization	Varies by property type, age, location & leverage but no greater than 30 years	Typically none

**Note - these are representative terms. Actual terms will vary based on specific project parameters.**

## DEVELOP MICHIGAN, INC. - EXAMPLE OF COMPLETED TRANSACTIONS

### **Forward commitment for permanent senior debt financing on a to-be-renovated mixed use building composed of ground floor retail and upper floor residential:**

<b>Loan Amount:</b>	75% of appraised value
<b>Term:</b>	7 years
<b>Amortization:</b>	25 years
<b>Interest Rate:</b>	6.00% per annum fixed at commitment
<b>Required Debt Service Coverage:</b>	1.30 times
<b>Fees:</b>	\$7,500 application fee plus up to 2.0% at Commitment plus out-of-pocket expenses and legal.
<b>Security:</b>	The Loan shall be secured by (i) a first mortgage lien, (ii) an Assignment of rents and leases with respect to the Real Estate, and (iii) security interests and appropriate UCC filings for personal property of the Borrower.
<b>Guarantees:</b>	Full guarantees from the Principals until such times as the Borrower provides evidence satisfactory to Lender that debt service coverage has been maintained at not less than 1.30 times for a minimum of twelve (12) consecutive months after closing.

### **Mezzanine financing for the acquisition of a land and subsequent construction of a mixed use building with ground floor retail, commercial space and for sale condominiums:**

<b>Loan Amount:</b>	100.00% of land cost to represent 25.00% of total development costs
<b>Term:</b>	36 months
<b>Amortization:</b>	Interest Only
<b>Interest Rate:</b>	Preferred return accrued at 8.00% per annum
<b>Additional Interest:</b>	Lender to share in the profits generated by the sale of the condominium units.
<b>Required Debt Service Coverage:</b>	N/A
<b>Fees:</b>	\$7,500 application fee plus up to 2.0% at Commitment plus out-of-pocket expenses and legal.
<b>Security:</b>	Lender to hold title to land until construction then converted to loan to Borrowing entity or other such structure acceptable to Lender's counsel.
<b>Guarantees:</b>	Principals to guaranty the payment of the preferred return and lien free construction except for the lien of the approved construction lender.

### **Commitment for permanent subordinated debt financing on a mixed use building of ground floor retail, commercial space and residential space:**

<b>Combined Loan Amount:</b>	85.00% of appraised value (DMI loan representing 45% LTV)
<b>Term:</b>	7 years
<b>Amortization:</b>	25 years
<b>Interest Rate:</b>	10.00% per annum fixed at commitment
<b>Required Debt Service Coverage:</b>	1.15 times
<b>Fees:</b>	\$7,500 application fee plus up to 2.0% at Commitment plus out-of-pocket expenses and legal.
<b>Security:</b>	The Loan shall be secured by (i) a subordinated mortgage lien, (ii) an Assignment of rents and leases with respect to the Real Estate, and (iii) security interests and appropriate UCC filings for personal property of the Borrower.  First mortgage must be acceptable in form and substance to DMI's counsel.
<b>Guarantees:</b>	Full guarantees from the Principals