DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
WEDNESDAY, JANUARY 22, 2019 – 2:00 P.M.

COMMITTEE MEMBERS PRESENT:  David Blaszkiewicz
                               Sonya Delley
                               John Naglick
                               Steve Ogden

COMMITTEE MEMBERS ABSENT:      Melvin Hollowell

OTHERS PRESENT:                Malinda Jensen (DEGC/DDA)
                                Jennifer Kanalos (DEGC/DDA)
                                Cora Capler (DEGC/DDA)
                                Rebecca Navin (DEGC/DDA)
                                Catherine Frazier (DEGC/DDA)
                                Denise Hundley (DEGC/DDA)
                                Paul Kako (DEGC/DDA)
                                Glen Long, Jr. (DEGC/DDA)
GENERAL

Call to Order

Noting that a quorum was present, Chairman Naglick called the meeting of the Downtown Development Authority Finance Committee to order at 2:30 p.m.

Approval of Minutes

Mr. Naglick asked if there were any additions, deletions or corrections to the minutes of the November 4, 2019 Finance Committee meeting. Hearing none, the Committee took the following action:

   On a motion by Mr. Ogden, seconded by Mr. Blaszkiewicz, the November 4, 2019 minutes were unanimously approved.

ADMINISTRATION

PROJECTS

DDA/EDC UDAG Loan Fund: Approval of Program

Ms. Frazier: As the Board of Directors may be aware, the Michigan Community Redevelopment Program (“MCRP”), administered by the Michigan Strategic Fund (“MSF”) through the Michigan Economic Development Corporation (“MEDC”), provides a critical gap financing tool for eligible mixed-use development projects in areas throughout the State of Michigan and in particular in the City of Detroit. However, recent budget reductions in the MCRP have caused the available funds to economic development projects within the City of Detroit to also decrease. Although initially MCRP assistance was focused primarily on projects located in greater downtown, including Midtown and Corktown, more recently projects receiving MCRP funding have also been located within commercial corridors targeted by the City of Detroit’s Strategic Neighborhood Fund.

Given decrease in the MCRP budget, staff for The Economic Development Corporation of the City of Detroit (the “EDC”) is recommending that the EDC establish a gap funding program targeted primarily at projects that align with the program requirements of MCRP (the “EDC Fund”). Available funds may be available for financing in conjunction with or in place of MCRP loans. In addition, in certain circumstances, funding may be made available for site readiness activities that would spur new employment opportunities on publicly owned industrial sites. The EDC has the statutory authority to make loans for projects throughout the City of Detroit and has historically administered similar loan programs, including the Casino Loan Fund and the Streetscape Loan Fund.
Pursuant to the terms of certain transfer agreements between the City of Detroit, acting through its Community and Economic Development Department, now known as the Housing and Revitalization Department (“HRD”) and the City of Detroit Downtown Development Authority (the “DDA”), the DDA is in possession of certain funds through the Urban Development Action Grant program (“UDAG”). These UDAG proceeds were received by the DDA as repayments of loans made by the DDA using UDAG grants and/or proceeds of UDAG grants. As such, these proceeds are now available for certain economic development purposes, subject to the provisions of the original UDAG grants and transfer agreements.

DDA staff recommends that available UDAG funds in an amount up to $4,000,000.00 (the “DDA Funds”) be made available to the EDC for purposes of funding the EDC Fund pursuant to a funding agreement to be negotiated between the EDC and the DDA. The EDC would only be able to draw upon the DDA Funds for loans that have been approved by the EDC Board and comply with program guidelines established by the EDC Board as well as applicable provisions of the original UDAG grants and transfer agreements, which may include the written consent of the Director of HRD.

DDA staff asked the DDA Finance Committee to recommend the transfer of available UDAG loan proceeds to the Economic Development Corporation.

Mr. Blaszkiewicz asked for clarification on whether the DDA Funds will be transferred to the EDC or if they will remain with the DDA until they are utilized by the EDC. Mr. Long confirmed that the DDA Funds will remain with the DDA until they are utilized by the EDC and that the purpose for making the DDA Funds available to the EDC for use on economic development projects is so that the DDA Funds are available to use city-wide as opposed to being restricted for use within the DDA.

Mr. Naglick asked if the DDA Funds are limited to use on economic development projects. Mr. Navin advised that the DDA Funds are from various sources, some with restrictions on the potential uses, and one consistency across the DDA Funds is that the use would require approval from the City of Detroit Housing and Revitalization Department.

Ms. Delley asked how the developers of potential projects be informed of the availability of the DDA Funds and if their projects would be eligible to receive the DDA Funds. Ms. Frazier stated that part of the anticipated program requirements for the DDA Funds is that there will be a marketing plan developed to inform developers of the availability of the DDA Funds and one of the potential program requirements would be if the project is also eligible for MCRP and have a demonstrated financial need for the DDA Funds and having the parameters for the DDA Funds be closely aligned with the parameters of MCRP.

Ms. Delley stated that she would caution against having the program requirements for the DDA Funds aligned too closely with those of MCRP because MCRP is to some extent restricted by geography and it may not help achieve the goal of making the DDA Funds available city-wide.

Mr. Blaszkiewicz asked what the criteria is anticipated to be for projects pursuing the DDA Funds and how will decisions will be made in how the DDA Funds will be utilized. Ms. Navin stated that the program guidelines are still being developed and that the DDA staff has recognized that the MCRP guidelines lend themselves to forming the guidelines for the DDA Funds and the gap
created by the budget restrictions for MCRP was the motivation for making the DDA Funds available to a wider set of projects in the City.

Ms. Delley suggested that the utilization of the DDA Funds should be targeted toward projects that do not fall into targeted areas for development.

Ms. Delley asked if the DDA would like to be involved in deciding which projects will receive the DDA Funds. Mr. Ogden stated that there are likely projects or properties that are already in consideration for use of the DDA Funds including those which are city-owned sites proposed for future industrial use.

Mr. Blaszkiewicz asked if the DDA Funds are envisioned to be a revolving fund, and if so, will the funds recovered come back to the DDA for use or will be available to the EDC for use. Mr. Long advised that the DDA is being asked to authorize the transfer of the DDA Funds in the amount of $4 million and that the funds recouped would be pooled and be separate from the DDA Funds.

Mr. Naglick asked how significant the budget cuts were to MCRP. Ms. Frazier stated that in prior fiscal years the budget for MCRP was $35-40 million and the budget for the current fiscal year is $20 million.

Mr. Ogden asked if there is any lost administrative funding to the DEGC, DDA, or other public authorities in light of the budget cuts for MCRP. Mr. Long stated that there isn’t any lost administrative funding to the DEGC, DDA, or other public authorities in light of the budget cuts for MCRP.

Ms. Delley asked if the DEGC will be administering the program for the DDA Funds. Mr. Long confirmed that the DEGC will be administering the program for the DDA Funds on behalf of the EDC.

Ms. Delley requested that once the program guidelines are created for the DDA Funds, DDA staff will provide a presentation to the DDA Board.

On a motion by Mr. Ogden, seconded by Mr. Blaszkiewicz, the DDA recommended the transfer of available UDAG loan proceeds to the Economic Development Corporation.

**PUBLIC COMMENT**

**ADJOURNMENT**

With there being no other business to be brought before the Committee, on a motion by Mr. Ogden, seconded by Mr. Blaszkiewicz, Mr. Naglick adjourned the meeting at 2:53 p.m.