



**DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
WEDNESDAY, APRIL 9, 2025 – 2:30 P.M.**

COMMITTEE MEMBERS PRESENT: David Blaszkiewicz
Melvin Hollowell
John Naglick
Steve Ogden (2:45)

COMMITTEE MEMBERS ABSENT: None

OTHERS PRESENT: Cora Capler (DEGC/DDA)
David Howell (DEGC/DDA)
Kaci Jackson (DEGC/DDA)
Kevin Johnson (DEGC/DDA)
Jennifer Kanalos (DEGC/DDA)
Glen Long, Jr. (DEGC/DDA)
Rebecca Navin (DEGC/DDA)
Sierra Spencer (DEGC/DDA)
Emmett Moten (150 Bagley)
Ed Saenz (ODM)
Allison Gabrys



**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
WEDNESDAY, APRIL 9, 2025
DETROIT ECONOMIC GROWTH CORPORATION
500 GRISWOLD, SUITE 2200 – 2:30 P.M.**

GENERAL

Call to Order

Chairperson Naglick called the Finance Committee meeting of the Downtown Development Authority Board of Directors to order at 2:32 p.m. A 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 October 9, 2024, Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Hollowell made a motion approving the October 9, 2024, minutes, as written. Mr. Blaszkiewicz supported the motion. All were in favor with no opposition, and the October 9, 2024, minutes were unanimously approved. Mr. Ogden was not present for the vote.

PROJECTS

Bagley Development Group LLC: Proposed Additional Loan and Modified Loan Terms

Mr. Howell stated that Bagley Development Group, LLC, (the “Developer”) is a development team formed in 2015 led by Emmet Moten. The Developer is redeveloping the United Artists Building located at 150 Bagley into a mixed-use commercial development. (the “Project”). The Project will consist of 148 residential units, of which 20% or 30 units will be income-restricted for residents with incomes at or below 80% of the Area Median Income (“AMI”). The Project will also feature approximately 10,500 square feet of ground-floor retail.

In March, 2022, Developer closed on financing for the Project, which included a \$14.1 million loan from the Downtown Development Authority (“DDA”), of which \$7.0 million was funded by a participating loan from the Michigan Strategic Fund (the “2022 Developer Loan”), a \$1.4 million loan from the DDA to the Developer’s managing member (the “DDA MM Loan”), a senior loan funded by U.S. Department of Housing and Urban Development (“HUD”), \$2.0 million from the City of Detroit’s (the “City”) Community Development Block Grant (“CDBG”) funds, as well as equity from the sale of historic tax credits. In May 2022, the DDA approved a deferral of interest on the 2022 Developer Loan and the DDA MM Loan through the construction period.



Current Status and Developer's Request

On December 4, 2024, the Developer's contractor, The Brinker Group (the "Contractor"), issued a work stoppage due to a disagreement with the Developer regarding increased costs and change orders. Through a mediation process, the Developer and Contractor reached an agreement that provided for a \$6.3 million increase in construction costs. Additionally, other soft costs and financing expenses, as well as a downward adjustment to the historic tax credit equity due to delays in the Project, have increased the total development costs from \$76.6 million to \$85.1 million. Therefore, a gap has been created in the project's sources and uses of capital, amounting to \$ 8.5 million. The Developer approached the DDA, Invest Detroit, HUD, the City, MSF, and Olympia Development of Michigan ("ODM") to assist in either loaning additional funds to the Project and/or, restructuring existing loan repayment terms, or, in the case of ODM, ground lease payments. In addition, Developer has committed to contributing an additional \$607,384 to the Project.

The Developer requested an additional \$1.1 million from the DDA, as well as certain modifications to the 2022 Developer Loan and the DDA MM Loan.

