

Commercial Corridor Finance Research Convening

MAY 9, 2023

IGNITING ECONOMIC GROWTH FOR ALL DETROITERS

Invest Detroit is a financial catalyst for economic growth in underserved communities and markets in Detroit and the region.

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Four programs designed to catalyze economic growth:

- ▶ **REAL ESTATE**
 - ▶ **COMMERCIAL AND INDUSTRIAL**
 - ▶ **SMALL BUSINESS**
 - ▶ **VENTURE INVESTMENT**
-

Four goals that utilize those programs:

- ▶ **DENSITY**
- ▶ **JOBS**
- ▶ **THRIVING NEIGHBORHOODS**
- ▶ **INCLUSIVITY**



Our Impact

Since Inception

INVESTMENT



\$544,311,805

Dollars deployed

\$3,602,652,112

Dollars leveraged

EMPLOYMENT



13,711

Jobs created or retained



BUSINESS



13,192,437

Total square footage of spaces developed

881

Projects, businesses, and companies supported



HOUSING



5,621

Housing units created

1,159

Affordable housing units created

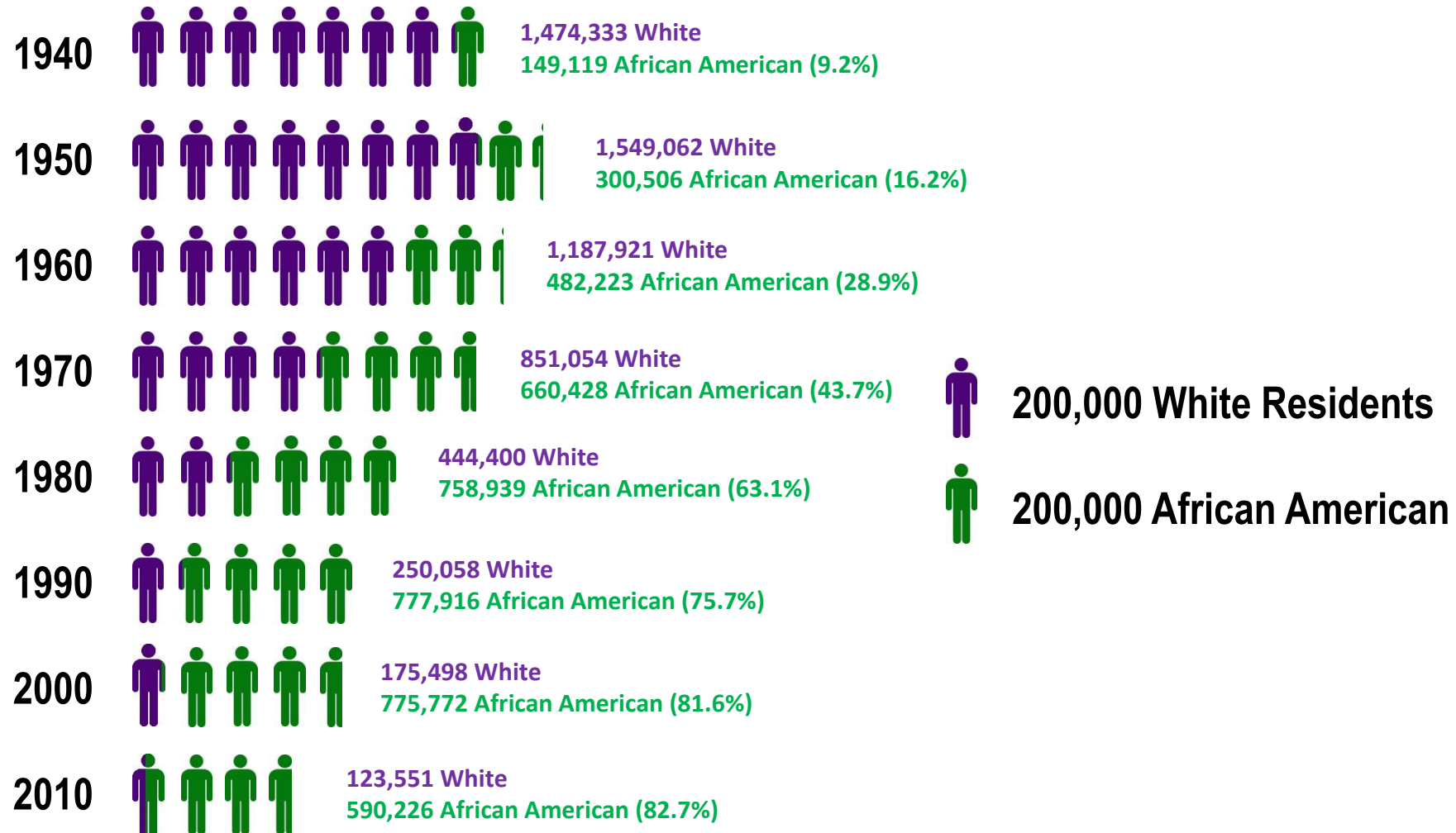


Detroit: The Need

W. McNichols Commercial Corridor

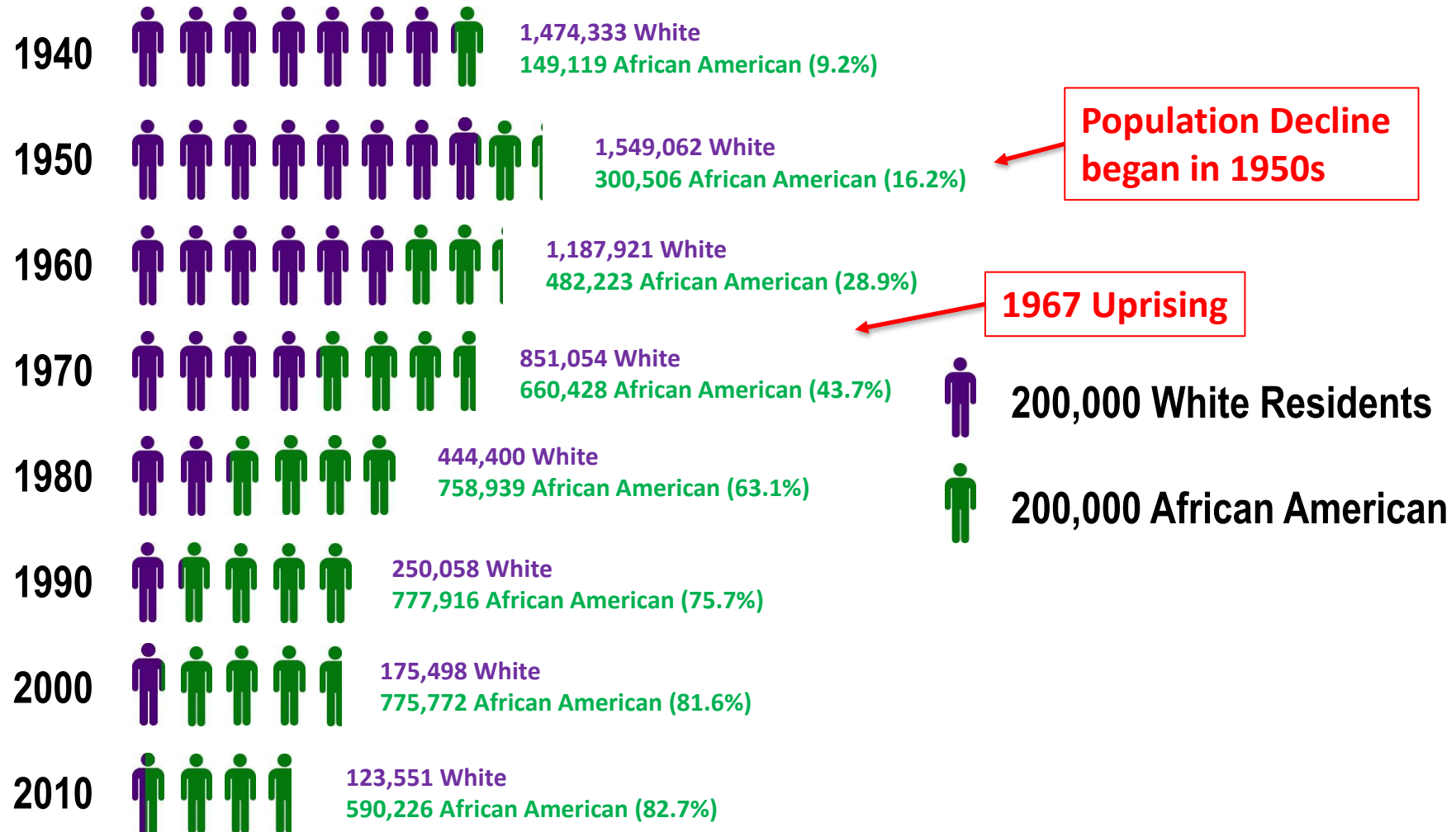
How did we get here?

