



MMF Finances Pontiac Mixed- Use Project



Figure 1- Lafayette Place

The Michigan Magnet Fund today announced that it has lent Lafayette Place Development \$9,262,500 toward the financing of this \$19.8 million mixed-use, mixed income project. The project is located at 154 N. Saginaw Street in Pontiac Michigan (Census Tract 26125141600). It will be available for residency in early 2013.

The development will utilize approximately 79,145 square feet of the former Sears Department Store. The upper floors of the building will be dedicated to residential loft apartments called *Lafayette Place Lofts*, while the street level will serve the retail and commercial aspect of the area. A geothermal system will reduce heating and cooling costs while a “green” rooftop will provide a meeting place for tenants.

The \$19.8 million project will have 46 loft style residential units with interior and exterior parking to meet the local market demand for urban style residential living. 12 of the rental units will be affordable by households at 50% of Area Median Income while an additional 18 will be affordable to households at 120% of median income. The balance will have no income restrictions. Also included in this plan will be a mix of retail, commercial and project amenities to meet the needs of the residents and the visitors of Pontiac.

The exterior of the existing building will remain historically intact with updates to areas that have decomposed or degraded over the years. Windows on the Saginaw Street side will visually remain the same so the historic downtown district remains unchanged. New floor to ceiling windows will be installed, and existing historic windows will be repaired or replaced as necessary to accommodate the new loft style apartments.

Up to 21,300 square feet of this building will be utilized by “Destination Retailers”. A new fresh food market and café will provide all fresh food products, starting with the finest locally grown produce. It will present to the customers fresh meats, cheeses, pastas and baked goods. Culinary classes on site will teach the neighborhood residents how to prepare fine meals with all the different cultural flavors. Catering and delivery will be available along with an onsite café. The



Figure 2-Location Map of Downtown Pontiac

project will also include a full service Fitness Center.

Severely Distressed Area

The City of Pontiac is essentially in a public form of bankruptcy. The governor has appointed an Emergency Financial Manager to manage the City. It's the city's third manager in three years. The neighborhood meets the CDFI Fund's criteria for being severely distressed with a poverty rate of 26.5% and a median family income equal to 60.6% of the area median income. The

site has been designated a brownfield site by the city and state and eligible for brownfield tax credits. In addition, it was designated as a Neighborhood Stabilization Project Area under the NSP2 program. The Development is projected to create 107 new jobs and 208 construction jobs. This will help strengthen the area's economy.

Project Financing

The Project was financed using a potpourri of government programs to provide the financing. The Michigan Magnet Fund committed a \$9.5 million allocation for the Qualified Equity Investment. \$5.9 million of the leverage debt was provided MMF by the Michigan Land Bank using NSP2 financing from the Michigan State Housing Development Authority. A net \$932,400 bridge (state historic tax credit value) loan is provided equally by a partnership of Great Lakes Capital Fund and MMF. U.S. Bancorp CDC invested almost \$2.7 million as equity into an Investment Fund that in turn invested in a MMF subsidiary. Additional funds came from the sale of Federal and State Historic Tax Credits and state Brownfield Tax credits, all of which totaled over \$7.4 million. Since the tax credits are earned upon completion of the project, KeyBank bridged almost \$5.8 million of it for construction. The project could not be built without the Michigan Magnet Fund financing commitment.

Flexible Terms

Five of MMF's financial terms are more flexible than the marketplace. MMF's blended interest is lower than market by more than 50% and interest only for seven years, has longer than market amortization period, with no loan origination fee, and higher, above market loan to value ratio.



Figure 3 Food Market