



**DOWNTOWN DEVELOPMENT AUTHORITY  
FINANCE COMMITTEE MEETING  
FRIDAY, JANUARY 6, 2023 – 11:30 A.M.**

**COMMITTEE MEMBERS PRESENT:** David Blaszkiewicz  
Melvin Hollowell  
John Naglick

**COMMITTEE MEMBERS ABSENT:** Steve Ogden

**OTHERS PRESENT:** Bryan Amann  
Jake Austermann (Plante Moran)  
Cora Capler (DEGC/DDA)  
Keith Bradford (ODM)  
Andrew Cantor (The Related Companies)  
Kenyetta Hairston-Bridges (DEGC/DDA)  
Gay Hilger (DEGC/DDA)  
Lanard Ingram (DEGC/DDA)  
Malinda Jensen (DEGC/DDA)  
Paul Kako (DEGC/DDA)  
Jennifer Kanalos (DEGC/DDA)  
Bill Lichwalla (Plante Moran)  
Glen Long, Jr. (DEGC/DDA)  
Monika McKay-Polly (DEGC/DDA)  
M. McLauchin (Ilitch Holdings)  
Rebecca Navin (DEGC/DDA)  
Kirk Pinho (Crain's Detroit Business)  
Lexi Shaw (DEGC/DDA)  
Nevan Shokar (DEGC/DDA)



**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY  
FINANCE COMMITTEE MEETING  
FRIDAY, JANUARY 6, 2022  
DETROIT ECONOMIC GROWTH CORPORATION  
500 GRISWOLD, SUITE 2200 – 11:30 A.M.**

**GENERAL**

**Call to Order**

Chairman Naglick called the Finance Committee meeting of the Downtown Development Authority Board of Directors to order at 11:30 a.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 October 26, 2022, Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Blaszkiewicz made a motion approving the October 26, 2022, minutes, as written. Mr. Hollowell supported the motion. All were in favor with no opposition, and the October 26, 2022, minutes were unanimously approved.

**PROJECTS**

**Housing, Office, Retail Development and Absorption Fund – Modification to Loan Parameters for Affordable Housing Units**

Mr. Shokar advised that on November 9, 2022, the DDA Board approved certain program parameters in connection with housing loans made under the DDA's Housing, Office, Retail Development and Absorption Fund, where the housing developer makes a commitment that at least 20% of the residential rental units will be reserved for households making 70% of AMI or less (the "**Affordable Housing Program Parameters**").

The Affordable Housing Program Parameters include a provision that if affordable units are occupied by individuals who have been residents of the City of Detroit for at least 5 years prior to occupancy, then a portion of the loan may be eligible for forgiveness, upon terms to be approved by DDA Board of Directors.



Following further discussion of the Affordable Housing Program Parameters with the City's Housing and Revitalization Department (“HRD”), HRD expressed concern that housing insecure individuals could find it difficult to demonstrate city of residency for 5 years prior their tenancy in the housing project, which could have the unintended consequence of excluding individuals that the program seeks to assist.

As such, DDA staff requested that the Finance Committee recommend to the DDA Board of Directors that the relevant provision in the Affordable Housing Program Parameters be modified as follows:

*If affordable units are occupied by individuals who have been residents of the City of Detroit for at least **3** years prior to occupancy, then a portion of the loan may be eligible for forgiveness, upon terms to be approved by DDA Board of Directors.*

Mr. Naglick asked if there were any questions/discussion.

Mr. Hollowell questioned how many more residents would be eligible at three years versus five years. Mr. Shokar stated that he does not have that information.

Mr. Naglick asked if there was a motion.

Mr. Hollowell made a motion approving the Modification to the Loan Parameters for Affordable Housing Units, as presented. Mr. Blaszkiewicz supported the motion. All were in favor with no opposition, and the Modification to the Loan Parameters was unanimously recommended to the Board for approval.

### **Housing, Office, Retail Development and Absorption Fund – Request for Affordable Housing Loan Approvals**

Mr. Shokar informed that in November 2022, the Board approved new loan parameters under the DDA's Housing, Office, Retail Development and Absorption Fund (the “**Program**”) in response to market demand in the DDA's Development Area for affordable housing units reserved for households with incomes 70% or less than the Area Median Income for the Detroit-Warren-Livonia Metropolitan Statistical Area (“**AMI**”) as well as occupancy of such affordable housing units by existing Detroit residents.