Detroit Population 1940-2010



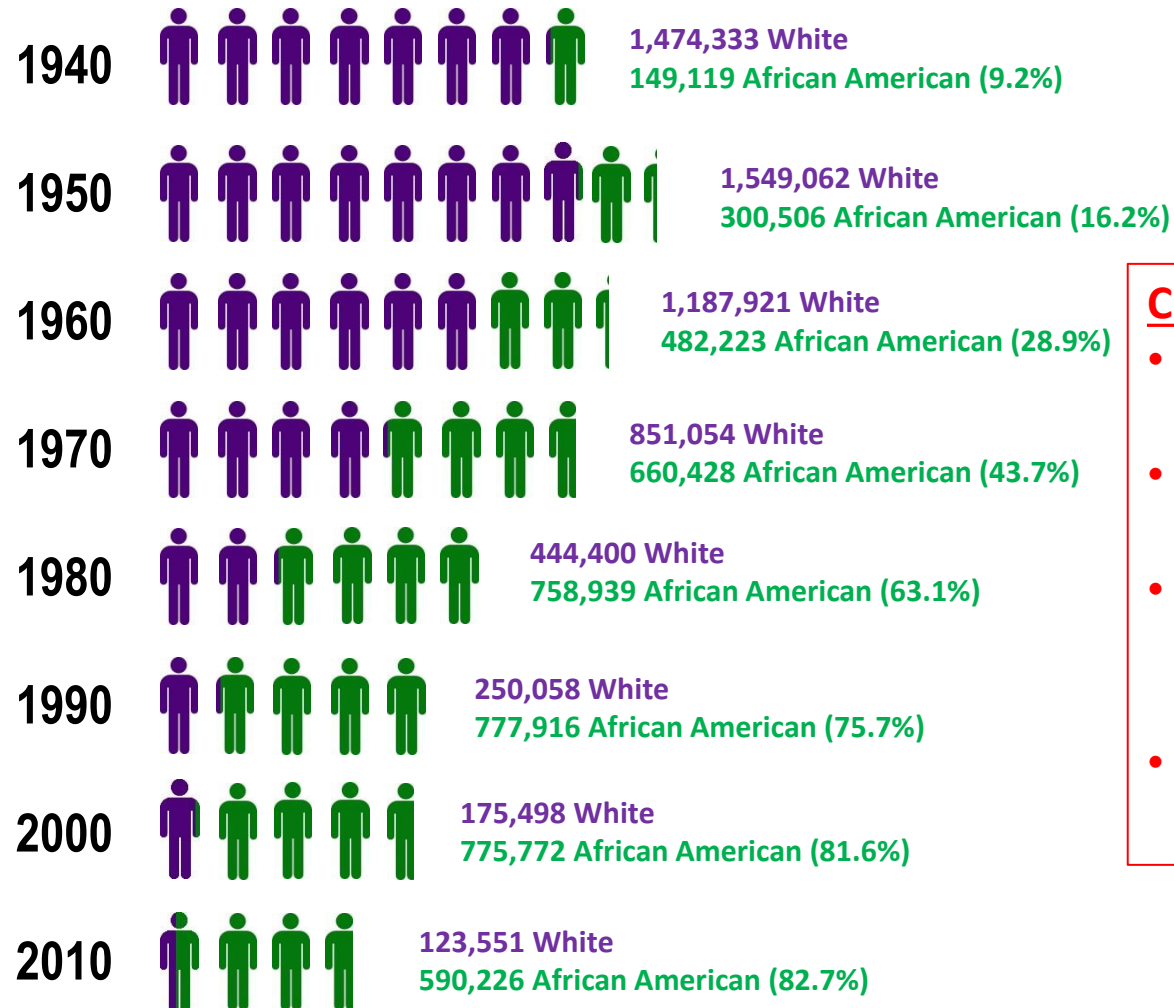
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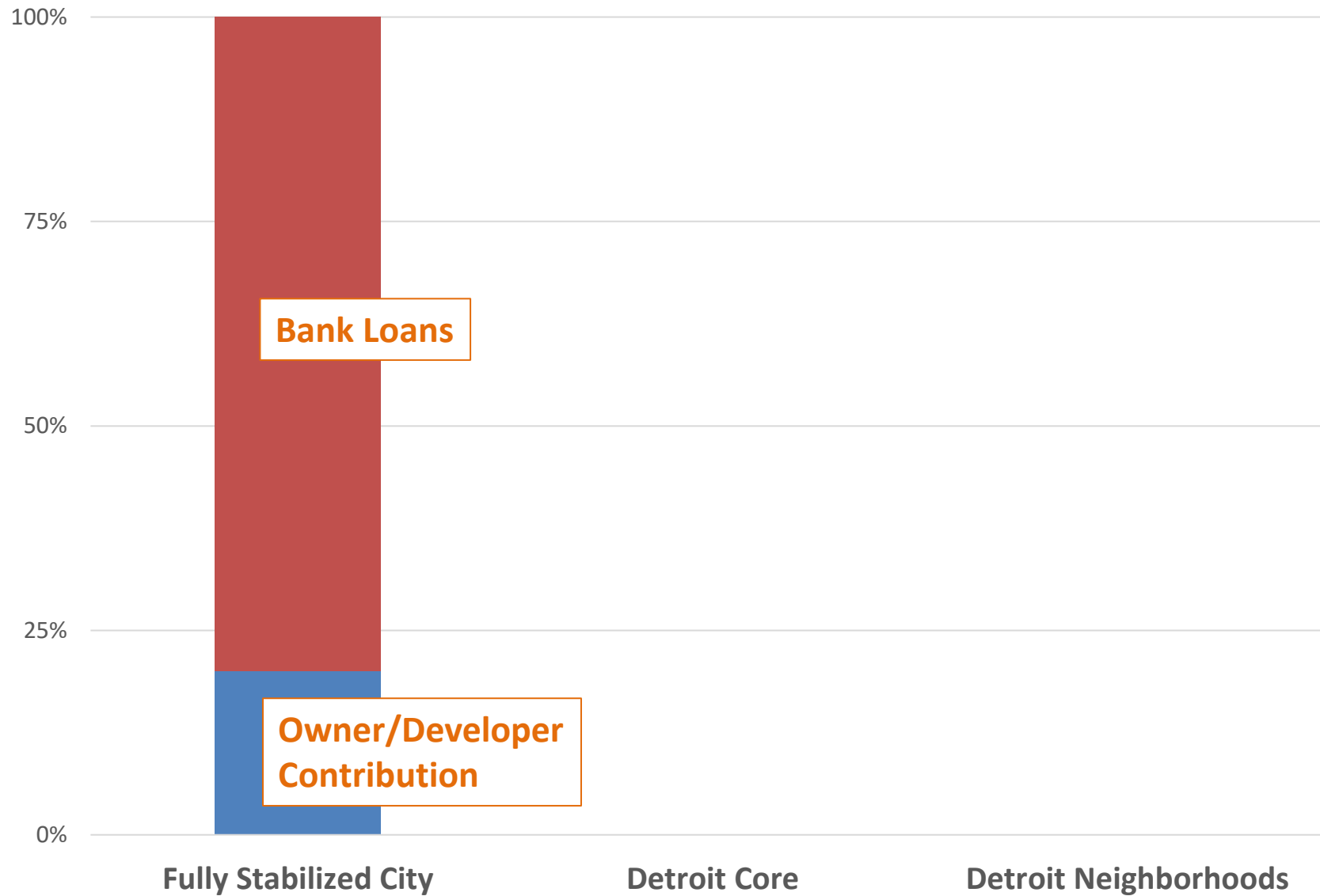
Detroit Population 1940-2010