Following is an illustration of the Developer's proposed additional sources and the uses of capital for the Project, which has been approved by HUD:

The construction of the Project is 86% complete and is expected to be completed on or before

Source of Capital	Amount	Explanation
HUD 221 (D)(4)	\$4,518,300.00	Increased loan proceeds due to TIF, rental rate increases and ODM ground lease subordination
Historic Tax Credit Adjuster	\$ (608,680.00)	HTC Investor decreased its equity due to Project delays
City of Detroit	\$ 400,000.00	Increased CDBG funding
Downtown Development Authority	\$1,100,000.00	Increased DDA Funding - pari passu with Invest Detroit
Invest Detroit	\$2,500,000.00	Invest Detroit Loan - pari passu with DDA
Owner Capital	\$ 607,384.00	Additional Owner Commitment
Total Sources of Capital	\$8,517,004.00	
Uses of Capital		
Hard Construction Costs	\$6,270,605.00	Increased general conditions, material and equipment costs
Soft Construction Costs	\$ 876,568.00	Increased A & E expenses, taxes and insurance, \$500K contingency
Financing Costs	\$1,369,831.00	Additional construction interest and reserves, HUD financing costs
Total Uses of Capital	\$8,517,004.00	

August 1, 2025. Based on the following, DDA staff is recommending approval of the additional \$1.1 million: 1) there is support from multiple sources to assist in mitigating the financing gap, 2) the Project is 86% complete and construction is expected to be completed in August 2025, 3) DDA staff views the additional loan proceeds as a necessary measure to protect the DDA's current investment of \$8.5 million. A term sheet for the additional loan and the modifications to the existing loans is attached as **Exhibit A**. A revised three-year cash flow projection is illustrated below. Staff requested the Finance Committee's recommendation to the Board.



	Year 1	Year 2	Year 3
Gross Residential Rental Income	\$3,866,571	\$3,982,568	\$4,102,045
Gross Commercial Rental Income	\$263,270	\$268,535	\$273,906
Gross Potential Rent	\$4,129,841	\$4,251,103	\$4,375,951
Vacancy Loss Residential	(\$193,329)	(\$199,128)	(\$205,102)
Vacancy Loss Commercial	(\$26,327)	(\$26,854)	(\$27,391)
Effective Gross Income	\$3,910,185	\$4,025,121	\$4,143,458
DEVELOPMENT OPERATING EXPENSES:			
Administrative Expenses	\$387,689	\$401,270	\$414,115
Utilities	\$110,596	\$113,914	\$117,332
Maintenance/Non-Capitalized Repairs	\$241,234	\$248,471	\$255,925
Real Estate Taxes	\$647,840	\$660,797	\$674,013
Tax Abatement (-)	\$583,056	\$594,717	\$606,612
Property & Liability Insurance	\$58,397	\$60,149	\$61,953
Reserve Requirements	\$56,226	\$57,912	\$59,650
Total Expenses	\$918,926	\$947,796	\$976,376
Net Operating Income	\$2,991,259	\$3,077,325	\$3,167,082
TIF Reimbursement	\$4,094	\$4,221	\$4,351
Cash Flow Before Debt Service	\$2,995,353	\$3,081,546	\$3,171,433
<i>Annual All-In Debt Coverage Ratio (Before MEDC / DDA Cash Flow Splits)</i>	<u>1.24</u>	<u>1.27</u>	<u>1.31</u>
HUD Senior Loan Annual D/S Payments			
HUD 221(d)4	\$1,759,628	\$1,759,628	\$1,759,628
HUD 221(d)4 TIF / Retail Loan	\$163,622	\$163,622	\$163,622
HUD 221(d)4 \$1 M Residential Rental Rev. Increase (Priced at 3.65%)	\$47,923	\$47,923	\$47,923
Subtotal HUD Debt	\$1,971,173	\$1,971,173	\$1,971,173
ODM Base Ground Rent	\$65,000	\$65,000	\$65,000
Cash Flow Available for Second Cash Flow Priority Group	\$959,180	\$1,045,373	\$1,135,260
Second Cash Flow Priority Group			
Invest Detroit D/S (\$2.5 M @ 6% Interest Rate - 30-Yr. Amort.)	\$181,622	\$181,622	\$181,622
DEGC Loan (\$1.1 M @ 1% Interest Rate - 40 Yr. Amort.)	\$33,501	\$33,501	\$33,501
Ground Lessor Participating Rent	\$224,261	\$230,989	\$237,919
Total of Second Cash Flow Priority Group	\$439,385	\$446,112	\$453,042
Remaining Cash Flow for HTC and Partnership Distribution	\$519,796	\$599,261	\$682,218
Historic Tax Credit Pref and Promote	\$228,000	\$228,000	\$228,000
Cash Flow Available for Distribution	\$291,796	\$371,261	\$454,218
MEDC / DDA Share	\$189,667	\$241,320	\$295,242
BDG Share	\$102,129	\$129,941	\$158,976

Mr. Hollowell stated that he would be recusing himself from the discussion.

