Financing Mixed Use Development

A MiPlace Webinar Series Event
MEDC
MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

BUSINESS DEVELOPMENT

COMMUNITY DEVELOPMENT

PURE MICHIGAN®
• Mixed-income, mixed use, and multi-story developments;
• Urban & universal design;
• Revitalization of a historic structures;
• Low-impact and sustainable development approaches;
• Significant brownfield conditions;
• Significant square footage being revitalized and activated.
LOCAL AND REGIONAL IMPACT

- Priority project with community financial support;
- Project supports local master plan and economic development strategy;
- Significant taxable value increase.
- Increased residential density within downtown
- Development targeted in location with EXISTING Infrastructure

MEDC Priorities
ECONOMIC AND FINANCIAL

- Financially feasible project after gap financing;
- All other potential funding resources have been maximized;
- Reasonable costs;
- Significant financial contribution by developer/owner (10–20 percent);
- High ratio of private dollars to public dollars (state and federal funding).
MEDC Financial Resources

- Michigan Community Revitalization Program (CRP)
- Community Development Block Grant (CDBG)
- Act 381 Brownfield Tax Increment Financing
- Match On Main (MOM)
- Public Spaces Community Places
Local Financial Resources

- Tax Abatements – NEZ, CRA, OPRA, Etc...
- Local Brownfield Redevelopment Authority Support (BRA)
- DDA Funded Initiatives – Façade Grants, Infrastructure Improvements, Etc...
- Waive administrative fees
- Streamlined Approval Process
So you want to be a developer do ya?

- How do you know what is a good idea?
- Will your vision for the building allow the project to make money or cover costs over time?
- Should you take-on debt vs. use cash on hand?
- Rent vs. Construction / Labor Costs
Typical Capital Stack – What’s a Capital Stack?

- Owner Equity - Land, Cash, Building
- Traditional Debt – Bank Financing
- Mezzanine Debt – DMI, Insight Capital, Northern Initiatives
- Investor Equity
- Local Funding Support
- Project Incentives / Gap fillers
What is a Proforma...

A proforma analysis is a set of assumptions and calculations that projects the financial return that a proposed real estate development is likely to create.
MEDC Proforma Template – “The Proforma”

- Revenue Input
- Operating Expenses
- Sources & Uses
- CASH FLOW
- Developer Returns
Why do I need it?

• Assist in better project understanding – everything in one place

• #1 tool used to assist in assembling financial sources of funding for real estate development projects

• Appreciation for the push and pull of costs and income, time and risk, and how changing one factor can affect a whole domino chain of other factors

• MEDC requires it 😊
When would I use it?

- Forming initial redevelopment considerations
- Seeking *any* funding assistance for a project – traditional or subsidy
- When applying for MEDC CD assistance
- Throughout the pre-development process.....IT’S ALIVE!!
Case Example

Dry Dock – (MCRP)
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