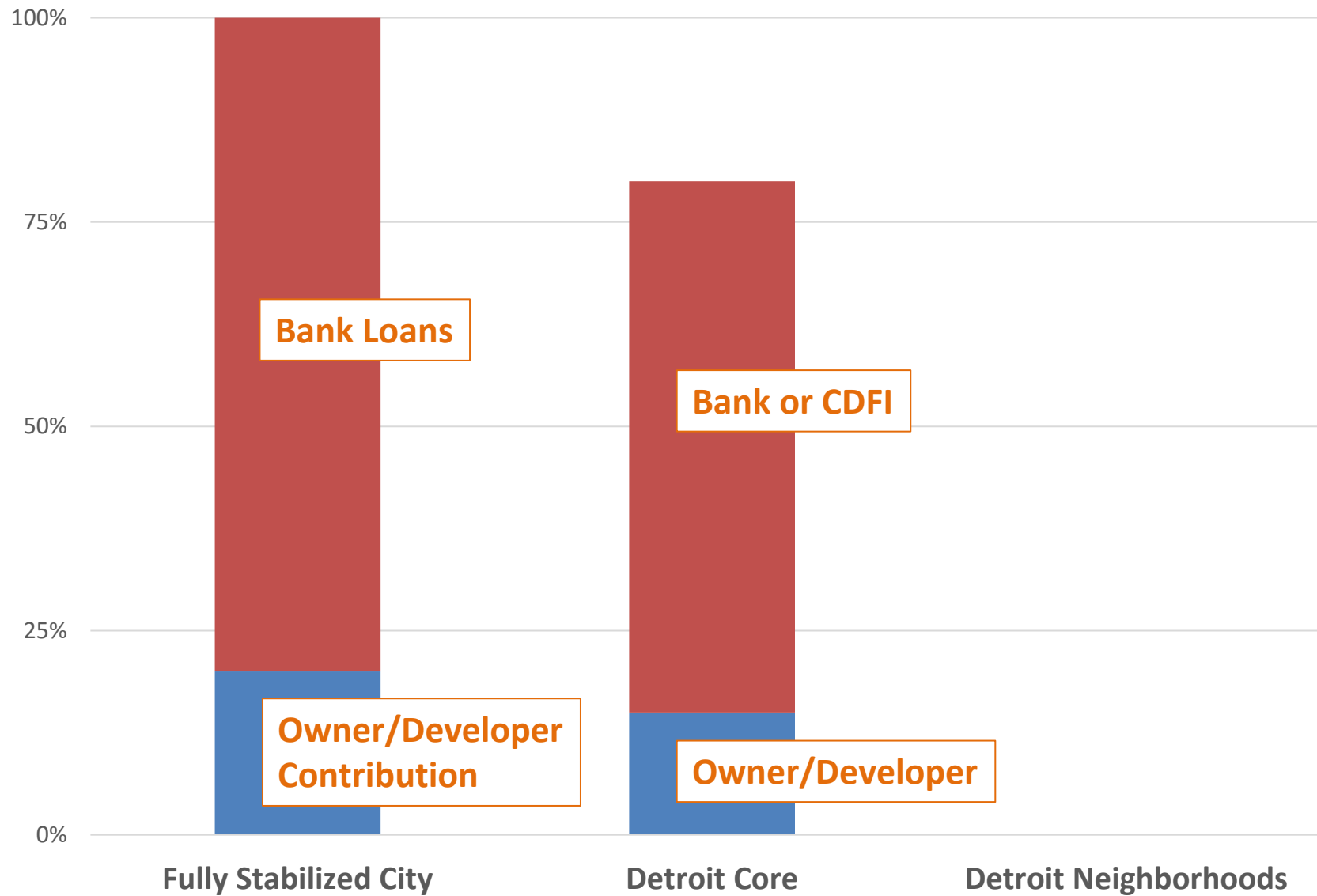
Challenges

- City infrastructure and tax base to serve 2M serves 700k
- Extreme city/suburb racial and economic segregation
- No significant investment in Detroit neighborhoods in six decades
- Difficult to build recovery around “growth”