Specifically, the below parameters were approved (the “**Affordable Housing Program Parameters**”):

**Affordable Housing** (where at least 20% of the residential rental units will be reserved for households making 70% of AMI or less)



<u>Affordability Target</u>	<u>Loan Amount</u>
50% AMI	40% of Hard Construction Cost
60% AMI	30% of Hard Construction Costs
70% AMI	20% of Hard Construction Costs
80% AMI	<i>No loan available under Affordable Housing Program Parameters</i>

**Terms:**

- (1) Project must include at least 10 affordable units
- (2) Interest rate not-to-exceed 2%. The terms and conditions of each loan will vary and will be determined based on the development project economics and market conditions at the time of underwriting and closing.
- (3) If affordable units are occupied by individuals who have been residents of the City of Detroit for at least 3 years prior to occupancy, then a portion of the loan may be eligible for forgiveness, upon terms to be approved by DDA Board of Directors.<sup>1</sup>
- (4) Maximum Loan Amount = \$200k/affordable unit

Olympia Development of Michigan LLC (“**Olympia**”) and The Related Companies LP (“**Related**”) recently announced 10 mixed-use development projects within the DDA Development Area, adding an estimated 1,200,000 gross square feet of office space and 695 new residential rental units across the 10 projects.

As part of the residential offerings, ODM and Related, through the joint development entity Related Olympia Predevelopment Company, LLC (“**Developer**”) have committed to reserving at least 20% of the residential rental units for households making 50% of AMI or less in the each of the below projects (each, a “**Project**” and collectively, the “**Projects**”).

- **2250 Woodward** – New construction of a 20-story multi-family housing tower, with first floor retail, facing the Fox Theatre, expected to include 287 residential units,

<sup>1</sup> The Board has been asked to approve a change in the Affordable Housing Program Parameters that would reduce this requirement from 5 years to 3 years.



of which 20% (58 units) would be affordable at 50% AMI or below. Construction is expected to commence in fall of 2024, with a 2-year construction period.

- **2205 Cass** – New construction of 18 story multi-family housing tower with first floor retail, located across from the planned University of Michigan Detroit Center for Innovation, expected to include 261 residential units, of which 20% (54 units) would be affordable at 50% AMI or below. Construction is expected to commence in spring of 2024, with a 2 ½ year construction period.
- **408 Temple** – Historic rehabilitation of former American / Fort Wayne Hotel located in the Cass Park district, with first floor retail, expected to include 131 residential units, of which 20% (27 units) would be affordable at 50% AMI or below. Construction is expected to commence in fall of 2026, with a 2-year construction period.

Developer has requested the DDA support of the Projects through a loan to each Project under the Affordable Housing Program Parameters. Proposed terms of the loans are set forth in **Exhibit A** attached.

DDA staff is supportive of each of the loans which subsidize the high cost of constructing new residential units in the CBD that are reserved for very low-income households. For reference, an individual making 50% of the AMI earns approximately \$31,350 annually. The rents in these units would be discounted from an average monthly market rent of \$2,400 to \$840. This discounted rent is only made possible by the DDA's financial support of the residential projects. The deeply affordable rental rates being offered here create a sizeable gap in the proforma when considered in conjunction with the steep rise of construction costs over recent years.

There is a 30–40-year term loan, that has a 48-month deferred 1% interest rate, that will be capitalized, and then added to the overall balance. Interest will be paid monthly beginning in fiftieth month. Based on annual verification, approximately 1/30<sup>th</sup> of the original principal amount is eligible for loan forgiveness provided that 50% of the affordable housing units are occupied by Detroiters after deferred interest is capitalized.

DDA staff requested the Finance Committee's recommendation to the Board of Directors for approval of the Project loans upon the terms described in **Exhibit A** attached and the reallocation of necessary amounts from other DDA Plan Table 3-line items to the Program as necessary to fund the Project loans, as authorized by Section 408.1 of the DDA Plan.

Mr. Naglick called for questions/discussion.



Mr. Blaszkievicz asked Mr. Long to respond to how this loan would affect the DDA. Mr. Long said with cash on hand, and Municap projections we are ahead about \$5-\$6 million dollars.

Mr. Hollowell clarified that this is a mixed-use project with a focus on residential.

Mr. Blaszkievicz requested that the committee receives commencement dates for each project before the Board votes.

Ms. Navin responded to Mr. Blaszkievicz that she will follow up with commencement dates for the projects after speaking with the Developer. Ms. Navin added that amendment of the commencement date would require Board approval.

Mr. Naglick asked if there was a motion.

Mr. Blaszkievicz made a motion approving the Request for Affordable Housing Loan Approvals, subject to the aforementioned terms. Mr. Hollowell supported the motion. All were in favor with no opposition, and the Request for Affordable Housing Loan Approvals was unanimously recommended to the Board for approval.

