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

COMMITTEE MEMBERS ABSENT: None

OTHERS PRESENT: 
Roger Basmajian (Basco Detroit)  
Malinda Jensen (DEGC/DDA)  
Jennifer Kanalos (DEGC/DDA)  
Cora Capler (DEGC/DDA)  
Rebecca Navin (DEGC/DDA)  
Gay Hilger (DEGC/DDA)  
Denise Hundley (DEGC/DDA)  
Kevin Johnson (DEGC/DDA)  
Paul Kako (DEGC/DDA)  
Glen Long, Jr. (DEGC/DDA)  
Nevan Shokar (DEGC/DDA)
MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
THURSDAY, MAY 21, 2020
ZOOM VIRTUAL MEETING – 3:00 P.M.

GENERAL

Call to Order

Chairman Naglick called the Finance Committee meeting of the Downtown Development Authority Board of Directors to order at 3:07 p.m. Roll call was conducted, and a quorum was established.

Approval of Minutes

Mr. Naglick asked if there were any additions, deletions or corrections to the minutes of the January 22, 2020 Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Hollowell made a motion approving the January 22, 2020 minutes, as written. Ms. Delley seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Blaszkiewicz, Ms. Delley, Mr. Hollowell, Mr. Ogden and Mr. Naglick
Nays: None.

PROJECTS

Amendment to the Development Agreement for 311 E Grand River

Mr. Shokar advised that in April 2017, the City of Detroit Downtown Development Authority (the “DDA”) entered into a development agreement (the “Agreement”) with 311 E Grand River, LLC (the “Developer”) for the redevelopment of 311 Grand River as a result of a Request for Proposals issued by DDA staff.

The DDA Board of Directors approved the First Amendment to the Agreement in August 2018 to amend the proposed use from a hotel and event space into a restaurant, collaborative workspace and banquet facility. Thereafter, in April 2019, the DDA board approved the Second Amendment to the Agreement to reduce the purchase price, extend the date of Closing, and to provide DDA financing. Such DDA financing included $1,500,000 in Urban Development Action Grant (“UDAG”) loan proceeds for construction and related activities and seller financing of the $1,200,000 purchase price pursuant to a $2,700,000 promissory note. The Third and Fourth Amendments, most recently approved in December 2019, extended the date of closing through March 31, 2020, with the option to extend the date of closing to May 31, 2020 without further DDA Board approval. DDA staff and the Developer have exercised this extension.

DDA staff is requesting to change the funding source for the portion of the DDA financing for construction and related activities from UDAG funds to the DDA’s Housing/Office/Retail Development Fund that is funded under the DDA’s Restated Tax Increment Financing and Development Plan. This change will allow available UDAG proceeds to be made available for
loans for development projects outside of the DDA through the Economic Development Corporation’s gap loan fund program.

The loan terms that were previously approved will not be amended but are attached hereto for the Finance Committee’s reference.

DDA staff requests that the Finance Committee recommend the amendment to the Board of Directors.

**PROJECT FINANCING TERMS**

*Approved in April, 2019*

**Loan:** $2,700,000.00 of which $1,200,000 is seller financing of the purchase price and $1,500,000 is for additional activities that are to be determined shall be payable pursuant to a promissory note payable to the DEGC and executed by Developer at Closing (the “Developer Note”). The Developer Note shall include the following terms and conditions:

- **Interest:** 1% annual interest during construction with a 1.5% annual interest rate beginning with receipt of the Certificate of Occupancy. Interest payments will be calculated annually based on the remaining principal. Interest not paid will accrue into the outstanding principal balance.

- **Term:** 240 months. No prepayment penalties will be applied. Repayment of the loan will be due upon the maturity date of the Developer Note, sale of the property or refinance of the existing mortgage, whichever occurs earlier.

- **Amortization:** 240 months.

- **Payments:** Interest only payments due commencing on the first business day of the month following Closing, and every month until receipt of Certificate of Occupancy. All unpaid principal and accrued but unpaid interest shall be due and payable on the maturity date or such other event triggering repayment of the Developer Note, as described by the loan documents.

- **Reporting:** Annual financial statements prepared certified by a certified public accountant in accordance with Generally Accepted Accounting Procedures will be provided to the DDA staff.