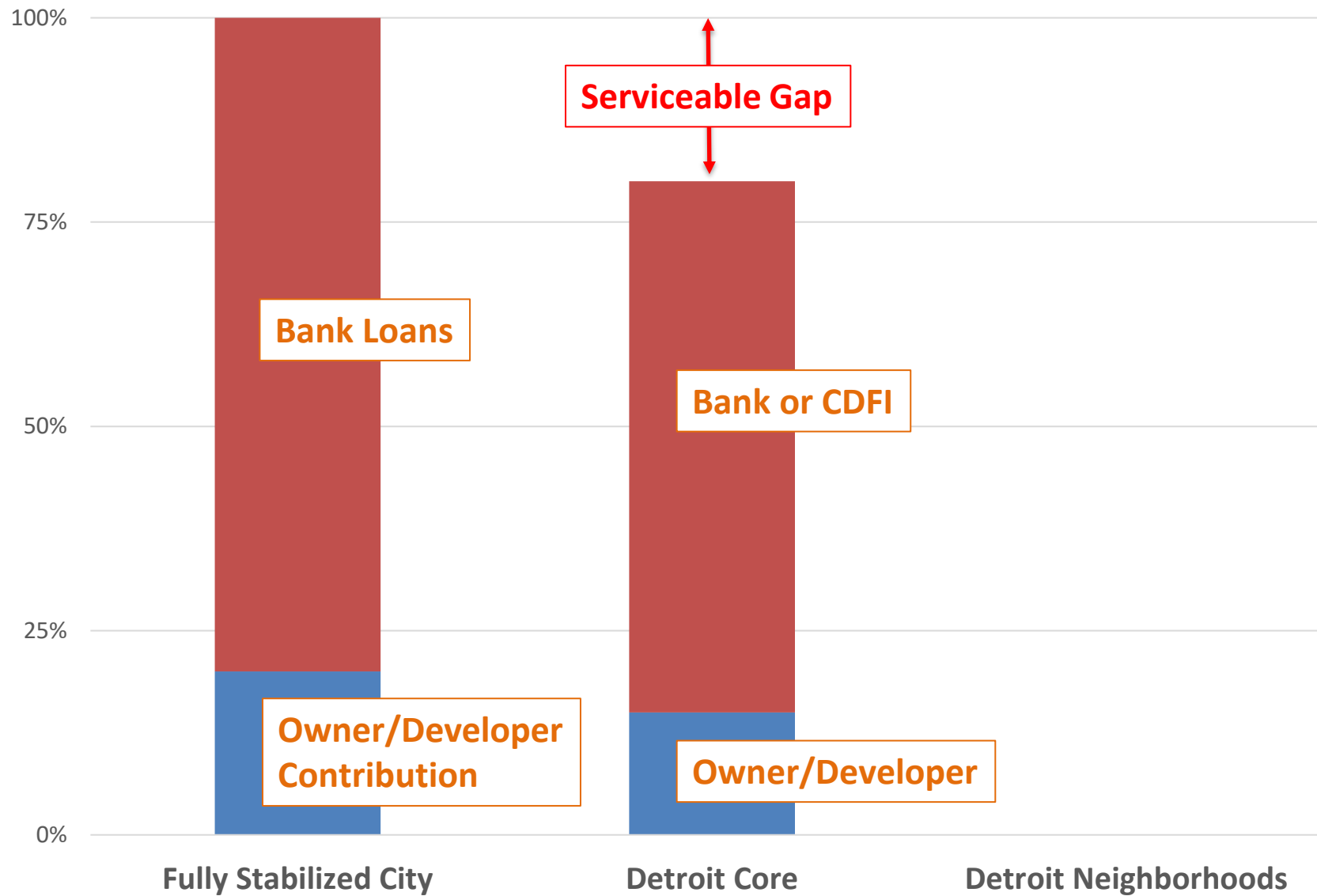
Real Estate Development Gaps



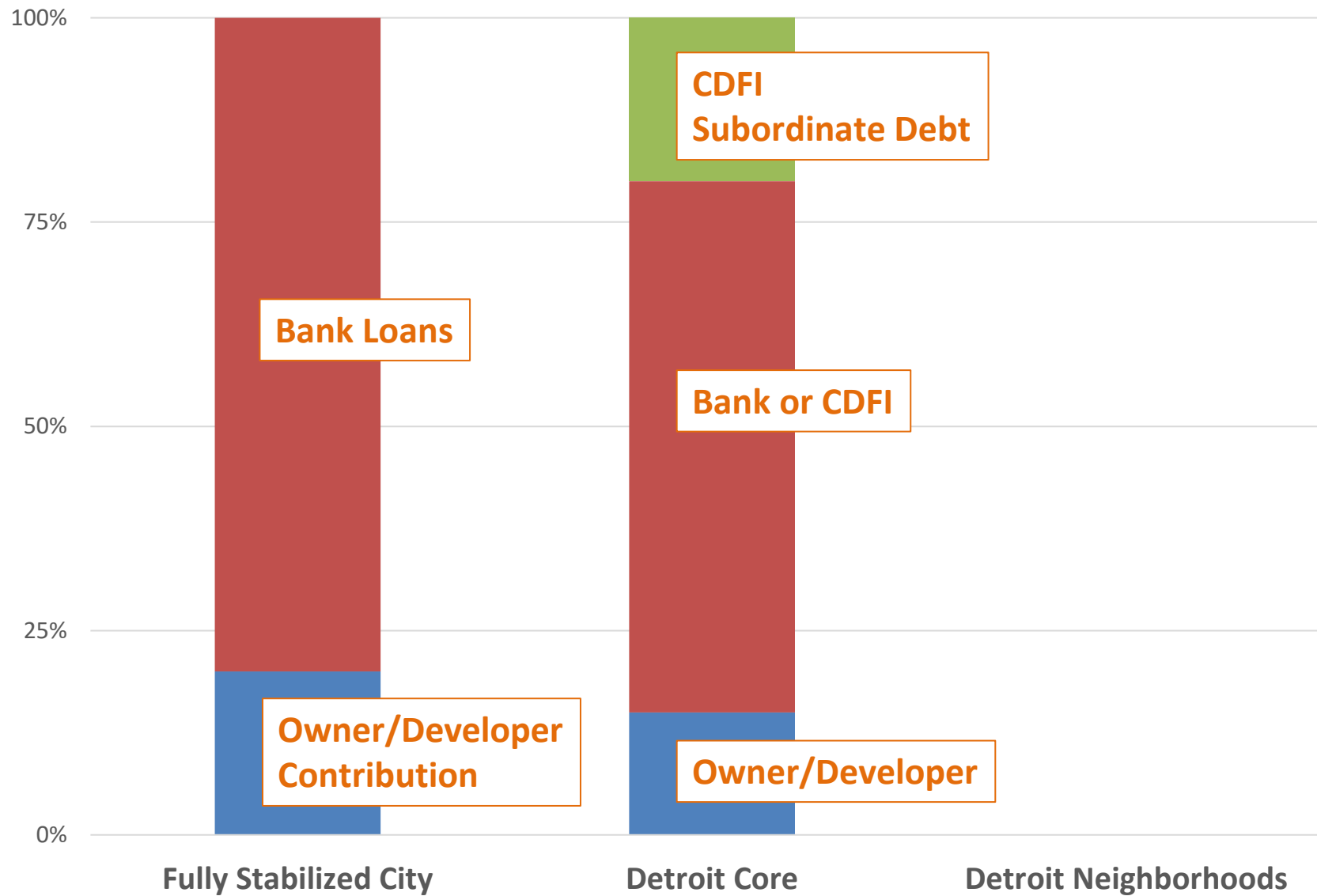
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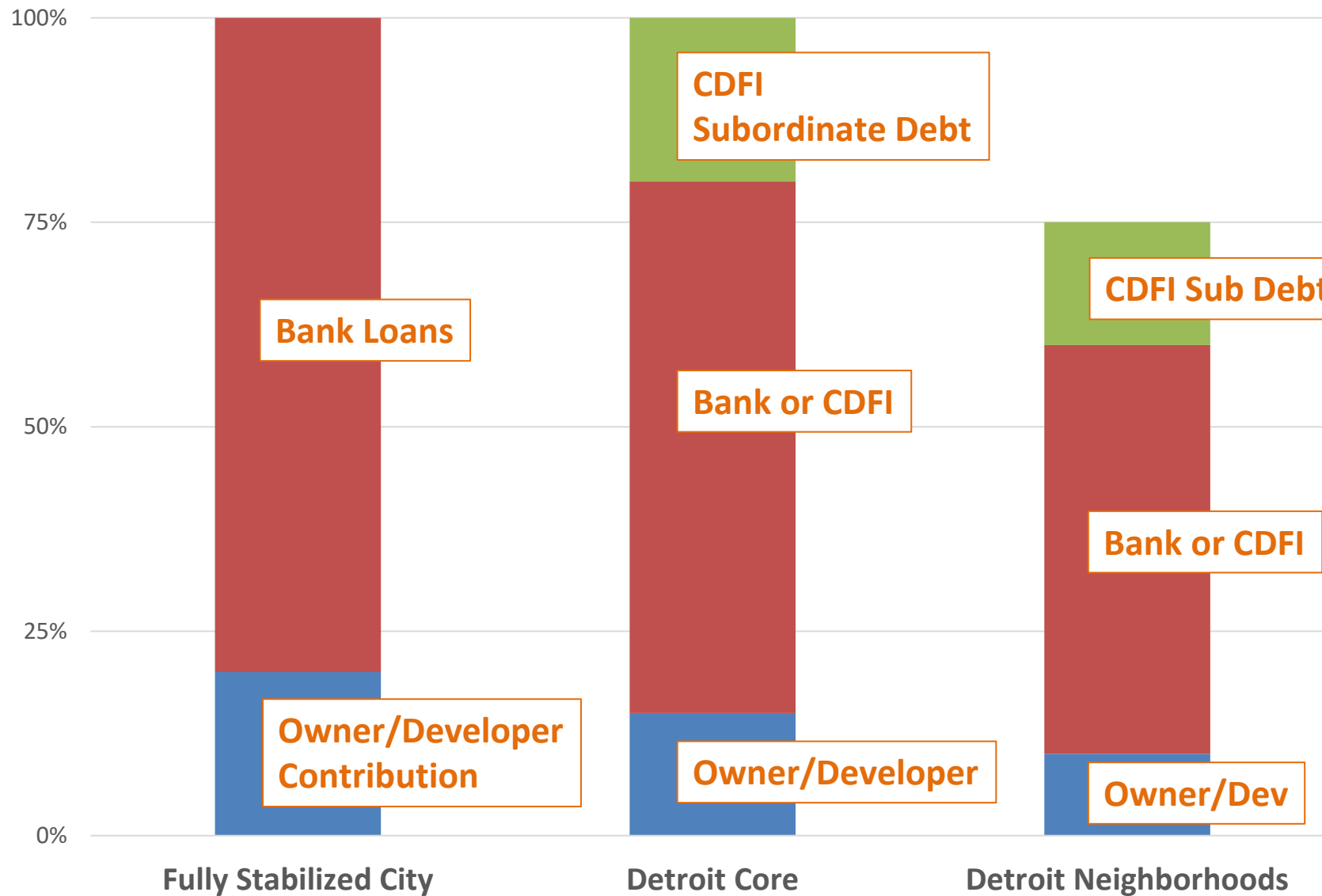
