



SHOREBANK ENTERPRISE

A ShoreBank Affiliate

SHOREBANK ENTERPRISE DETROIT – LOAN FUND PRESENTATION

OVERVIEW:

ShoreBank Enterprise Detroit (SED) is a non-profit 501(c)3 community development organization affiliated with ShoreBank Corporation. Created in 1998, SED had a mission of helping revitalize an economically distressed target area in Detroit's far eastside neighborhoods. For several years, SED provided down payment assistance and credit counseling. Now in 2007, SED operates throughout the entire City of Detroit.

In 2001, SED's small business loan fund began operation and has grown and evolved substantially since that time.

PARTNERSHIPS:

SED has formed partnerships with the following organizations:

- Knight Foundation – for Pre-Development Lending
- Ford Foundation – for Small Business Lending, Pre-Construction Lending, Façade Improvement Loans, Contractor Financing and Contractor Assistance/Construction Trades Training
- Detroit Community Loan Fund (DCLF) – a small business lending fund with Detroit Renaissance, Detroit Investment Fund, and National City Bank CDC
- LaSalle Bank – for Façade Improvement Loans in Southwest Detroit

GOAL – NEIGHBORHOOD TRANSFORMATION:

SED, the Knight Foundation and the Ford Foundation's goal is neighborhood transformation. Affordable housing is a priority and commercial revitalization is important. The goal is to have a lasting transformation achieved by mixed income neighborhoods with a range of housing options supported by retail, service and community amenities. Residential and commercial developments reinforce each other. Physical re-development is catalyst for growing minority businesses, including contractors, construction trades subcontractors, professional service firms, etc., and creating jobs for Detroit residents.

SED will collaborate with other public, philanthropic and neighborhood development initiatives. One of our primary focuses for the programs will be neighborhoods designated in Mayor Kwame Kilpatrick's Next Detroit Initiative.

SED LOAN PROGRAMS:

SED has five (5) new loan programs:

- “Late Stage” Pre-Development Loans:
These loans bridge the gap between the early stages of pre-development and the stage where the project could qualify for pre-construction or construction financing
- Small Business Loans:
These loans are used for most business purposes such as working capital, equipment financing, A/R financing, business acquisition, sales expansion, etc.
- Pre-Construction Loans:
These loans are used after “soft cost” predevelopment investments or loans and before a project qualifies for construction finance.
- Contractor Lines of Credit:
Lines of credit for contractors are tied to a specific contract or purchase order
- Façade Building Improvement Loans:

These loans are used for cosmetic, structural and energy-efficiency building upgrades in neighborhood commercial districts.

PRE-DEVELOPMENT LOANS:

Overview:

SED will make Investments/Loans for predevelopment or preconstruction purposes in affordable housing projects, multi-family rehab, and other projects including commercial developments that stimulate neighborhood revitalization. These loans are intended to fill the gap between early “soft” stages of predevelopment (i.e., concept development expenses, permit expenses, infrastructure needs, etc.) and the point where a project can qualify for construction financing. SED will make predevelopment loans available to both for-profit and non-profit developers who have a track record and capacity, but the lack of cash to move the project forward and/or the balance sheet strength to leverage additional financing.

Criteria:

To qualify for a pre-development loan, the project should meet one or more of the following criteria:

- Project located in or adjacent to Detroit neighborhoods that are predominantly lower-income
- Create for-sale or rental housing that is affordable to low/moderate income households in Detroit
- Create homeownership opportunities for lower/moderate-income households in Detroit
- Create jobs for lower-income Detroit residents
- Strengthen access to community services for lower-income Detroit residents
- Strengthen commercial districts in lower income Detroit neighborhoods
- Otherwise economically or socially strengthen predominantly lower-income Detroit neighborhoods

Use of Proceeds:

Pre-Development Loan proceeds are not limited to, but in general, can be used for the following:

- Land acquisition
- Architectural drawings
- Environmental remediation
- Purchase of materials prior to construction
- Advance pre-sale marketing efforts

Loan Sizes and Terms:

- Loan amounts usually range from \$50,000 to \$200,000
- Loans will generally have repayment terms of 12 to 48 months
- Loans may be written with interest only features for a portion of the loan term

SMALL BUSINESS LOANS:

Overview:

The purpose of the DCLF and SED's small business lending program has been to support the growth of Detroit-based business, particularly those owned by entrepreneurs of color and by women. It targets small businesses with growth potential and management insight that lack sufficient collateral or owner equity to qualify for financing from mainstream lenders.