### **EC Ancillary Development Project – Proposed Infrastructure Support**

Mr. Shokar reported that in 2013, as part of the City of Detroit Downtown Development Authority (the “**DDA**”) Restated City of Detroit Downtown Development Authority Tax Increment Financing and Development Plan for Development Area No. 1 (the “**DDA Plan**”), the DDA established the EC Ancillary Development Project. The purpose of the EC Ancillary Development Project is to encourage the development, redevelopment, rehabilitation and repurposing of existing buildings and vacant lands located within the Catalyst Development Area, outside of the Events Center (aka Little Caesars Arena).

Olympia Development of Michigan LLC (“**Olympia**”) and The Related Companies LP (“**Related**”) recently announced 10 mixed-use development projects within the DDA Catalyst Development Area, adding an estimated 1,200,000 gross square feet of office space, 140,000 gross square feet of new retail, 460 new hotel keys, and 700 new residential units across the 10 projects (each, a “**Project**”). The Projects, which will be undertaken by affiliates of Olympia and Related’s joint development entity Related Olympia Predevelopment Company, LLC, include approximately \$29 million in public infrastructure improvements, including but not limited to right of way improvements, public utility installation, and development of public spaces (the “**Public Infrastructure Improvements**”).



In furtherance of the EC Ancillary Development Project, and in order to assist with the financial viability of the Projects, DDA staff recommends DDA support of the Public Infrastructure Improvements in an amount not to exceed \$25 million, payable on a reimbursement basis and in accordance with the terms and conditions set forth in **Exhibit A** attached hereto (the “**Proposed Funding Terms**”).

Accordingly, DDA staff requested the Finance Committee’s recommendation to the Board of Directors for approval of (i) the funding request; (ii) the execution of a reimbursement agreement setting forth the funding conditions described in the Proposed Funding Terms; and (iii) a reallocation of necessary amounts from other DDA Plan Table 3 line items to the EC Ancillary Development Project, as authorized by Section 408.1 of the DDA Plan, in order to fund the funding request.

Mr. Naglick called for questions/discussion.

Mr. Blaszkiewicz asked for Developer to give explanation on the Super Block, public spaces that was referred to in the presentation.

Mr. Andrew Cantor, representing the Developer explained the public spaces are designed as community engagement, convening spaces, and will be maintained by the Developer.

Mr. Bradford said that this design will help with pedestrian safety and improve the infrastructure.

Mr. Blaszkiewicz asked if it were correct that, a single project would trigger the investment in the infrastructure.

Mr. Shokar responded, Yes, any of the three projects would trigger that. Yes, if the Developer only completes a single project, we are still obligated to do all that structure.

Mr. Blaszkiewicz stated that he wants the Board to go in with its eyes open on that piece.

Mr. Hollowell stated that it makes all the sense in the world because it needs to be done anyway for better pedestrian access to the East and West sides of the project. Mr. Hollowell asked if his interpretation from the 8 and 9 of the exhibit were correct.

Mr. Bradford informed Mr. Hollowell that his interpretation of areas 8 and 9 were correct.



Mr. Hollowell informed Mr. Naglick that this is an organized approach of connecting the 2 sites by providing more continuity and more safety, and that we would want to do this anyway.

Mr. Blaszkiewicz reinforced that he wants the Committee to be aware that a single project, triggers all this additional investment.

Mr. Naglick agreed with the thoughtfulness of pedestrian safety thus far, and that current ingress and egress needs to be worth off. Mr. Naglick stated that pedestrian safety is paramount.

Mr. Hollowell agreed with Mr. Naglick in that the current development needs to further promote safety.

Mr. Naglick asked if there was a motion.

Mr. Blaszkiewicz made a motion approving the EC Ancillary Development Project Proposed Infrastructure Support, as presented. Mr. Hollowell supported the motion. All were in favor with no opposition, and the EC Ancillary Development Project Proposed Infrastructure Support was unanimously recommended to the Board for approval.

## **ADMINISTRATION**

Mr. Naglick commended the work previously done on the audit.

Mr. Hollowell asked if presentation exhibits could be added to board books making it easier to view the exhibit. Ms. Kanalos stated that moving forward exhibits will be included in the electronic board books.

## **OTHER**

None.

## **PUBLIC COMMENT**

None.

## **ADJOURNMENT**





With there being no other business to be brought before the Committee, Mr. Blaszkiewicz made a motion to adjourn the meeting, which was seconded by Mr. Hollowell, and Mr. Naglick adjourned the meeting at 12:11 p.m.



