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

COMMITTEE MEMBERS ABSENT:        Melvin Hollowell

OTHERS PRESENT:                  David Esshaki (George Johnson and Company)  
                                   Gay Hilger (DEGC/DDA)  
                                   Malinda Jensen (DEGC/DDA)  
                                   Paul Kako (DEGC/DDA)  
                                   Glen Long, Jr. (DEGC/DDA)  
                                   Michael Nicholas (George Johnson and Company)
MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
MONDAY, NOVEMBER 4, 2019
DETROIT ECONOMIC GROWTH CORPORATION
500 GRISWOLD STREET, SUITE 2200 – 4:30 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 4:31 p.m.

Approval of Minutes

Mr. Naglick asked if there were any additions, deletions or corrections to the minutes of the August 21, 2019 Finance Committee meeting. Hearing none, the Committee took the following action:

On a motion by Ms. Delley, seconded by Mr. Ogden, the August 21, 2019 minutes were unanimously approved.

ADMINISTRATION

Draft Audit for Fiscal Year Ending June 30, 2019

Mr. Naglick thanked Mr. Long and George Johnson and Company for producing another timely audit and called on Mr. Long to report on the audit.

Mr. Long introduced Mike Nicholas and David Esshaki of George Johnson and Company to present the audit to the Finance Committee.

Mr. Nicholas and Mr. Esshaki reviewed the Audit Wrap Up document that was provided to the Committee and responded to the Committee’s questions.

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

On a motion by Mr. Ogden, seconded by Mr. Blaszkiewicz, the Committee unanimously agreed to accept the audit as presented and recommend acceptance by the Board.

PROJECTS

DDA UDAG Loan – Atheneum Hotel Corporation - Loan Discounted Payoff

Ms. Hundley advised that on February 25, 1988, the City of Detroit Downtown Development Authority (“DDA”) extended a loan in the amount of $4,800,000.00 (the “Loan”), evidenced by a UDAG Note of even date therewith, to 400 Monroe Associates in connection with a Development and Loan Agreement dated April 27, 1988 (the “Development Agreement”). 400 Monroe...
Associates assigned all of its obligations under the Loan, Development Agreement, and all other loan documents in connection therewith to Atheneum Hotel Corporation (the “Borrower”) pursuant to an Allonge to the UDAG Note dated February 28, 2006. The Borrower’s obligations under the UDAG Note are secured by a subordinated UDAG mortgage. Comerica Bank was the senior Lender. The Loan remains the last UDAG-type loan on the DDA’s portfolio. The Loan maturity date is March 1, 2021.

The Borrower’s hotel operates in a very viable part of Detroit’s Greektown area. The Borrower has endured the economic ups and downs of the City of Detroit through the years. DDA has served as an advocate in the process by providing various loan modifications. These modifications include adjustments to loan payments, modifications to the amortization schedules, and extensions to the maturity dates; thereby easing some of the borrower’s financial burdens.

In order to keep the hotel viable, necessary improvements and renovations have been ongoing through the years. Some of these improvements include major lobby renovations, complete overhaul of rooms, banquet facilities, and overall hotel lighting. The Borrower desires the hotel to remain relevant in the current downtown environment, which will require additional investments in the hotel. The investments will result in additional improvements and renovations. These improvements include purchasing completely new furniture for the entire hotel and a new kitchen that will greatly increase the capacity and menu selections. A budget of approximately $3,000,000.00 has been assessed for hotel upgrades. The funding of the investment dollars will be achieved by a consolidation of Borrower’s outstanding debt.

The Borrower has now approached the DDA and is requesting a discounted loan payoff. The Comerica loan has been paid. To date, the Borrower has paid interest in the amount of $2,732,116.58 and principal in the amount of $2,514,801.87. The remaining loan balance is $2,285,198.13. The Borrower is offering a discounted payoff in the amount of $1,700,000.00 in immediate available funds. This amount allows the DDA to receive almost 75 cents on the dollar. The remaining loan balance will be written off.

The Borrower’s hotel has remained a cornerstone in the Greektown area and will be utilized by visitors for many years to come. It has remained a destination for lodging, food, and entertainment during challenging economic times in the City of Detroit. The hotel has and will remain a growing source of employment for the City of Detroit. Furthermore, the borrower has remained responsive to DDA through the years. Timely loan payments and documentation have always been remitted. DDA staff has reviewed the request and finds it reasonable to accept the discounted loan payoff in the amount of $1,700,000.00.

DDA staff asked the Finance Committee to recommend to the DDA Board approval of acceptance of a discounted $1,700,000.00 loan payoff for the Loan.

Mr. Long advised that this loan has a balloon payment coming up in a year and a half and there have been balloons in the past and it has been further timed out and we keep doing that. The pros are that we’ve been getting interest on it. The Committee needs to decide if we would rather have $1.7 million in hand today and be done and know that we have that, or, kick it back out. The questions are will they continue to pay in a timely fashion, and will they come back for relief like they have done in the past. This loan is from 1988 and is supposed to have been off the books.
by now, yet it still keeps hanging around. It has been given a risk rating for the audit and has fluctuated between a 2 and a 3. At a 3, we reserve 25 percent, so 75 cents on the dollar.

Mr. Long advised that he had been approached by the Atheneum asking if DDA would take 50 cents on the dollar and Mr. Long told them that it is not his decision and that it would have to be approved by the Board. He also informed them that he would not waste the Board members’ time with their offer of 50 cents. Representatives of the Atheneum then came back with an offer of 75 cents on the dollar, which is what the DDA Board agreed on for the Tobin building, and that is why we are here. If the Committee would like staff to go back to the Atheneum to try to get a better offer, that is what we will do.

Ms. Delley asked if they need to bring this loan down in order to get the money for the renovations. Ms. Hundley advised that they had submitted financials and on their balance sheet, we are their only long-term debt and that they had paid off all of the other loans.

The Committee discussed the settlement offer and requested that staff to go back to them with a counter offer that would give DDA a little extra and would be a win-win for both parties.

PUBLIC COMMENT

ADJOURNMENT

With there being no other business to be brought before the Committee, on a motion by Mr. Ogden, seconded by Ms. Delley, Mr. Naglick adjourned the meeting at 5:04 p.m.