Mr. Blaszkiewicz stated that Invest Detroit was contemplating a loan for the project as well with similar terms. Mr. Blaszkiewicz asked if Mr. Howell had formed any sensitivity analysis and if he was comfortable with the projected cash flow from the underwriting.



Mr. Howell stated that the original underwriting utilized 2018 rental rates, and the United States Department of Housing and Urban Development (HUD) had approved increasing rental rates to 2025. Mr. Howell continued that retail revenue had not been contemplated before, nor had Tax Increment Financing revenue. For those reasons, Mr. Howell concluded that he was comfortable with the project's projected cash flow.

Mr. Blaszkiewicz stated that for a period, work had to be stopped, a settlement was reached with the construction manager, and Olympia Development of Michigan (ODM) was engaged in the process and asked for this to be expanded upon for the benefit of Committee.

Mr. Moten stated that it had been a tough period with the project, but everyone, including HUD and the underwriters, has helped move the project along and has worked together to present the numbers being shown to the committee as something everyone is comfortable with. Mr. Moten continued that ODM owns the building and has been involved from the beginning; therefore, his team asked if ODM could provide some senior management, and they agreed.

Mr. Blaszkiewicz asked Mr. Howell about the existing debt, noting that he had mentioned significant dollars already invested by the DDA and the State of Michigan. Mr. Blaszkiewicz also inquired regarding discussions with the State of Michigan and if Mr. Howell could provide any updates regarding those discussions. Mr. Howell referred back to the projected cash flow for the project, stating that ODM had a base ground rent of sixty-five thousand dollars (\$65,000.00). Mr. Howell explained that this was originally included in operating expenses and ODM had agreed to subordinate the payment to HUD levels which justified more loan proceeds. Mr. Howell stated that with the two million five hundred thousand dollars (\$2,500,000.00) being contemplated by Invest Detroit, the DDA loan and the participating rent payment are paid before the Michigan Economic Development Corporation (MEDC) and DDA split. Mr. Howell added that the matter would need to be brought to the Michigan Strategic Fund (MSF) Board, but he did not anticipate any issues.

Mr. Moten stated that he had spoken to a contact with the MSF, and he advised that the matter would need to go before the MSF Board but was assured that he believed there would be no issues.

Mr. Naglick asked what caused the construction overrun. Mr. Moten stated that coming out of COVID-19, contractors' schedules were a year and a half out. In addition, the elevators for the property were thought to be domestic but were found to be coming from China, which delayed the project another year. Mr. Moten explained that there was concern regarding how to finish the job and if there were funds to complete the job. Mr. Moten noted that there was money in the contract to complete the job. Mr. Moten explained that a way forward was found through mediation. Mr. Moten added that HUD supported the project and that the City and project partners such as Invest Detroit assisted in getting the project to this point. Mr. Motten finally added that the development team did not control the funds for the project.



Mr. Ogden asked if there were any outstanding materials that needed to be gathered. Mr. Moten responded that all material had been gathered except for the storefront windows, which would be coming from Wisconsin.

Mr. Ogden stated that HUD would be going through its own changes and asked how they may impact the project. Mr. Moten stated that it was his understanding that the Detroit and the Los Angeles offices would not be impacted and that HUD is confident that they will be able to finish the job with the individuals they have.

Mr. Howell added that the project is eighty-six (86) percent complete.

Mr. Naglick called for further questions. Hearing none, he called for a motion.

Mr. Ogden made a motion to recommend the Bagley Development Group LLC: Proposed Additional Loan and Modified Loan Terms for approval to the DDA Board. Mr. Naglick seconded the motion. Mr. Blaszkiewicz and Mr. Hollowell recused themselves from the vote. The motion to recommend the additional loan and modified terms was approved.

Ms. Navin advised that this was just a recommendation to the Board, and at the Board, there is a waiting period that must be taken before a vote where a super-majority quorum would be required.

Mr. Hollowell asked about the waiting period. Ms. Navin responded that it was a seven (7) day wait time.

ADMINISTRATIVE

None.

OTHER

None.

PUBLIC COMMENT

None.

ADJOURNMENT

With there being no other business to be brought before the Committee, Mr. Ogden made a motion to adjourn the meeting, which was seconded by Mr. Blaszkiewicz, and Mr. Naglick adjourned the meeting at 3:07 p.m.