**EXHIBIT A**  
**Proposed Loan Terms**

<b>Borrower</b>	<b>Project Location</b>	<b>Maximum Loan Amount</b>
SPE Affiliate of Related Olympia Predevelopment Company, LLC	2250 Woodward Ave, Detroit MI 48201	\$10,900,000 based upon 40% of the hard construction costs in order to complete 58 affordable units within the greater 287 total unit development
SPE Affiliate of Related Olympia Predevelopment Company, LLC	2505 Cass, Detroit MI 48201	\$8,804,000 based upon 40% of the hard construction costs in order to complete 54 affordable units within the greater 261 total unit development
SPE Affiliate of Related Olympia Predevelopment Company, LLC	408 Temple St, Detroit MI 48201	\$4,061,000 based upon 40% of the hard construction costs in order to complete 27 affordable units within the greater 131 total unit development.

**Loan Amounts:** Above loan amounts represent maximum loan commitments. Final loan amounts to be determined based upon final unit and affordable unit count and final construction budget, per DDA Board approved loan parameters.

**Interest Rate:** 1.0% per annum

**Fee:** 0.5% at closing

**Term:** 408 months (34 years)

**Repayment:** Interest accrues and is deferred for 48 months following closing. Deferred interest shall be capitalized and added to the principal loan balance at the beginning of the 49<sup>th</sup> month following closing (such amended principal balance being the “**Amended Principal Amount**”). Monthly interest only payments commencing on the first business day of the 50<sup>th</sup> month following closing and continuing until loan maturity.



Commencing on the first business day of the month immediately following the 3rd anniversary of closing, Borrower shall submit an annual rent roll verification for the affordable units, including number of affordable units occupied by Existing Detroiters. For every year in which at least 50% of the affordable units are occupied by Existing Detroiters, 1/30th of the original principal loan amount (or, from and after the 49<sup>th</sup> month, the Amended Principal Amount) will be forgiven. Remaining principal balance and accrued but unpaid interest, if any, is due at maturity. Loan is due upon sale of Borrower's interest in the Project, unless DDA reasonably approves an assignment and assumption of the loan to Borrower's proposed assignee.

**"Existing Detroiters"** is defined as an individual who has been a resident of the City of Detroit for the three (3) consecutive years prior to their occupancy in the Project.

**Security:**

Subordinated Lien position on all business assets, Assignment of Leases and Rents, Subordinated Leasehold Mortgage on the property. DDA's security interest will be subordinated to that of the senior lender and/or MSHDA.

**Affordability Requirements:**

At least 20% of the residential units must be reserved for households making 50% AMI or less for the term of the Loan; affordable unit mix subject to approval by DDA staff.

**Guaranty**

A joint and several corporate Guaranty of payment by each of Olympia Development of Michigan, LLC and The Related Companies LP, or a by respective affiliate thereof approved by the DDA.

**Eligible Uses:**

All Project costs, including hard construction costs (including demolition), equipment and fixtures.



**Disbursement:**

Owner equity contributions are first, followed by the DDA loan on a construction draw basis.

**Conditions:**

Satisfactory review and acceptance of standard due diligence items. Binding commitments for all project loans, including executed loan documents. Borrower will provide itemized schedule and use of funds. Execution of mutually acceptable loan documents by Borrower and Guarantors. The closing of each loan shall be subject to the aforementioned conditions and each loan shall be independent of the other loans and not subject to cross-default.



## EXHIBIT A

### PROPOSED FUNDING TERMS

#### Infrastructure Reimbursement Agreement

<b>Parties:</b>	City of Detroit Downtown Development Authority (“ <b>DDA</b> ”) and Related Olympia Predevelopment Company LLC (“ <b>Developer</b> ”).
<b>Purpose:</b>	Provide for the reimbursement from DDA’s general tax increment revenues of certain eligible infrastructure costs incurred by Developer (or its affiliate acting as the developer or a specific project) in connection with Developer’s 10 planned developments located within the DDA’s Catalyst Development Area within the DDA Plan, as described on <u>Attachment A</u> hereto (each, a “ <b>Project</b> ” and collectively, the “ <b>Projects</b> ”).
<b>Maximum Reimbursement:</b>	\$25,000,000.00
<b>Eligible Costs:</b>	Design, engineering, permitting, equipment, material, construction costs, and actual interest costs (not to exceed 5%) relating to the public infrastructure improvements described on the attached <u>Attachment B</u>
<b>Non-Eligible Costs:</b>	Costs of structured or surface parking; land acquisition costs; costs for which Developer has received or will receive reimbursement, grant funds, or similar funds from any other public or private third-party source, including but not limited to reimbursement under a brownfield plan.
<b>Reimbursement Conditions:</b>	<p>Closing of construction financing for the Project with which the relevant infrastructure is associated. For infrastructure associated with more than one Project, closing of construction financing for one of the associated Projects; and</p> <p>Cost verification for Eligible Costs, with substantiating documentation from Developer’s engineer or architect</p>



of record, including but not limited to contractor invoices and pay applications, proof of payment, and lien waivers; and

CRIO certification for Executive Order compliance.

