



**DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
WEDNESDAY, JUNE 26, 2019 – 2:00 P.M.**

COMMITTEE MEMBERS PRESENT:

Sonya Delley
Melvin Hollowell
John Naglick

COMMITTEE MEMBERS ABSENT:

David Blaszkiewicz
Steve Ogden

OTHERS PRESENT:

Dennis Archer, Jr. (Gotham Capital Partners)
Gay Hilger (DEGC/DDA)
Jennifer Kanalos (DEGC/DDA)
Glen Long, Jr. (DEGC/DDA)
Rebecca Navin (DEGC/DDA)
Bunia Parker (Gotham Capital Partners)
Sarah Pavelko (DEGC/DDA)
Ben Smith (Gotham Capital Partners)



**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
WEDNESDAY, JUNE 26, 2019
DETROIT ECONOMIC GROWTH CORPORATION
500 GRISWOLD STREET, SUITE 2200 – 2:00 P.M.**

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 2:49 p.m.

Approval of Minutes

Mr. Naglick asked if there were any additions, deletions or corrections to the minutes of the March 29, 2019 Finance Committee meeting. Hearing none, the Committee took the following action:

On a motion by Mr. Hollowell, seconded by Ms. Delley, the March 29, 2019 minutes were unanimously approved.

PROJECTS

Paradise Valley: Amendment to the Development Agreement for 1407 & 1427 Randolph

Ms. Pavelko advised that in April 2017, the City of Detroit Downtown Development Authority (the “DDA”) entered into a development agreement (the “Agreement”) with Gotham Capital Partners, LLC (the “Developer”) for the redevelopment of properties located at 1407 & 1427 Randolph (the “Properties”). The proposed redevelopment of the Properties by the Developer is a result of Developer’s response to a Request for Proposals issued by DDA staff to renovate the Properties into a mixed-use facility with office and retail (the “Project”).

Following the execution of the Agreement, Developer intended to proceed with the Project as required under the Agreement. However, due to a lawsuit filed against the DDA by a tenant located in the Properties, the Project was delayed. In October 2018, the DDA was dismissed from the lawsuit, but the nearly 3-year delay resulted in additional costs due to rising construction pricing and the loss of one large tenant. As a result, this has affected the financial viability of the Project and the Developer has requested a reduction in the price of the Properties and an extension to the closing schedule under the Agreement.

Based on the underwriting, evaluating the Project and the increasing cost of renovating historic structures, as well as the proposed returns to the Developer, DDA staff is requesting the approval of certain revised terms to the Agreement (the “Revised Terms”), including a \$326,000 reduction in the purchase price from \$976,000 to \$600,000 and an extension to the date of Closing to September 31, 2019. In addition, the developer will receive a development credit of \$150,000, associated with the additional legal fees incurred by the Developer as a result of the lawsuits



referenced herein. This credit will be predicated on the Developer completing the project in a timely manner or revert into a loan. The Revised Terms were included in Exhibit A included in the Finance Committee material.

Ms. Pavelko advised that there was an error in the proposed resolution and that the closing date should be October 31, 2019.

The Finance Committee thoroughly discussed this project. Subsequent to the discussion, Mr. Hollowell summarized the Committee's discussion. The Committee would recommend approval of the transaction to the Board with the following inclusions in the proposed resolution:

1. A reduction of \$376,000 in purchase price from the original \$976,000 to \$600,000.
2. There is an extension to close by October 31, 2019.
3. The development credit is \$150,000 that is structured as a forgivable loan at the time of completion in 12 months. If there is no such completion in 12 months, that credit becomes a hard debt to be paid.
4. This will be the only extension to the Development Agreement. If it is not done in 12 months, there are consequences.
5. There will be periodic construction inspections/audits to be comfortable that the developer is on task and on schedule.
6. The developer can close and begin interior work/demolition while PDD and Historic District approvals are sought.

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

On a motion by Mr. Hollowell, seconded by Ms. Delley, the Committee unanimously agreed to recommend the transaction to the Board for approval, with the inclusion of the aforementioned items.

ADMINISTRATION

PUBLIC COMMENT

ADJOURNMENT

With there being no other business to be brought before the Committee, Mr. Naglick adjourned the meeting at 3:00 p.m.