



East Jefferson Development Corporation (EJDevCO)

jeffersoneast.org/ejdevco



ABOUT THIS PROJECT

EJDevCo is a subsidiary of Jefferson East Inc., which is undertaking an ambitious plan to revitalize the Jefferson Chalmers neighborhood with a focus on mixed-income, mixed-use, equitable development. With Kresge’s equity investment, EJDevCo will have the balance sheet capital necessary to acquire several buildings to redevelop and repurpose in response to community needs. These buildings are part of a larger development finance plan known as a Targeted Redevelopment Area (TRA), a locally designated Tax Increment Finance district composed of a contiguous cluster of 40 to 500 parcels eligible under the Michigan Brownfield Redevelopment Financing Act. The tax increment capture from a TRA can be used for economic development activities including bonding in support of private developments, public area improvements and support for predevelopment activities such as environmental assessments and remediation.

WHY WAS THIS NEEDED?

Challenge: Nonprofit developers typically lack the equity/unrestricted net-assets that allow them to compete with for-profit, traditional developers, who quickly snap up desirable properties but do not necessarily involve community voice or intent in their redevelopment plans.

Response: This investment will support EJDevCo. by providing the patient equity necessary to acquire key vacant and blighted buildings in the district. Making an equity investment in a development company is an usual move for philanthropy in Detroit, but provides a strong and highly visible investment and vote of confidence in both this organization and the neighborhood.

IMPACTED LOCATION



Detroit

YEAR APPROVED

2018

TYPE OF TRANSACTION

Equity

KRESGE PROGRAM

Detroit Program

AMOUNT OF INVESTMENT

\$2 million

GRANT SUPPORT

\$174,064

TERM OF INVESTMENT

1% preferred return, 10-year term



ABOUT THE PARTNER

East Jefferson Development Corporation is a for-profit subsidiary of Jefferson East Inc., widely considered one of the strongest community development corporations in Detroit. JEI represents five distinct neighborhoods along the east Jefferson corridor and provides programming within a boundary area of 18.4 square miles. It represents approximately 42,120 residents. The organization maintains a diverse and strong board of directors and has attracted several highly capable staff members to the organization. It has formed strategic partnerships with several developers and core CDFIs and has been tapped by the City as the central partner charged with implementing the City's 20-minute neighborhood planning concept in Jefferson Chalmers. JEI has proven its ability to execute on complex financing structures and to own and manage mixed-use commercial real estate. The current Detroit program grant will build the capacity of the organization to ensure its ability to execute on the TRA plan and grow its real estate holdings. .

IMPACT MEASURE

\$105M – amount of tax expected to be captured through TRA

KEY PARTNERS:

Jefferson East Inc., City of Detroit

Key Considerations



Aaron Seybert

*Social Investment Officer
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- » The primary source of repayment is the refinancing of stabilized projects within the development district. Secondary repayment source is the existing tax increment generated by existing projects (approximately \$170,000 a year).
- » Starting in year six, JEI will begin to redeem Kresge's equity interest in EJDevCo. as projects stabilize.
- » EJDevCo. will be staffed and managed by JEI as managing member of the LLC.
- » This layers onto a suite of grants to support the Jefferson Chalmers neighborhood, including streetscape enhancements in 2014, funding for the Jefferson-Chalmers Main Street Redevelopment project in 2016, operating support for JEI, and the placement of an Enterprise Rose Architectural Fellow at JEI from 2015-17.
- » Two new minority-owned restaurants (Norma G's and Mi Alma Kitchen) were slated to open in 2018-19 and two apartments building renovations will add 20 new mixed-income units to the neighborhood in the fall of 2018, all along four blocks of Jefferson Avenue.