- **Reporting:** Annual financial statements must be provided to the DEGC for review.

- **Security:** Subordinated mortgage on Property; personal guaranty of development team, and such other documents reasonably and typically required by the DDA staff for such a transaction.

Ms. Delley asked Mr. Basmajian for an update on the project. Mr. Basmajian gave a brief status report for the Committee’s information.
Subsequent to the discussion, the Committee took the following action:

Mr. Hollowell made a motion approving the Amendment to the Development Agreement for 311 E Grand River, as presented. Ms. Delley seconded the motion. A roll call vote was conducted with the following result:
Ayes: Mr. Blaszkiewicz, Ms. Delley, Mr. Hollowell, Mr. Ogden and Mr. Naglick.
Nays: None.

ADMINISTRATION

DDA Budget for FY 2020-21

Ms. Kanalos advised that pursuant to Article 228, Act 57, DDA staff has prepared the attached DDA budget for FY 2020-21 Downtown Development Authority’s General Fund Budget for your review prior to its submission to the City Council for its approval.

The amount of funds available from the one mill tax for FY 2020-21 has been estimated at $1,050,000, net of collection delinquencies and reserves for tax settlements representing no change from the FY 2019-20 budget. Transfer from the DDA’s Tax Increment Fund will also remain unchanged from the 2019-20 budgeted allocation of $750,000.

The FY 2020-21 budget reflects revenues of $800,000 to be generated from the parking operations, representing no change in parking revenues from the FY 2019-20. Other/Events Center Revenues are estimated at $15,000, also representing no change from FY 2019-20. A Fund balance transfer of $300,000 represents an expected accumulation of expenses over revenues.

On the appropriations side, contractual services of $1,940,000, reflects no increase from FY 2019-20. The budgeted amount of $550,000 for professional services and fees, inclusive of a $10,000 expense for Computer Support, represents no change from FY 2019-20. There is a $25,000 budgeted expense related to parking operations for FY 2020-21, this represents a $50,000 decrease from FY 2019-2020. Finally, $500,000.00 of allocated funds for Special Projects and Contingencies for FY 2020-21 remains the same as FY 2019-20.

Ms. Kanalos requested that the Finance Committee recommend the approval of DDA FY 2020-21 budget to the Board.

Mr. Hollowell stated that he sees no change in the budget from the previous year and questioned if the projected revenues are affected by what has been going on the past few months. Ms. Kanalos stated that regarding the tax increment revenue funds, we will not see any changes until next year because funds are received a year behind. Mr. Long added that the funds that were just received were based on the assessments for December 31, 2019, so there shouldn’t be any decrease in the tax revenues. Ms. Navin advised that staff met with city officials to confirm that the revenue projections in this budget were accurate and they weren’t looking at any decrease for this fiscal year. Mr. Long stated that he believes that next year we may be looking at a decrease.
Mr. Blaszkiewicz asked if this includes the parking operations. Mr. Long advised that a lot of the parking operation is a set rental fee for the Kennedy Square Garage, about $660,000, and they have continued to make the payments. It is possible that the remaining amount may be negatively affected, but because DDA was breaking even for the nine months, it was decided not to make changes now.

Mr. Naglick added that tax day is December 31 in the State of Michigan and property valuations are known to us. City Council approved the tax statement at 9 mills last Tuesday, so we are set for property tax bills to go out July 1. One of the things that gives some comfort is that the City’s tax rolls are more than two-thirds commercial, so we are a little more cushioned.

Subsequent to the discussion, the Finance Committee took the following action:

   Mr. Hollowell made a motion approving the recommendation of the DDA FY 2020-21 Budget to the Board, as presented. Mr. Blaszkiewicz seconded the motion. A roll call vote was conducted with the following result:
   Ayes: Mr. Blaszkiewicz, Ms. Delley, Mr. Hollowell, Mr. Ogden and Mr. Naglick
   Nays: None.

PUBLIC COMMENT

None.

ADJOURNMENT

With there being no other business to be brought before the Committee, on a motion by Mr. Hollowell, seconded by Ms. Delley, Mr. Naglick adjourned the meeting at 3:17 p.m.