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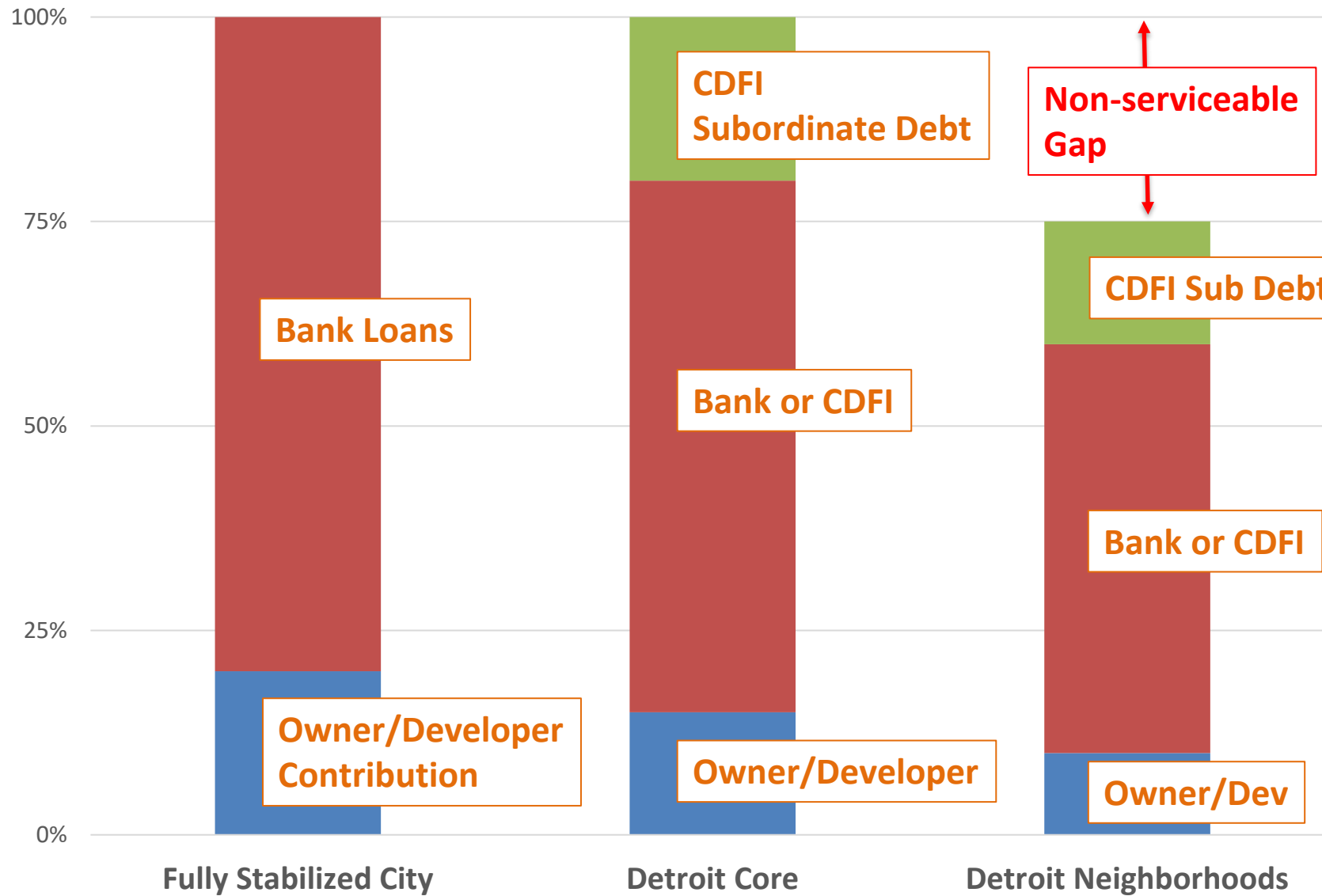
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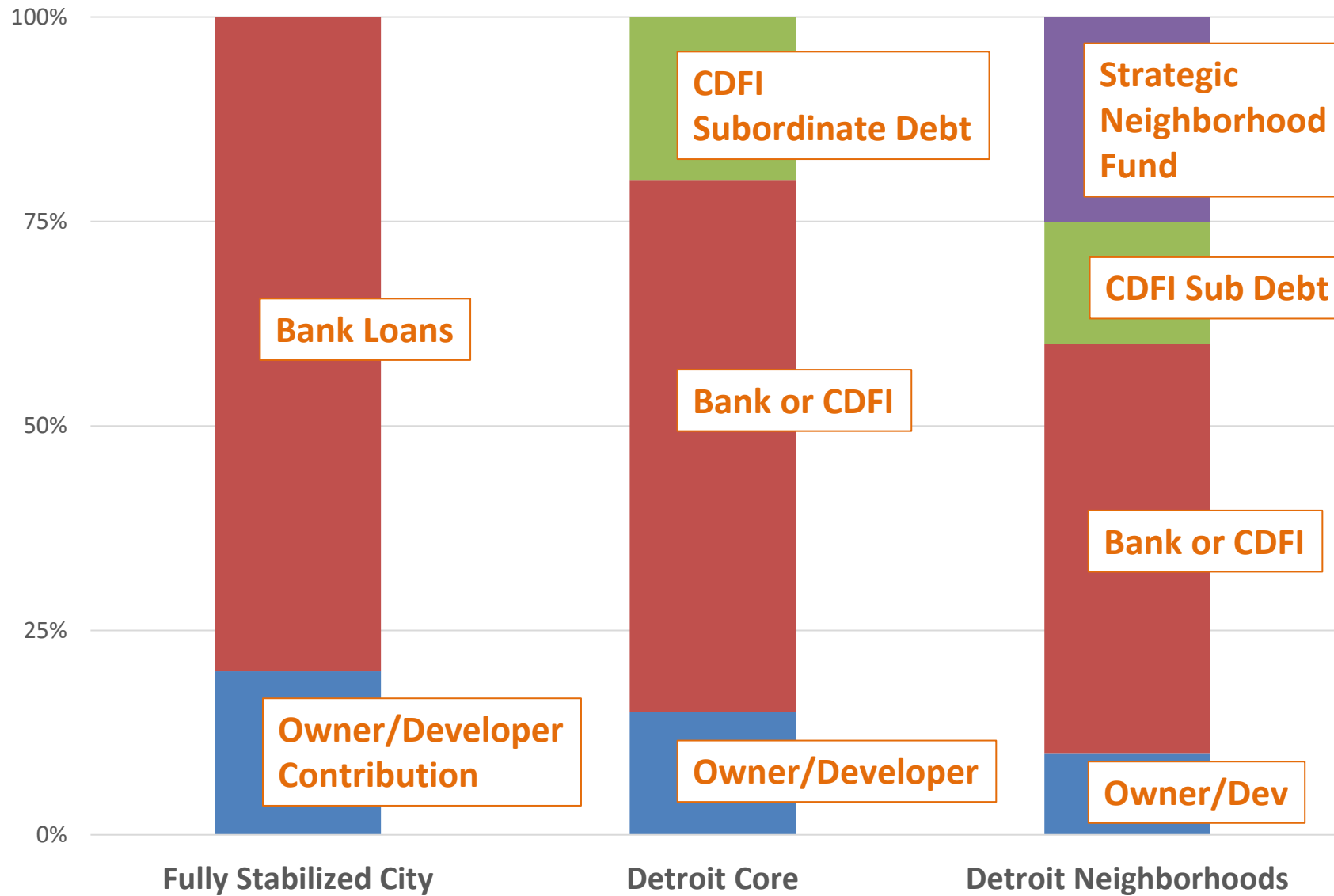
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Real Estate Development Gaps



