



CODE DDA 19-05-02-616

APPROVAL OF MINUTES OF MAY 8, 2019

RESOLVED, that the minutes of the Regular meeting of May 8, 2019 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.

May 22, 2019



**DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY, MAY 9, 2019 – 3:00 P.M.**

BOARD MEMBERS PRESENT:

Marvin Beatty
Austin Black
Ehrlich Crain
Sonya Delley
Richard Hosey
James Jenkins
David Massaron
John Naglick
Steve Ogden

BOARD MEMBER ABSENT:

David Blaszkiewicz
Hon. Michael Duggan
Melvin Hollowell

OTHERS PRESENT:

Kennedy Bartley (SEIU Local 1)
David Di Rita (Roxbury Group)
Gay Hilger (DEGC/DDA)
Malinda Jensen (DEGC/DDA)
Paul Kako (DEGC/DDA)
Jennifer Kanalos (DEGC/DDA)
John Lauve (Public)
Glen Long, Jr. (DEGC/DDA)
Rebecca Navin (DEGC/DDA)
Sarah Pavelko (DEGC/DDA)
James Van Dyke (Roxbury Group)



**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY, MAY 9, 2019
DETROIT ECONOMIC GROWTH CORPORATION
500 GRISWOLD STREET, SUITE 2200 – 3:00 P.M.**

GENERAL

Call to Order

Noting that a quorum was present, Mr. Naglick, Treasurer and Acting Chair, called the Regular meeting of the Downtown Development Authority Board of Directors to order at 3:07 p.m.

Approval of Minutes

Mr. Naglick asked if there were any additions, deletions or corrections to the minutes of the April 10, 2019 Regular Board meeting. Hearing none, the Board took the following action:

On a motion by Mr. Beatty, seconded by Ms. Delley, Resolution Code EDC 19-05-02-616 was unanimously approved.

Receipt of Treasurer's Report

Mr. Long reviewed the Report of Receipts and Disbursements for the month of March 2019 for the benefit of the Board and responded to questions. Subsequent to the discussion, the Board took the following action:

On a motion by Ms. Delley, seconded by Mr. Hosey, Resolution Code EDC 19-05-03-496 was unanimously approved.

PROJECTS

Paradise Valley Business & Entertainment District: First Amendment to the Developer Agreement For 1468-1496 Randolph

Noting that a super quorum was not present, Mr. Naglick informed that this item would be tabled.

Amendment to Parking Lease Agreement for Parking Facilities Located at 150 Michigan Avenue

Ms. Pavelko advised that on September 16, 2014 the DDA and Griswold Project, LLC (the "Developer") entered into an Agreement to Purchase and Develop Property (the "Development Agreement"). In March 2018, pursuant to the terms of the Development Agreement, the DDA entered into a lease agreement with the Developer (the "Lease Agreement") for the lease of up to eighty (80) unreserved parking spaces at the parking facility located at 150 Michigan Avenue (the "Parking Facility").



According to the terms of the Lease Agreement, Developer has an initial term of sixty (60) month and is entitled to extend the term of the Lease Agreement for two (2) consecutive periods of sixty (60) months each (each a "Renewal Term"). Rent is set at \$125 per space for the first 24 months of the Lease Agreement and then market thereafter ("Rent"). The initial term commenced February 1, 2017.

In order to achieve additional certainty relating to the availability of parking and rental rates, Developer has requested additional Renewal Terms as well as certain modifications on rent increases during the Term of the Lease Agreement. Specifically, Developer has requested two (2) additional Renewal Terms of sixty (60) months each. DDA staff and Developer have also agreed to the following structure for increases in the Rent paid to the DDA:

- From the date of the Lease Agreement through August 31, 2019, the Rent shall be One Hundred Twenty-Five and 00/100 (\$125.00) Dollars.
- From September 1, 2019 through July 31, 2020, the Rent shall increase to Two Hundred Twenty-Five and 00/100 (\$225.00) per month.
- After July 31, 2020 and during the first and second Renewal Terms, the Rent shall increase annually by the greater of three (3%) of the Amended Rate or the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics published immediately prior to the termination of the prior year.
- During the third and fourth Renewal Terms, the Rent shall increase to the prevailing monthly market rates offered by the DDA at the Parking Facility and shall be adjusted annually.

Subject to approval of this Board, DDA staff members and the Developer are willing to execute an amendment to the Lease Agreement (an "Amendment") as provided for under Exhibit A included with the Board material and in accordance with the terms herein. A resolution approving the Amendment was included for the Board's consideration.

Mr. Jenkins asked how the market rate for the spaces was determined. Ms. Pavelko replied that a parking study was not done. ParkRite, the management company, determined the rate based on what their going rate is across assets. ParkRite's fee is partially based on the revenue that they are generating so they are motivated to maximize their parking expenses.

Mr. Crain questioned what the term rate is. Mr. Pavelko responded that each term is 60 months (5 years). With the two renewal options, the lease is a total of 15 years, with the monthly rate being set at \$225 per space for the 80 floating spaces plus a 3% increase per year for the first five years. And in the second two renewal terms, it floats up to market and adjusts at whatever the market rate is.

