



**DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY, JULY 8, 2020 – 3:00 P.M.**

BOARD MEMBERS PRESENT: Marvin Beatty
Austin Black
David Blaszkiewicz
Ehrlich Crain
Sonya Delley
Melvin Hollowell
Richard Hosey
Nick Khouri
David Massaron
John Naglick
Steve Ogden

BOARD MEMBERS ABSENT: Charity Dean
James Jenkins

OTHERS PRESENT: Cora Capler (DEGC/DDA)
Gay Hilger (DEGC/DDA)
Malinda Jensen (DEGC/DDA)
Jennifer Kanalos (DEGC/DDA)
James Johnson
Paul Kako (DEGC/DDA)
Glen Long, Jr. (DEGC/DDA)
Emmett Moten (Bagley Development Group LLC)
Rebecca Navin (DEGC/DDA)
Sarah Pavelko (DEGC/DDA)
Ed Saenz (Olympia Development)
Nevan Shokar (DEGC/DDA)
Kelly Shovan (DEGC/DDA)



**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY, JULY 8, 2020
ZOOM VIRTUAL MEETING – 3:00 P.M.**

GENERAL

Call to Order

Chair Khouri called the regular meeting of the Downtown Development Authority Board of Directors to order at 3:01 p.m. Roll call was conducted, and a quorum was established.

Approval of Minutes

Mr. Khouri asked if there were any additions, deletions or corrections to the minutes of the June 24, 2020 Regular Board meeting. Hearing none, the Board took the following action:

Mr. Hollowell made a motion approving the minutes of the June 24, 2020 Regular Board meeting, as presented. Mr. Hosey seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Beatty, Mr. Black, Mr. Blaszkiewicz, Mr. Crain, Ms. Delley, Mr. Hollowell, Mr. Hosey, Mr. Massaron, Mr. Naglick, and Mr. Ogden.

Nays: None.

DDA Resolution Code 20-07-02-625 was approved.

Receipt of Treasurer's Report

Mr. Naglick reviewed the Treasurer's Report of Receipts and Disbursements for the Month of May 2020 and responded to questions. Subsequent to the discussion, the Board took the following action:

Mr. Hollowell made a motion approving the minutes of the June 24, 2020 Regular Board meeting, as presented. Mr. Beatty seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Beatty, Mr. Black, Mr. Blaszkiewicz, Mr. Crain, Ms. Delley, Mr. Hollowell, Mr. Hosey, Mr. Massaron, Mr. Naglick, and Mr. Ogden.

Nays: None.

DDA Resolution Code 20-07-03-510 was approved.

PROJECTS

Proposed DDA Development Housing and Retail Loan Request for Bagley Development Group LLC

Board Member Hosey disclosed that he is a member of the Bagley Development Group, has a pecuniary interest in this project, and would be recusing himself from voting on the project.



Mr. Shokar provided a PowerPoint presentation (attached) and reviewed the terms of the project.

LOAN PURPOSE AND DEVELOPMENT DESCRIPTION

Bagley Development Group, LLC, (the “Developer”) is development team formed in 2015 led by Emmet Moten and Richard Hosey. The Developer is seeking to redevelop the United Artists Building located at 150 Bagley into a mixed-use commercial development (the “Project”). The Developer will be a ground lessee of the property, pursuant to a 70-year ground lease. To facilitate the development, the Developer is seeking a \$2.5MM loan (the “DDA Loan”) from the City of Detroit Downtown Development Authority (“DDA”) Housing/Office/Retail Development and Absorption Fund (the “DDA Loan Fund”).

The loan request is a result of the reduction of the Michigan Strategic Fund (“MSF”) 2019-2020 annual budget, which has reduced the amount of Community Revitalization Program funding dollars available to development projects statewide and resulted in a smaller than expected loan from MSF. The MSF has asked the DDA to service Developer’s loan from MSF as well. The Project is also receiving loans from the U.S. Department of Housing and Urban Development and the City of Detroit’s Housing and Revitalization Department and historic tax credits.

The DDA Loan will support a \$73 million mixed-use renovation of an eighteen-story, mixed-use building with 148 apartment units and 10,500 square feet of ground-floor retail with on-site surface parking spaces. Of the 148 units, 20% will be affordable at 80% of the area median income. The affordable unit rental rates are inclusive of utilities. The development team is committed to reaching out to Detroit-based and minority owned businesses who are looking for brick and mortar locations.