Real Estate Development Gaps

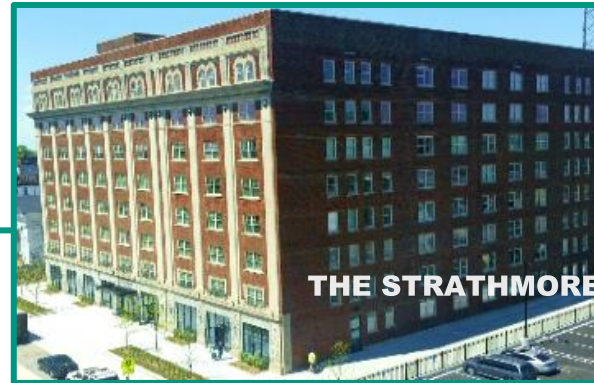




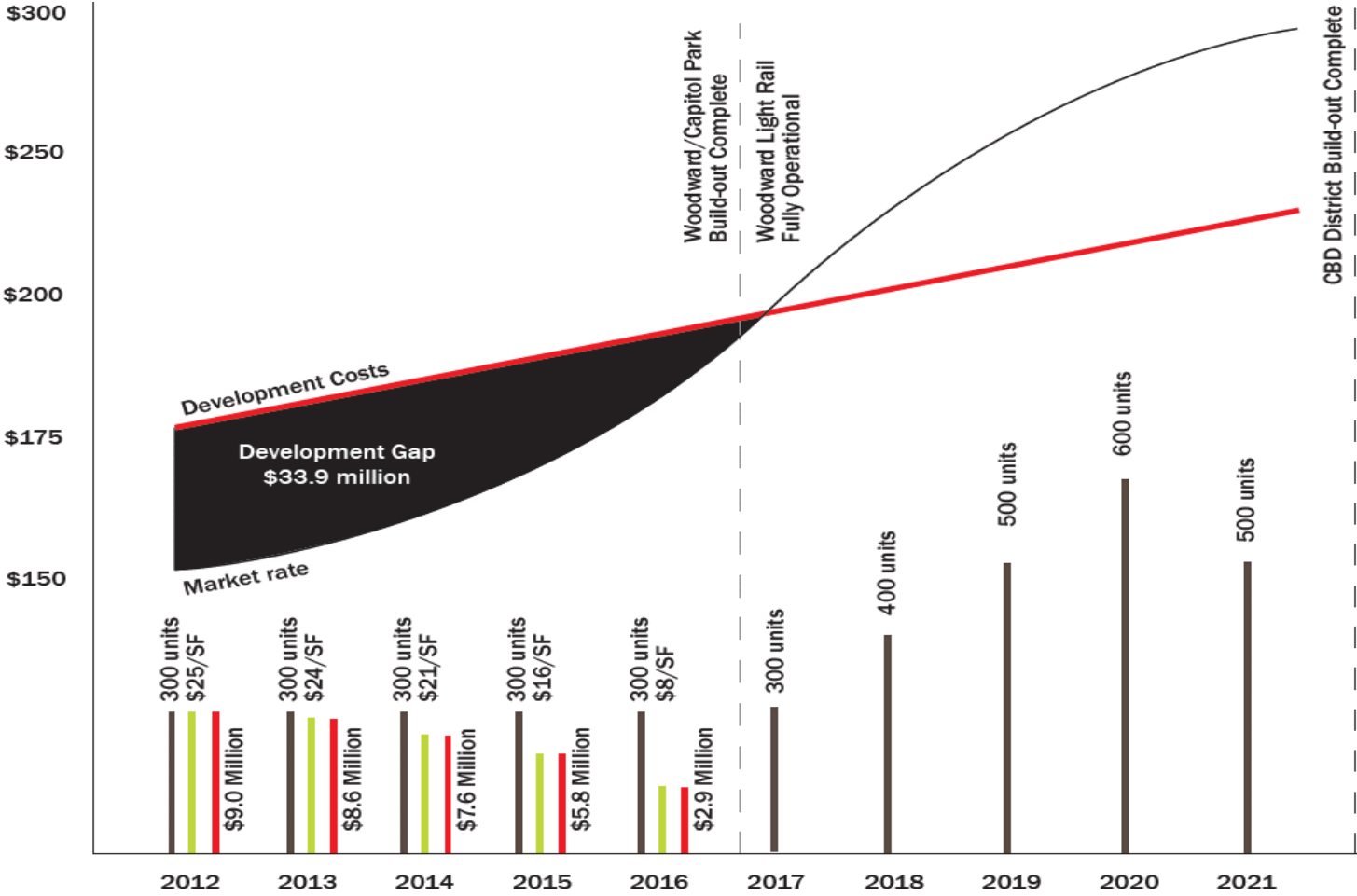
The Solution – The Strategic Neighborhood Fund

Parker Durand / Kercheval Streetscape

WOODWARD CORRIDOR STRATEGY: SPURRED \$7B IN RELATED INVESTMENT

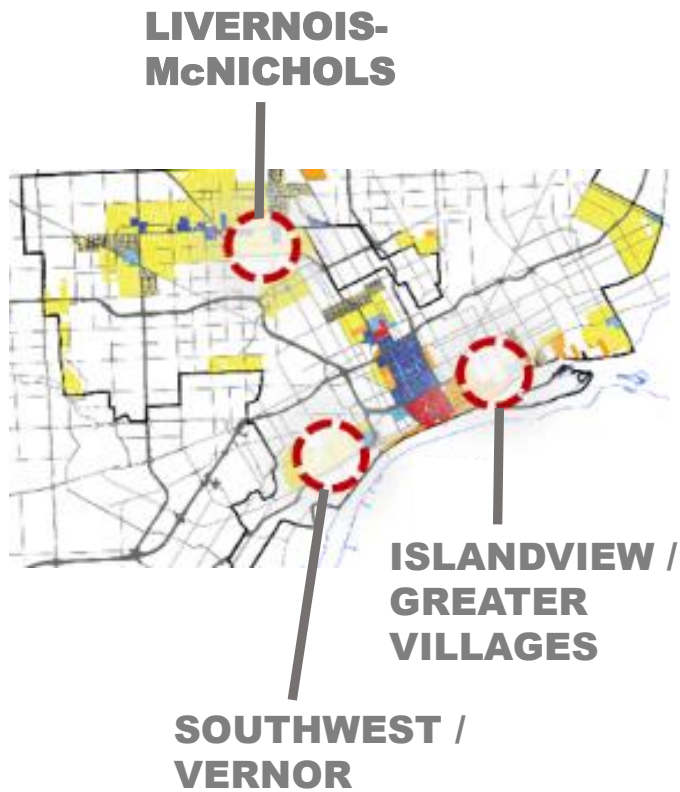
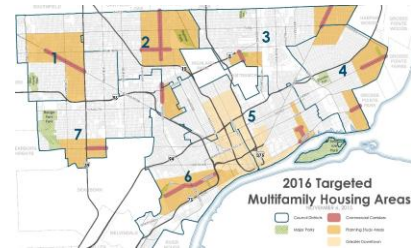
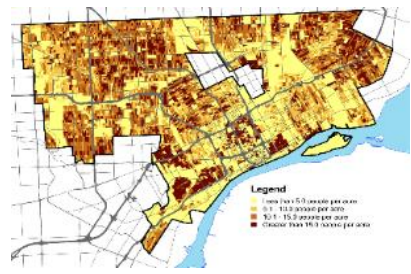
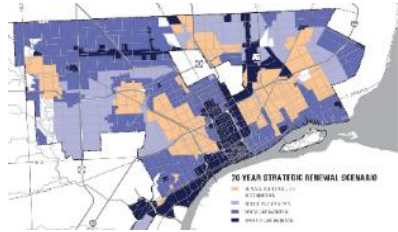
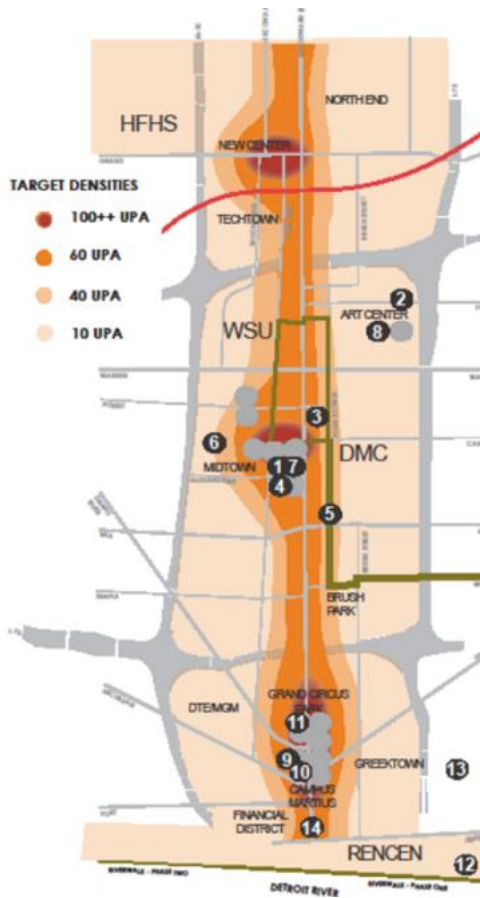