Criteria:

To qualify for a small business loan, a business should meet the following criteria:

- Business must be located in the City of Detroit
 - Have annual sales of at least \$100,000; and have fewer than 50 employees
 - Have been in existence for at least 12 consecutive months
 - Have demonstrated growth potential; and have the ability to continue to grow and retain or add new jobs
 - Have been unable to obtain sufficient financing from traditional lending sources
- **Exceptions may be made to the length of time in business and annual sales criteria for franchises, or in other situations approved by the loan committee.*

Use of Proceeds:

SED Small Business Loan proceeds can be used for most business purposes, including the following:

- Working capital for expansion
- Equipment financing
- Accounts receivable financing
- Business acquisition
- Marketing/New product development
- Sales expansion
- Physical plant expansion
- Improvements to manufacturing systems...and more

Loan Sizes and Terms:

- SED's small business loan amounts range from \$50,000 to \$150,000
- Most loans will have terms of 24 to 84 months, depending on use of funds

PRE-CONSTRUCTION LOANS:

Overview:

SED anticipates that most borrowers will be small to medium-sized developers, rehabbers, and contractors. SED will also consider projects being developed by non-profit developers, including community development corporations and faith-based institutions with proven track records.

SED will make pre-construction loans into real estate development projects that can yield positive social impact in low and moderate income Detroit neighborhoods.

Criteria:

To qualify for a pre-construction loan, projects should meet one or more of the following criteria:

- Project is located in or adjacent to Detroit neighborhoods that are lower income
- Create for-sale or rental housing that is affordable to low/moderate income households in Detroit
- Create homeownership opportunities for low/moderate income households in Detroit
- Create jobs for lower income Detroit residents
- Strengthen access to community services for lower income Detroit residents
- Strengthen commercial districts in predominately low to moderate income Detroit neighborhoods
- Otherwise economically or socially strengthen predominantly low/moderate income Detroit neighborhoods

Use of Proceeds:

SED Pre-Construction Loan proceeds can be used for the following:

- Infrastructure improvements
- Construction of models
- Façade improvements

Loan Sizes and Terms:

- SED's pre-construction loan amounts range from \$50,000 to \$200,000
- Most loans will have terms of 6 to 24 months

CONTRACTOR LINES OF CREDIT:

Overview:

SED's contractor lines of credit will provide financing for contractors that are related to a specific contract or purchase order.

Criteria:

To qualify for a contractor line of credit loan, projects should meet one or more of the following criteria:

- Similar to Small Business Loan program criteria
- Have 1 to 2 years experience or have completed MSHDA Contractor Assistance Program, or similar program
- Have contract or purchase order to perform work
- Will use Detroit residents to complete portions of contract
- Exceptions may be made to revenue and length of time in business criteria depending upon the specific project and the company paying the contractor for the service

Use of Proceeds:

SED's contractor lines of credit proceeds can be used for the following:

- Finance payroll through the accounts receivable collection period
- Purchase materials
- Cover operating expenses

Loan Sizes and Terms:

- SED's contractor lines of credit amounts usually range from \$30,000 to \$100,000
- Draws on the line of credit will be based on work completed by the contractor; Contractor's project will be monitored
- The lines will generally have terms lengths of 6 to 12 months
- The lines will generally be structured with interest only payments with principal recovery as the contractor receives payments

FAÇADE BUILDING IMPROVEMENT LOANS:

Overview:

SED Façade Improvement Loans are designed to improve buildings located on commercial strips in predominantly low/moderate income neighborhoods. These improvements offer quick and positive proof that progress is being made in selected neighborhoods and commercial strips. The proposed improvement to the property should have the overall effect of strengthening a commercial district.

Criteria:

To qualify for a façade improvement loan, the following criteria should be met:

- Borrower should be the owner of a building
- The property should be located in or adjacent to Detroit neighborhoods that are predominantly low to moderate income
- Building renovation should help create jobs for Detroit residents.

Use of Proceeds:

SED's Façade Improvement Loan proceeds can be used for the following:

- Exterior façade improvements
- Exterior landscaping improvements
- Interior infrastructure improvements
- New windows, etc.

Loan Sizes and Terms:

- SED's façade improvement loan amounts usually range from \$30,000 to \$100,000
- Most loans will have terms of 36 to 72 months
- Loans are usually structured as fully amortizing term loans
- There may be an interest only payment structure during the construction period

CONCLUSION:

In summary, SED is looking for good projects that can accomplish goals of neighborhood transformation, affordable housing, jobs and benefits to low and moderate-income Detroit residents. We are also looking for capable developers (for-profit and non-profit), contractors and subcontractors, and small businesses.

SED can be flexible in underwriting and deal structuring.

If you are interested in applying for one of the aforementioned loan programs, you may contact one of the following SED associates:

Erin Grant – Senior Loan Officer
(313) 886-2076 office
erin_grant2@sbk.com

Latrice Goodwine – Associate Lender
(313) 886-2041 office
latrice_goodwine@sbk.com

For general inquiries:

ShoreBank Enterprise Detroit
14533 Mack Avenue
Detroit, MI 48215
(313) 886-2091 main line
(313) 642-5219 fax