



**ANNUAL REPORT OF ACCOMPLISHMENTS  
CITY OF KALAMAZOO  
ECONOMIC DEVELOPMENT CORPORATION  
2006**



**PREPARED BY  
CITY OF KALAMAZOO  
ECONOMIC DEVELOPMENT DIVISION  
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## **EDC HISTORY**

The City of Kalamazoo's Economic Development Corporation (EDC) was established in 1977 following the passage of enabling legislation (P.A. 328 of 1974). The act authorized many possible activities in the name of strengthening and expanding the local economic base of the community. Specific authorized activities include: the purchase, lease and sale of land; the construction, maintenance, improvement, installation and repair of buildings and land improvements; the purchase, lease, sale, maintenance, improvement, repair and installation of equipment, machinery, furnishings; and the selling of, buying or making of loans grants, mortgages and bonds.

## **EDC INITIAL PROGRAM AND RESPONSIBILITIES**

In 1995, the EDC requested the establishment of a city-funded revolving loan fund program [the Economic Initiative Fund (EIF)]. In 1996, the City Commission agreed and allocated the first of several General Fund contributions to that program. The first EIF loan went to Consumers Energy, who used it to partially build-out an encoding center for the U.S. Post Office. Since then, twelve additional EIF loans have been made. In 1996, the City Commission expanded the work of the EDC board by asking it to also oversee the city's new Brownfield Redevelopment Authority (BRA) activities. Thus, EIF funds may be used for either EDC or BRA projects.

## **CUMULATIVE EIF PROGRAM RESULTS**

The City Commission has allocated an estimated \$2,750,000 for use by the EIF program since its inception. A total of \$3,137,000 EIF funds have been loaned. The current balance due from all loans is approximately \$2,246,000. We estimate that the available EIF balance at the end of 2006 was approximately \$678,700. For each EIF dollar loaned, an additional \$10.50 in other funds has been leveraged for a total new investment of \$31,122,168 within the city. This new investment could not have happened without the EIF program.

In its history, the EIF program has had only one loan default, resulting in a loss of slightly under 2% (\$155,911) of the total loaned. Given that each loan carries a high risk, and that the various projects *could not* have been started without the EIF program, this is an exceptionally good loan record.

## **OTHER EDC PROGRAMS**

Beyond the EIF program, the EDC has been a source for tax exempt, revenue bond financing for private economic development projects. The EDC is simply a conduit through which eligible development projects are financed. No part of the city's full-faith-and-credit ratings are at risk – only the borrower's credit and the entity issuing the underwriting letter-of-credit are at risk in such financing. The process for such financing is very specific and Michigan's legislation mirrors the federal rules that control the tax-exempt designation.

In the last ten years, few such projects have been initiated except for non-profit, senior assisted housing developments. Several of those have returned to refinance their outstanding debt as bond interest rates warrant.

## **2006 ACCOMPLISHMENTS & ACTIVITIES**

### **EDC EIF Loans**

One EIF loan was approved in 2006. Ryan Reedy, principal partner in Reedy Properties, LLC, submitted a loan application for 10% of his entertainment venue project. The total project size was \$3,296,000, with the expectation of creating 95 new jobs and retaining 35. Republic Bank and Fifth-Third Bank were both partners in this project, as well as over \$500,000 equity from Mr. Reedy. The project is just approaching completion as this report is being assembled. and involves the complete renovation of the former Megee Printing building into the Wild Bull Country Bar & Steak Pit, and renovation of the second floor above Monaco Bay – turning vacant space into a sports bar named the Sports Zone. Public access, adjacent parking improvements, an outside café around Monaco Bay, and a new elevator were all part of the proposed development. Plans call for over 400,000 new visitors to visit both new venues annually. They plan to reinforce the excitement created by the recent opening of the RAVE Theater one block away.

### **Non-EDC Loans**

In 2006, one loan applicant was approved by the City Commission for a Small Business Revolving Loan Fund (SBRLF) loan. The approved borrower was MEMORIES Evening Wear, LLC – an evening wear shop with headquarters in Stevensville, Michigan. Their Kalamazoo location, 246 East Michigan Avenue, will become the new headquarters. The owners, Adrienne and Derek Wissner, unofficially opened in mid-December and some of you may have passed their very handsome street-front window displays. Kalamazoo will be the second location for their firm, which plans to continue its Stevensville presence while moving their headquarters here.