WOODWARD CORRIDOR RESULTS: DEVELOPMENT GAP DECREASES IN GREATER DOWNTOWN

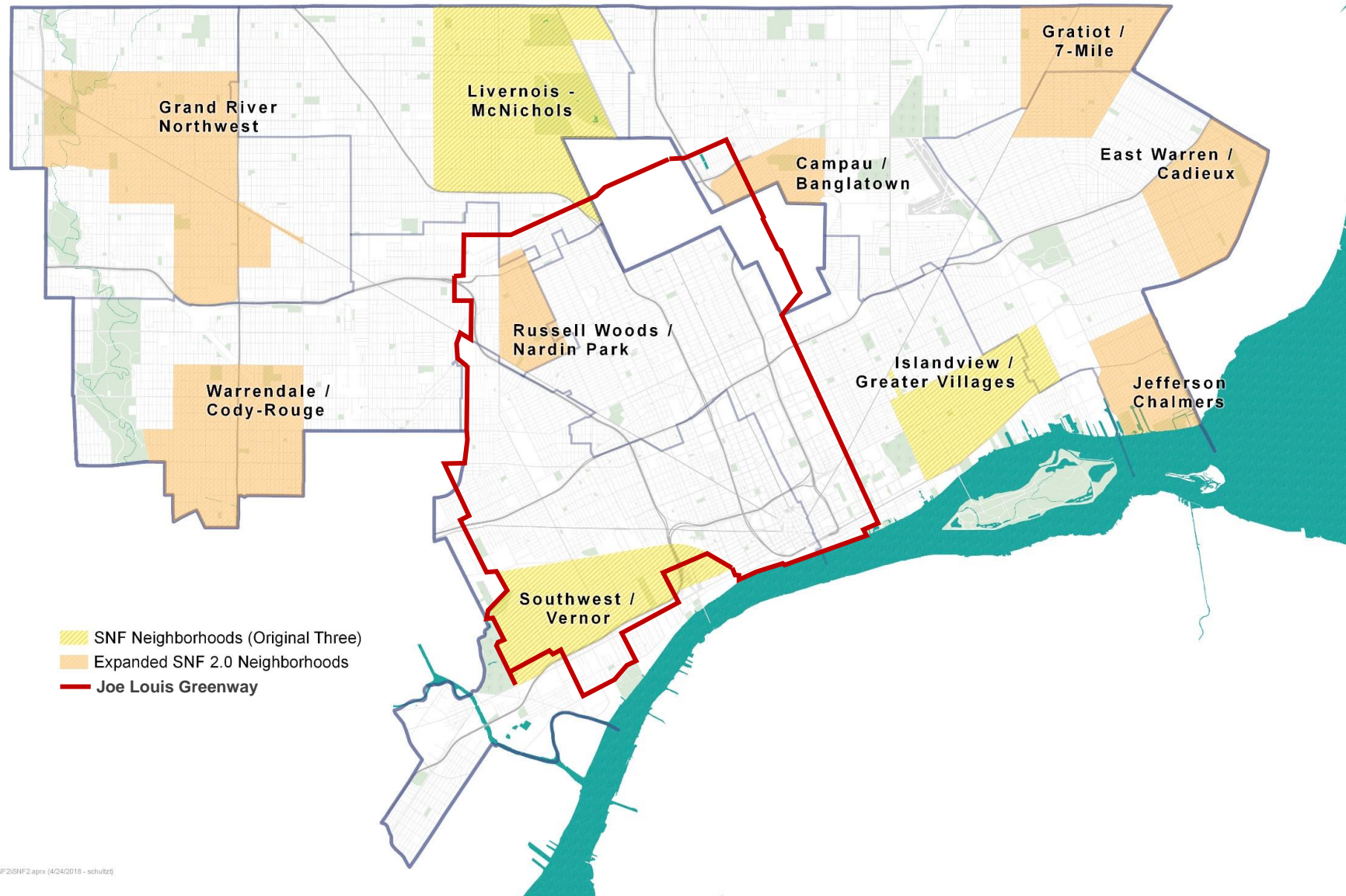


TRANSLATING SUCCESS TO THE NEIGHBORHOODS

DATA DRIVEN APPROACH



SNF: Ten Detroit Neighborhoods



Theory of Change: Before We Started

Neighborhood	Disinvested	Stabilizing	Resilient
Islandview / Greater Villages			
Livernois-McNichols			
Southwest / Vernor			
East Warren / Cadieux			
Jefferson Chalmers			
Grand River Northwest			
Old Redford			
Campau / Banglatown			
Warrendale / Cody Rouge			
Gratiot / 7-Mile			
Russell Woods / Nardin Park			

Resilient Neighborhoods

- Development gap has shrunk
- Flag in the ground – both market-rate and affordable developments without SNF
- Diverse affordability options
- “20-minute” neighborhood
- High-capacity CDO

Livernois-McNichols Corridor Fitzgerald Neighborhood



Streetscape
\$3.2M

1. MCM
\$50K

2. MCM
\$35K

SNF
\$10M
GAP

Park & Greenway
\$2M

3. MCM
\$70K

'Fitz Forward'
\$3M
GAP

'Fitz Forward'
Fitzgerald Revitalization

LEGEND:

1	Simply Breakfast, MCM:	\$50K	SNF (4 Projects):	\$10M Gap
2	Detroit Sip, MCM:	\$35K	Fitz Forward:	\$3M Gap
3	Block Party LLC, MCM:	\$70K	TOTAL:	\$13M
	Park and Greenway:	\$2M		
	Streetscape Investment:	\$3.2M		
	TOTAL:	\$5.355M		

HOW THE STRATEGIC NEIGHBORHOOD FUND WAS SIZED

THE COE

<u>Sources</u>		
Debt Capacity	\$ 2,492,638	61%
Equity	410,979	10%
Non Serviceable Gap *	1,206,169	29%
Total	\$ 4,109,786	100%
<u>Uses</u>		
Acquisition	\$ 250,000	6%
Hard Cost	3,347,640	81%
Soft Cost	512,146	12%
Total	\$ 4,109,786	100%
<u>Operating Profoma</u>		
	< 120% LTV	
Gross Rentable Revenue	313,081	
Effective Rental Income	281,773	
Total Operating Expenses	93,924	
Net Operating Income	187,848	
<u>Debt Service:</u>		
Senior Debt @		
70% LTV, 5%, 25 YRS	103,665	
Junior Debt @		
5%, 30 YRS	67,107	
Cash flow	17,077	
"All In" DCR	1.10	x
<u>Debt and Gap</u>		
Senior Debt	\$ 1,461,044	
Serviceable Junior Debt	1,031,594	
Non Serviceable Gap *	1,206,169	
Borrower Equity	410,979	
Total	\$ 4,109,786	

Three Neighborhood Aggregate

SENIOR DEBT **\$ 31,335,734**

SERVICEABLE JUNIOR DEBT **\$ 22,125,122**

BORROWER EQUITY **\$ 8,664,061**

NON SERVICEABLE GAP **\$ 24,515,696**

TOTAL DEVELOPMENT COST **\$ 86,640,613**

PUBLIC GOOD INFRASTRUCTURE **\$ 6,000,000**

STRATEGIC NEIGHBORHOOD FUND **\$ 30,515,696**

SNF 2.0: BUDGET SUMMARY

	PHILANTHROPIC GRANTS	CITY	STATE	SNF INVESTMENT
NEIGHBORHOOD PLANNING		\$ 3M		\$ 3M
STREETSCAPES		\$ 49M		\$ 49M
PARKS	\$ 14M	\$ 7M		\$ 21M
SINGLE-FAMILY STABLIZATION	\$ 7M			\$ 7M
COMMERCIAL CORRIDORS	\$ 38M		\$ 15M	\$ 53M
TOTAL	\$ 59M	\$ 59M	\$ 15M	\$133M



**PLUS \$113M IN EQUITY &
COMMERCIAL DEBT EQUALS**

\$ 246M

IN TOTAL INVESTMENTS



**STRATEGIC
NEIGHBORHOOD FUND
FUNDRAISING TOTAL**

TOTAL \$75M

**MATCHED BY \$110M+
FROM PUBLIC SECTOR**

THE
KRESGE
FOUNDATION

JPMORGAN CHASE & Co.