This development brings back to life a historic building in the heart of downtown Detroit, adding density to a much-needed Grand Circus Park area. It is projected to create a total of 25 FTEs and an anticipated 300 construction jobs.

Under the DDA Loan Fund, loans of up to \$2,000,000 are available for housing projects and loans of up to \$1,000,000 are available for retail projects. As the DDA Loan will support both housing and retail uses, Staff is recommending \$2,500,000 loan.

Please find below the proposed terms of the DDA Loan, a sources and uses, and cash flow illustrating debt service for the project.

Borrower Name:	Bagley Development Group, LLC
Borrower Location:	3633 Michigan Ave., Detroit MI 48216
Request:	\$2,500,000
Interest Rate:	3.0% per annum
Fee:	1% of the award amount due at closing. Additional fees to be applied and paid throughout the term of the loan for servicing the MSF loan.
Term:	Shall match that of the senior lender, anticipated to be 508 months



Repayment:

Monthly interest only payments for 28 months (period to match interest only period of HUD Loan), followed by semi-annual principal and interest payments equal to 30% of Distributable Cash Flow as determined by HUD for 480 months (cash flow to be split on a pro rata basis with the MSF). Payment of preferred returns to the HTC investor and lease payments are anticipated to be made prior application of split. Developer fees will be paid and split under the same 30/70 proportions as described above.

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 pari passu with MSF.

Guaranty

A Guaranty of the individuals affiliated with the Borrower. The guaranty will remain in effect until 104 residential units, or 70% of the total residential units on the property, are under a lease agreement and occupied. Once this occupancy threshold is achieved, the Guaranty would cease to exist.

Eligible Uses:

Demolition, alteration, rehabilitation, and improvement, additional machinery, equipment or fixtures for the project, architectural and engineering or similar fees.

Disbursement:

Owner equity contributions are first, followed by a pro rata split between Michigan Strategic Fund (CRP) and DDA loan funds, followed by senior lender. The DDA loan will be funded through multiple disbursements following closing.

Conditions:

Satisfactory review and acceptance of standard due diligence items. Binding commitments for all project loans. Borrower will provide itemized schedule and use of funds. Execution of mutually acceptable loan documents.

TOTAL SOURCES		
Senior Debt		
HUD 221D4 A Loan	\$31,441,900	42.8%
HUD 221D4 B Loan	\$3,563,300	4.9%
Subordinate Debt/Grants		
CDBG	\$3,000,000	4.1%
DDA Loan	\$2,500,000	3.4%
Deferred Fees/Cash Equity		
Deferred Developer Fees	\$5,136,326	7.0%
Cash Equity Owner	\$6,319,627	8.6%
MSF/MCRP Equity Investment	\$5,000,000	6.8%
HTC Investor Equity	\$10,803,790	14.7%
BSPRA	\$5,675,430	7.7%



TOTAL DEVELOPMENT SOURCES	\$73,440,373	100.0%
TOTAL USES		
Hard Costs		
Site Improvements	\$429,652	0.6%
Demolition (Include Lead & Asbestos Abatement)	\$1,270,440	1.7%
Structures	\$36,775,859	50.1%
<i>Building Concrete/Masonry</i>	\$5,574,382	7.6%
<i>Carpentry</i>	\$721,632	1.0%
<i>Roofing/Metal/Siding/Insulation/Caulking</i>	\$402,971	0.5%
<i>Drywall/Acoustical</i>	\$8,065,391	11.0%
<i>Cabinets/Countertops/Appliances</i>	\$4,852,462	6.6%
<i>Plumbing/Electrical/Fire Protection</i>	\$9,709,479	13.2%
<i>HVAC</i>	\$4,642,001	6.3%
<i>Elevators/Special Equipment</i>	\$2,607,541	3.6%
<i>Tenant Upgrades</i>	\$200,000	0.3%
Builder Overhead/Profit	\$8,899,689	12.1%
Permits/Tap Fees/Bond/Cost Certification	\$290,000	0.4%
Construction Contingency	\$4,556,067	6.2%
Total Hard Costs	\$52,221,707	71.1%
Other Eligible Costs	\$985,984	1.3%
Ineligible Soft Costs		
Other Professional Fees	\$3,036,549	4.1%
Loan Fees	\$1,318,500	1.8%
Construction Interest	\$1,922,086	2.6%
Construction Taxes	\$36,267	0.0%
Construction Insurance	\$185,253	0.3%
Title Work	\$50,000	0.1%
Rent-Up Reserve	\$700,000	1.0%
Operating Reserve	\$1,372,271	1.9%
BSPRA	\$5,675,430	7.7%
Soft Cost Contingency	\$800,000	1.1%
Developer Fee	\$5,136,326	7.0%
Total Soft Costs	\$20,232,682	27.5%
TOTAL DEVELOPMENT USES	\$73,440,373	100.0%