**Anticipated Reimbursement Schedule:**

7/1/2025-6/30/2026: \$3,000,000  
7/1/2026-6/30/2027: \$3,000,000  
7/1/2027-6/30/2028: \$5,000,000  
7/1/2028-6/30/2029: \$5,000,000  
7/1/2029-6/30/2030: \$5,000,000  
7/1/2030-6/30/2031: \$4,000,000

DDA anticipates reimbursement payments to be made on the above schedule; provided, however, DDA shall have the right to defer all or part of any payments due (i) to the extent that the sum of the payment due and prior payments exceeds to the amount of Eligible Costs for which the Reimbursement Conditions have been satisfied or (ii) in the event that, in any year or years in which a payment hereunder is due, DDA does not receive general tax increment revenues in an amount sufficient to make the payment in accordance with the above payment schedule after payment by the DDA of (i) all bonded indebtedness, incurred before or after the date of this Agreement, and (ii) all contractual obligations made prior to the date of the reimbursement agreement, in which event DDA shall have the right to delay the scheduled payment to the extent of such insufficiency.

## Attachment A

### Projects

			PROGRAM						
			Investment \$/M	Mixed Income Residential Units	Mixed Income Residential Gross SF	Office Gross SF	Retail Gross SF	Hotel Keys	Hotel Gross SF
	<b>TOTAL</b>	<b>Dev Begin Date</b>	<b>\$1,532</b>	<b>695</b>	<b>519,073</b>	<b>1,253,397</b>	<b>146,477</b>	<b>467</b>	<b>386,802</b>
<b>1</b>	2200 Woodward – Office	Jun, 2023	340	-	-	492,900	28,000	-	-
<b>2</b>	2250 Woodward – Residential	Oct, 2024	216	287	294,439	-	26,992	-	-
<b>3</b>	2211 Woodward – Fox Hotel	Apr, 2026	121	-	-	-	13,322	177	194,028
<b>4</b>	2300 Woodward – Mixed-Use	Apr, 2025	84	-	-	131,100	18,400	-	-
<b>5 A/B</b>	2305 Woodward / 2300 Cass – A/B Flexible Site – Office	Oct, 2026	279	-	-	545,950	10,050	-	-
<b>6</b>	2455 Woodward – Little Caesars Arena Hotel	Apr, 2024	191	-	-	-	21,900	290	252,900
<b>7</b>	408 Temple – The American Residential	Oct, 2026	69	131	152,325	-	5,310	-	-
<b>8</b>	2505 Cass – DCI Residential	Apr, 2024	150	261	247,300	-	8,750	-	-
<b>9</b>	2115 Cass – DCI Business Incubator	Apr, 2025	60	-	-	83,447	10,753	-	-
<b>10</b>	2210 Park – Detroit Life Residential	Apr, 2024	24	16	41,308	-	3,000	-	-

**Attachment B**

**Infrastructure Improvements**

	<b>Project Number</b>	<b>Road Improvements</b>	<b>Utilities</b>	<b>Security</b>	<b>Public Spaces</b>	<b>Totals</b>
Superblock	1,2,4	\$ 4,663,156	\$ 2,509,237	\$ 422,554	\$ 5,000,000	<b>\$12,594,947</b>
Fox Town	3,5a*	\$ 1,437,096	\$ 718,902	\$ 155,735	-	<b>\$2,311,733</b>
Columbia Park	5b*	\$ 1,936,366	\$ 332,000	\$ 180,783	-	<b>\$2,449,149</b>
LCA Hotel	6	\$ 1,555,782	\$ 496,000	\$ 270,086	-	<b>\$2,321,868</b>
The American	7	\$ 631,255	\$ 140,000	\$ 65,344	-	<b>\$836,598</b>
M-Block	8,9	\$ 5,315,432	\$ 1,319,606	\$ 412,752	\$ 3,500,000	<b>\$10,547,790</b>
Detroit Life	10	\$ 378,429	\$ 58,000	\$ 26,137	-	<b>\$462,566</b>
		<b>\$15,917,516</b>	<b>\$5,573,744</b>	<b>\$1,533,391</b>	<b>\$8,500,000</b>	<b>\$31,524,651*</b>

\*Developer will elect to proceed with either Project 5a or Project 5b, with total public infrastructure costs estimated at \$29 million following such election.