RALPH C. WILSON, JR.
FOUNDATION



FORD
FOUNDATION





SUMMARY OF OVERALL INVESTMENT TO DATE

\$4.2M

10 Framework plans

\$139.9M

78k SF commercial constructed

378 total housing units created

\$6.3M

70 Homes rehabbed in BN for a total of \$6.3M (Waiting on confirming RR numbers)

\$27.3M

4 Parks completed and 5 in progress

\$83M

12 Streetscapes

\$250M

Dollars leveraged total (including private)



RUSSELL WOODS + NARDIN PARK

Neighborhood Framework
Planning and Development Department
City of Detroit
June 2019

GRAND RIVER NORTHWEST

Neighborhood Framework
Planning and Development Department
City of Detroit
July 2018

ISLANDVIEW GREATER VILLAGES
Neighborhood Framework Plan

Detroit Planning and Development Department
July 2020 (Development Update)

JEFFERSON CHALMERS

Neighborhood Framework
Planning and Development Department
City of Detroit
April 2019

Cody Rouge & Warrendale YOUTH-CENTRIC Neighborhood Framework

Planning and Development Department
City of Detroit
July 2022

WEST VERNOR CORRIDOR/ CARRETERA DE WEST VERNOR

Neighborhood Framework
Planning and Development Department
City of Detroit
May 2018

ENGLISH LANGUAGE
VERSION EN ESPAÑOL DISPONIBLE EN
WWW.DETROITMI.GOV/WEST-VERNOR

NEIGHBORHOOD FRAMEWORK PLANS



Before



COMMERCIAL & MIXED-USE DEVELOPMENT The Coe in West Village



STREETSCAPES Kercheval



PARKS & OPEN SPACE Zussman Park



NEIGHBORHOOD STABILIZATION Single-Family: Rehabbed & Ready - Islandview/Greater Villages

Theory of Change: Today

Neighborhood	Disinvested	Stabilizing	Resilient
Islandview / Greater Villages			
Livernois-McNichols			
Southwest / Vernor			
East Warren / Cadieux			
Jefferson Chalmers			
Grand River Northwest			
Old Redford			
Campau / Banglatown			
Warrendale / Cody Rouge			
Gratiot / 7-Mile			
Russell Woods / Nardin Park			

Resilient Neighborhoods

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Are We Having a Positive Impact?

Sample Metrics:

- Population increase in 6 of 11 neighborhoods
- Incomes up in 10 of 11 neighborhoods
- Poverty rate down in all 11 neighborhoods
- Residential vacancy rate down in 9 of 11 neighborhoods

Detroiters Leading the Way:

- 70% of SNF deals lead by a developer of color or CDO
- Empowering residents in many ways, including:
 - City-Led Framework plan
 - Developer community engagement grants
 - Resident Advisory Committee for developer selection
 - Spark Grants
 - Launch of Ebiara developer fund/program - Urge Development and Invest Detroit

UofM Poverty Solutions conducted a survey of SNF neighborhoods in 2019. In the first three, which began in 2016, **“residents are significantly more likely to report greater overall neighborhood satisfaction and improvements to neighborhood quality of life in the last five years than other Detroiters.**

A photograph of a modern playground at Zussman Park. The playground equipment features green and purple metal frames with orange and yellow accents. The ground is covered in wood chips. In the background, there are trees, a building with a mural, and several people. A white van is parked on the right. The text "INNOVATIONS & ADAPTATIONS" is overlaid in the center in a large, white, sans-serif font.

INNOVATIONS & ADAPTATIONS

Zussman Park

CUSTOMIZED DEVELOPER SUPPORT

Key: ID DevCo ID RFP City RFP CDO



7434 McNichols (2022)
ID DevCo

The Enclave (2021)
Chase Cantrell

7326 McNichols (2023)
Tribe Development + Cantrell

Sawyer Art Apts (2021)
URGE Development

Pizza Bar (2019) + 7308
Legacy City

High-Level Learnings

- 2-4 Block core, then expand
- Diversity of Developers
- More smaller projects
- Rehab over new construction
- CDO – Live6 as community partner

- Developer Community Engagement grants up to \$25k
- ID Staff Direct Technical Assistance (810+ hours in 2021)
- City of Detroit P3 Team
- ID TA Consultant – Henry Bright

Developer Community Engagement Grants

Project Examples:

- **Neighborhood Canvassing #1** - 711 conversations in Morningside & Cornerstone to engage residents in the EWC Planning Study.
- **Neighborhood Canvassing #2** - Canvassing specific to development projects. 438 conversations to date.
- **The Ribbon** - Design engagement & tenant introduction.
- **Terri's Cakes** - 4 concerts at local farmer's market. Survey conducted on site to inform business concept.

Challenges:

- CDO Capacity
- Cross Sector Trust



SPARK GRANTS

Spark grants catalyze positive economic momentum in neighborhoods where real estate reactivation opportunities are not feasible



Façade Program Application Flier for W. Warren Businesses
Islamic Center of Detroit

Mural Program Advertisement
Cody Rouge Community Action Alliance

Open Air Plaza
General Services Department, City of Detroit

WORK THROUGH LOCAL CDOs

- Local lead on Spark Grants
- Redevelop Properties
- Connecting Developers to Community
- RFP Community Advisory Board
- Neighborhood Framework Steering Committee members



CODY ROUGE
COMMUNITY ACTION ALLIANCE



Together We Thrive



EWDC



“**EBIARA** exists to help combat the challenges that minority developers face growing their business – from accessing capital to securing talent and resources”

-Roderick Hardamon



E B I A R A

A Fund for Detroit's
Black and Brown Developers

CAPITAL



- A wholly owned subsidiary of Invest Detroit that will launch with \$11M of investible capital
- Focus on emerging development firms that can scale and be systemically impactful
- Capital deployed into management entities vs. project level

TECHNICAL ASSISTANCE



- Customized solutions to support individual development firm needs
- Curated list of references and resources for developers to choose from if desired
- Continuing education series (e.g. construction draws)

PARTNER SUPPORT



- Leverage public and private partners to provide access to attractive deal flow
- Stimulate activity in the city center and the neighborhoods throughout Detroit

COMMERCIAL CORRIDOR PARTNERSHIP

Developers continue to need our advocacy, connections, and coordination even when they don't need technical assistance.

SNF Corridors	Invest Detroit		City of Detroit							DEGC			
	SNF lending	Spark Grants	Blight Elimination/ Demo	Site Inventory & RFP	Local Investment Strategy (e.g. framework plan)	Parking	Streetscapes	Ongoing Site Maintenance	Enforcement	Other Infrastructure Coordination	MCM	Other Investments (MCR, MEDC, tax incentives)	Small Business Support
	Invest Detroit	Invest Detroit	GSD	PHD	PDD	PHD/MPD	DPW	GSD	BSEED	Mayor's Office	DEGC	DEGC	DMB (DEGC)
Livernois - McNichols	Red	White	Green	Green	Green	Green	Green	Green	Green	Green	Blue	Blue	White
Old Redford	Red	Red	White	Green	Green	Green	Green	White	White	White	White	White	White
Grand River Northwest	Red	White	Green	Green	Green	White	Green	White	Green	White	Blue	White	White
Southwest/ Vernor	Red	White	Green	Green	Green	White	Green	Green	White	Green	Blue	White	White
Islandview/ Greater Villages	Red	White	White	Green	Green	White	Green	Green	Green	Green	White	Blue	White
Campau / Banglatown	Red	Red	White	Green	Green	White	Green	Green	White	White	White	White	White
East Warren / Cadieux	Red	White	Green	Green	Green	Green	Green	Green	Green	Green	White	Blue	White
Warrendale/ Cody Rouge	White	Red	Green	Green	Green	Green	Green	Green	Green	White	White	White	White
Gratiot / 7-Mile	White	Red	Green	Green	Green	Green	White	White	Green	White	White	White	White
Jefferson Chalmers	Red	White	Green	Green	Green	White	White	White	Green	Green	White	Blue	White
Russell Woods / Nardin Park	White	Red	Green	Green	Green	Green	Green	White	Green	White	White	White	White

Illustrative, not exhaustive

FURTHER OPPORTUNITIES

Some areas we can still improve:

- Detroit is 90% single-family homes. Investment tools for SFH homeowners are very limited. And SFH renters are at the highest risk of displacement.
- Social mobility comes through social mixing, not just mixed-income neighborhoods. We need more programming.
- We need to do more to help existing small businesses in the neighborhoods.
- Coordinating health and human services around these areas of physical improvement is incredibly challenging.
- Building CDO capacity through resources, talent, and know-how is incredibly difficult.
- We need to attract large-scale job creators, such as light industrial, to land near these neighborhoods. Almost all that land needs environmental remediation first.