Debt Service Analysis

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Gross Income	\$ 4,184,709	\$ 4,268,403	\$ 4,353,771
Vacancy Loss	\$ (1,501,034)	\$ (288,507)	\$ (294,277)
Effective Income	\$ 2,683,675	\$ 3,979,897	\$ 4,059,494
Total Expenses	\$ (1,257,551)	\$ (1,284,802)	\$ (1,312,637)
Unleveraged Cash Flow	\$ 1,426,124	\$ 2,695,095	\$ 2,746,857
Debt Service HUD (4%, 40 year, 40 year AMT)	\$ (1,400,208)	\$ (1,951,266)	\$ (1,951,266)
Leveraged Cash Flow	\$ 25,916	\$ 743,829	\$ 795,591
Debt Service Coverage Ratio	1.02x	1.38x	1.41x
Cash from Reserves	\$ 223,737	\$ 0	\$ 0
Repayment of Hist Tax Credits	\$ 0	\$ (216,076)	\$ 216,076
Net Distributable Income*	\$ 249,653	\$ 527,753	\$ 579,515

*DDA and MSF repayment is 30% of this line item (Year 1, 2, 3: \$74,896, \$158,326, \$173,855) proportional to the loan amount.

DDA requested approval of a loan to Developer consistent with the terms noted above. A resolution was included for the Board's consideration.

Mr. Naglick advised that the DDA Finance Committee met earlier this week and had a good, long discussion about the project and unanimously approved it. The developer made an excellent presentation about complying with not only the law, but the spirit of trying to find Detroit-based contractors and people that will employ Detroit residents by working with the City's Civil Rights, Inclusion & Opportunity Department and Detroit Employment Solutions. Mr. Blaszkiewicz stated that Mr. Naglick gave a great summary of the project. Mr. Hollowell added that it is a great project.

Mr. Khouri called for a motion. Ms. Navin advised that because Board Member Hosey has disclosed that he has a pecuniary interest in the project, under State law, the Board cannot take a vote for seven days so the item would be tabled today. It has been the practice of this Board to place the item on the agenda of the next regular meeting in two weeks for a vote.

Mr. Crain asked if the principals of the project have been identified. Mr. Hollowell answered, yes. They are Emmett Moten, Tom Goss, Roy Roberts, the successor to O'Neill Swanson, Jim Thrower. If you had an all-star team, this would be the all-star team as it relates to any developers, but particularly as it relates to African American developers. They all bring very significant



expertise and capital reserves to the project. HUD has imposed very stringent requirements as it relates to loan-to-value ratio as well as reserves. They have gone to MEDC where it has been no easy sledding as the Chairman has indicated. It is a Signal property and they entered into an agreement with the Ilitches about this particular property. They added the 20 percent affordable housing piece to it, understanding how important that is, and then there was robust discussion in connection with making certain that Detroit-based businesses and Detroit residents participate in the project. If there was an A team, this would be it.

Ms. Kanalos advised that during the Finance Committee meeting, Mr. Moten stated that he would be working with the general contractor, Brinker/Christman. She wanted to disclose to the Board that her husband is a superintendent at Cristman, but he has no ownership in the company.

Mr. Khouri stated that this would be brought back for a vote at the July 22, 2020 Regular DDA Board meeting.

ADMINISTRATION

None.

OTHER MATTERS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

On a motion by Ms. Delley, seconded by Mr. Ogden, Mr. Khouri adjourned the meeting at 3:16 p.m.



CODE DDA 20-07-02-625

APPROVAL OF MINUTES OF JUNE 14, 2020

RESOLVED that the minutes of the Regular meeting of June 24, 2020 are hereby approved and all actions taken by the Directors present at such meeting, as set forth in such minutes, are hereby in all respects ratified and approved as actions of the Downtown Development Authority.

July 8, 2020



CODE DDA 20-07-03-510

RECEIPT OF TREASURER'S REPORT FOR MAY 2020

RESOLVED, that the Treasurer's Report of Receipts and Disbursements for the period ending May 32, 2020, as presented at this meeting, is hereby in all respects received by the Downtown Development Authority.