### **EDC Bond Financing**

2006 also saw a bond refinancing of approximately \$9.3 million of older EDC bonds by Friendship Village. Management at the adult retirement community was able to save over \$100,000 annually in its debt costs and pressed to take advantage of the opportunity before the bond market rates changed. The EDC was pleased to assist.

### **EDC Board Leadership Changes**

2006 saw the resignation of Director Larry Bell due to increased business obligations. Larry was a long-time community and brownfield advocate whose insights will be missed.

During much of the 2006 year, the Board of Directors operated with three vacancies as well as a term-limited director. Names were recommended in December 2006 to the City Commission for appointment of three of the four positions. A full complement of directors is anticipated within the 2007 session.

ECONOMIC INITIATIVE FUND (EIF)

CUMULATIVE LOAN TERMS AND CONDITIONS SINCE INCEPTION  
Through 12/31/2006

BORROWER	LOAN AMOUNT	12/31/2006 LOAN BALANCE	TOTAL PROJECT FINANCING	% EIF	LEAD LENDER	REPAYMENT PERIOD	INT. RATE	SECURITY	DATE OF LOAN CLOSING	INSTALLMENTS	EDC or BRA LOAN	JOBS CREATED	JOBS RETAINED
1 Consumers Energy Co.	\$305,000	\$25,093	\$1,500,000	33%	N/A	USPS Remote Encoding Center facility build out	5 years guaranteed; rent sharing from future income streams	CEC lease with USPS	1996	\$1,954.46/mo.	EDC	66 FTE; 320 PT	N/A
Tom Hurf (Peregrine Tower Project)	\$325,000	\$114,184	\$3,250,000	<10%	National City	Building renovation for residential use	No payments until one-year after completion of 1st unit or beginning at sale of 1st unit	personal guaranty; mortgage	2/5/99	payments received irregularly	EDC	>30FT	N/A
3 Whistle Stop One	\$170,000	\$0	\$770,000	22%	Republic Bank	Building renovation	11-mo. interest only; 10 yr. amortization with 5-yr. balloon	personal guaranties; mortgage	1/21/00	\$850/mo. X 11 mo. \$1,887/mo. X 60 mo.	EDC	30 PT	N/A
Diekema-Hannann / Piano Nobils, LLC	\$270,000	\$236,488	\$1,500,000	18%	State Bank of Caledonia	Building purchase and renovation	5 yrs. interest only; 15 yr. Amortization with 5-yr. Balloon	corp. co-sign; mortgage	7/25/00	\$675/mo. X 60 mo. \$2,607.14 X 120 mo.	EDC	>20	N/A
5 Brown and Brown	\$70,000	\$44,332	\$388,000	18%	Keystone	Building renovation	1-yr. interest only; 10-yr. amortization	personal guaranties	8/23/00	\$481/mo. X 12 mo. \$858/mo. X 120 mo.	EDC	5 to 6	N/A
6 PiazzaCorp	\$500,000	\$367,681	\$6,500,000	<8%	National City	Building renovation	Interest only 3-1-01 to 10-1-03; followed by 10 yrs. P&I	personal & corporate guaranties	9/26/00	\$2,083/mo. X 32 mo. \$5,303/mo. X 120 mo.	BRA	5 FTE	82 FTE 2 PT
7 One Way Products	\$91,000	\$22,864	\$910,000	10%	Comerica	Building construction	7 years	personal & corp. guaranties; mortgage	6/21/01	\$1,243.86 X 84 mo.	BRA	4 FTE; 3 PT	21 FTE; 8 PT
8 310 E. Michigan Ave. (Reedy)	\$74,000	\$33,623	\$734,894	10%	Republic Bank	Building renovation for residential use	25-year amortization with 5-year balloon	personal guaranty & mortgage	11/19/01	\$350.92 X 60 mo. \$63,274 balloon	EDC	N/A	N/A
9 Southwest Michigan Innovation Center	\$640,000	\$640,000	\$12,000,000	5%	N/A	HVAC & mechanical systems at SMIC	No payments for 1st 5 yrs.; potential payments yrs. 6-15	leasehold mortgage	4/17/03	Annual payments of 25% of NOI during yrs. 6-15 (forgiveable)	EDC	120	N/A
10 Northside Economic Potential Group	\$100,000	\$95,350	\$1,000,000	10%	Keystone	Building Construction	9 months interest-only; 20-year amortization with 5-year balloon	corp. guaranty & mortgage	5/20/04	\$250.00 X 9 mo. \$554.60 X 51 mo. \$83,662.28 balloon	BRA	15 FTE; 35 PT	N/A
11 Kalamazoo Downtown Development, LLC	\$138,000	\$138,000	\$1,178,565	12%	Portage Commerce Bank	Building rehab and construction	No payments for 1st year; two years interest-only; with 3-year balloon	Corp. guaranty & mortgage	12/4/04	\$230.00 X 24 mo. \$138,230 balloon	EDC	60 FTE; 30 PT	N/A
12 United Building, LLC	\$225,000	\$225,000	\$3,344,709	9%	Republic Bank	Building reconstruction	10-year term; 20-year amortization; 5 years interest-only	personal guaranty; mortgage	2/22/05	\$750.00 X 60 mo. \$1,363.65 X 179 mo. \$115,370.77 balloon	BRA	50 FTE	N/A
13 Reedy Properties, LLC (Reedy)	\$329,000	\$329,000	\$3,296,000	10%	Republic Bank + Fifth-Third Bank	Building renovation	1 yr. interest only; 20-yr. Amortization with 8-yr. Balloon	personal guaranty & mortgage	10/4/2006	\$1370.83/mo. X 12 mo. \$2,236.11 X 83 mo. \$244,225.33 balloon	EDC	95	35
<b>TOTALS</b>	<b>\$3,237,000</b>	<b>\$2,271,615</b>	<b>\$36,372,168</b>	<b>12.1%</b>				<b>3%</b>					

**SMALL BUSINESS  
REVOLVING LOAN FUND (SBRLF)**

**CURRENTLY ACTIVE LOANS  
TERMS AND CONDITIONS**

Through 12/31/2006

BORROWER	LOAN AMOUNT	12/31/2006 LOAN BALANCE	TOTAL PROJECT FINANCING	% SBRLF	LEAD LENDER	REPAYMENT PERIOD	INT. RATE	SECURITY	DATE OF LOAN CLOSING	MONTHLY PAYMENTS	JOBS CREATED	JOBS RETAINED
1 215 Lake Street, LLC (The Learning Village)	\$40,000	\$25,538	\$287,000	13.9%	Portage Commerce Bank	120 months	3.25%	Guaranty; Equipment; Furniture & Fixtures	Dec-02	\$390.88/mo.	6	20
2 Aloha Kalamazoo (Shakespear's Pub)	\$40,000	\$34,734	\$400,000	10.0%	State Bank of Caledonia & EME Leasing	84 months	3.25%	Guaranty; Equipment; Furniture & Fixtures	Apr-03	\$226.88/mo.	47	0
3 Habib Mandwee & Salwa Mandwee	\$40,000	\$17,805	\$515,000	7.8%	Fifth-Third Bank	60 months	3.00%	Guaranty; Equipment; Furniture & Fixtures	Jun-04	\$718.95/mo.	4	0
4 Holly Fisher	\$40,000	\$34,791	\$150,000	26.7%	National City Bank	120 months	3.00%	Mortgage; Guaranty; Equipment; Furniture & Fixtures	Jul-04	\$423.08/mo.	4	0
5 Dollar Deals	\$40,000	\$28,728	\$150,000	26.7%	Keystone Community Bank	60 months	4.00%	Guaranty; Equipment; Furniture & Fixtures	Nov-04	\$736.66/mo.	14	0
6 Midwest Custom Embroidery	\$40,000	\$33,417	\$225,000	17.8%	Portage Commerce Bank	84 months	5.00%	Mortgage; Guaranty; Equipment; Furniture & Fixtures	Jul-05	\$563.01/mo.	4	2
7 Memories Evening Wear	\$40,000	\$40,000	\$160,000	25.0%	National City Bank	60 months	7.50%	Guaranty; Equipment; Furniture & Fixtures	Jan-07	\$322.24/mo.	2	0
<b>TOTALS</b>	\$280,000	\$215,014	\$1,887,000	14.8%			4.14%				81	22