July 8, 2020



CODE DDA 20-07-93-30
(TABLED)

HOUSING/OFFICE/RETAIL DEVELOPMENT PROGRAM: PROPOSED DDA DEVELOPMENT HOUSING AND RETAIL LOAN REQUEST FOR BAGLEY DEVELOPMENT GROUP LLC

WHEREAS, Bagley Development Group, LLC, (the “Developer”) is seeking to redevelop the United Artists Building located at 150 Bagley into a mixed-use commercial development (the “Project”); and

WHEREAS, in order to facilitate the development, the Developer is seeking a \$2,500,000 loan (the “DDA Loan”) from the City of Detroit Downtown Development Authority (“DDA”) Housing/Office/Retail Development and Absorption Fund (the “DDA Loan Fund”); and

WHEREAS, under the DDA Loan Fund, loans of up to \$2,000,000 are available for housing projects and loans of up to \$1,000,000 are available for retail projects and the DDA Loan will support both housing and retail uses; and

WHEREAS, DDA staff has reviewed the Borrower’s financial documentation and proposes the following terms and conditions for the DDA Loan between the Developer and the DDA:

Loan Amount:	\$2,500,000
Interest Rate:	3.0% per annum
Fee:	1% of the award amount due at closing. Additional fees to be applied and paid throughout the term of the loan for servicing the loan provided by the Michigan Strategic Fund (“MSF”).
Term:	Shall match that of the senior lender, anticipated to be 508 months.
Repayment:	Monthly interest only payments for 28 months (period to match interest only period of HUD Loan), followed by semi-annual principal and interest payments equal to 30% of Distributable Cash Flow as determined by HUD for 480 months (cash flow to be split on a pro rata basis with the MSF). Payment of preferred returns to the HTC investor and lease payments are anticipated to made prior application of split. Developer fees will be paid and split under the same 30/70 proportions as described above.
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 pari passu with MSF.
Guaranty	A Guaranty of the individuals affiliated with the Borrower. The guaranty will remain in effect until 104 residential units, or 70% of the total residential units on the property, are



under a lease agreement and occupied. Once this occupancy threshold is achieved, the Guaranty would cease to exist.

Eligible Uses: Demolition, alteration, rehabilitation, and improvement, additional machinery, equipment or fixtures for the Project, architectural and engineering or similar fees.

Disbursement: Owner equity contributions are first, followed by a pro rata split between MSF (CRP) and DDA loan funds, followed by senior lender. The DDA Loan will be funded through multiple disbursements following closing.

Conditions: Satisfactory review and acceptance of standard due diligence items. Binding commitments for all Project loans. Borrower will provide itemized schedule and use of funds. Execution of mutually acceptable loan documents.

; and

WHEREAS, in addition to the foregoing, DDA staff will also administer the loan provided by MSF to Developer pursuant to a Loan Participation and Servicing Agreement (the “Agreement”) between the DDA and MSF; and

WHEREAS, DDA staff presented such information to the DDA Finance Committee which recommends the approval of the DDA Loan in accordance with the terms noted above; and

WHEREAS, the DDA Board of Directors has reviewed the terms of the DDA Loan and determined that providing the DDA Loan is in the best interest of the DDA.

NOW, THEREFORE, BE IT, RESOLVED, that the DDA Board of Directors hereby approves the provision of the DDA Loan to Developer and the execution of the Agreement with MSF consistent with the terms provided herein are hereby approved.

BE IT FURTHER RESOLVED, that any two Officers, or any one of the Officers and any one of the Authorized Agents or any two of the DDA’s Authorized Agents, shall hereafter have the authority to negotiate and execute the DDA Loan and the Agreement together with such other terms and conditions that are determined by such Authorized Agents and/or Officers to be customary or appropriate and not inconsistent with this resolution, and to negotiate and execute all other documents, contracts, or papers, and take all actions, necessary or appropriate to implement the provisions and intent of this resolution on behalf of the DDA.

BE IT FINALLY RESOLVED, that all of the acts and transactions of any officer or authorized agent of the DDA, in the name and on behalf of the DDA, relating to matters contemplated by the foregoing resolutions, which acts would have been approved by the foregoing resolutions except that such acts were taken prior to execution of these resolutions, are hereby in all respects confirmed, approved and ratified.

July 8, 2020 (Tabled)