Mr. Beatty questioned why the term was so long. Mr. Hosey said that the lender for the buyer is going to want a long term. Ms. Pavelko said that is correct what was stated with regards to the lender looking to have that stability. Right now, they have had some difficulty leasing some of the units because they only have one space per unit. If there are two units, people want two parking spaces because the reality is, we are still a car dependent city even in downtown. So, with that reliance on your car, the success for the ability of a property to attract tenants is tied in having



parking offered to the future tenants. The reason why DDA staff is recommending it is this project added density to downtown. It allowed us to have more than just a parking lot on that site but also residential, and the DDA has a vested interest in seeing the long-term viability of that facility because it is on top of our parking structure and so we would like to see it continue to operate well and be successful.

Ms. Pavelko added that there are two issues that really affect the market value of the site and one is the lease with Karp & Associates for the three units because of the length of time and that it is below market, and the other is the agreement with the Book Cadillac. The largest number of spaces are taken up between those two leases and those two leases not allowing the property to float up to market. The Karp & Associates lease is at \$125/space with an annual increase of 3% and the Book Cadillac started at \$185 and would need to look up the escalation rate.

Mr. Massaron asked if the developer is prepared to speak to the economic consequence if this is not approved. This feels like a "subsidy" at some level and that he would like to know the economics of the bargaining with the developer in 2014.

Mr. Hosey said what he thinks is there is some missing information of what happened in 2014 and that they signed such a short lease then and that there was an assumption that they could extend it at any time. In 2014, it was not hard to get a parking space downtown and you could park at the Book Cadillac at any time. Whatever conversations were had with the developer about the length of the lease in 2014 is the part that is missing. Since this is part of an ongoing trust between the developer and the City, Mr. Hosey stated that he would honor that trust on this lease.

Mr. Black asked what residents are paying for spaces. Ms. Pavelko answered that to her knowledge, we do not have any residents paying for spaces because up until recently, we did not have any spaces available. Mr. Black asked if the developer is charging the residents for those 80 spaces. Ms. Navin replied that from her understanding of the lease, it is supposed to be a pass through of the lease rate. We would receive any surplus. Mr. Black added that in terms of the marketability of the building, if you do not have parking, it would not be as valuable...

Mr. Crain asked what would happen if they elect to charge more than \$225 per month. Ms. Navin replied that from her recollection of the lease, DDA would be entitled to the excess rent that they were getting to ensure that they could not make a profit off of the discounted lease rate.

Mr. Ogden made a motion to end discussion and bring this back when the developer can be present because there are too many outstanding questions to make a decision. Mr. Crain seconded the motion.

Ms. Navin advised that the developer is on a time deadline for closing with their buyer. The closing must take place by May 22 and that is why staff wanted to move forward with this item today and asked if the Board would be willing to have a special meeting before May 22.

Mr. Ogden stated that he would defer to the Board. If they are comfortable with making a decision today, he would be willing to take back his motion and would be willing to make a friendly amendment.



Mr. Jenkins questioned if the term of the lease could be shortened. Mr. Naglick said that without the developer present, the Board would not know what that would do to the developer's deal.

Mr. Hosey advised that he just texted the developer to see if he could get them to come over.

Ms. Delley commented that the DDA is getting market rate and she would be happy if she owned a parking garage with 80 units at market rates with escalators. Mr. Ogden added that they are getting less than what his company charges. Their market rate is higher and the increases are 5%.

Mr. Long pointed out that the 3% increase is just for the first five years. After that, the lease goes up to market rate. The parking spots that are available are not the most desired ones. Most are on higher floors.

Mr. Naglick asked Mr. Ogden if he wanted to withdraw his motion. Mr. Ogden stated that he would withdraw his motion if the rest of the members felt comfortable with voting today.

Ms. Delley said that she doesn't see any reason for the 3% if market is 5%. It is a stabilized project, and everything should be market rate from here on out. Mr. Jenkins said that it would then have to be taken back to the developer for negotiation. Ms. Delley pointed out that DDA did its job five years ago spending a lot of money when the structure was built in order to allow the apartments to be built on top. She added that the Board should get out of the mindset of continuing to subsidize projects that are already stable.

Mr. Naglick advised that the developers would be coming in five minutes to answer Board members' questions and would like to move on to the Public Comment item on the agenda.

PUBLIC COMMENT

Mr. Naglick called for public comment. Mr. John Lauve stated the following:

"First off, why don't you just sell the lot to them and get out of business. That would make it real simple. It would be their deal and they can work it out. I've got two documents here. One is the kids ticket deal. They had 13,000 unused tickets last year and it is just forget about it. No, it isn't forget about it. They owe for those tickets. The other thing is they very conveniently don't tell you how many kids went. It is supposed to be tickets for kids, not for we gave away tickets. That's not the deal. It's how many kids got the tickets. So, they owe us money and they've been cheating us on since they got the place in 2000. Here's the latest project here. This is the Edystone Hotel down by the hockey rink. This was supposed to be completed a year after they opened the arena. Here is the condition of it today. We don't really bother with the rules. Here is my favorite, 48. Here's the minutes that I've given you from the meeting in 2005 when they gave them \$1.5 million and left this eyesore in Detroit. This is your eyesore. It's not Ilitch. He just didn't worry about it. We're going to build a hockey rink. And, of course then we've got the deal of the century—the Ilitch School of Corruption. This is the way it was presented. It cost over \$50 million and only got \$34 from Ilitch. And they're bussing the kids down from schools and everything else. So, please fix at least Adams Street and have them do the deal that



they made except they can't meet the deals, but you have to meet the deals and have the cashflow and sell this property. They can take it. You're not in the parking lot business.

Mr. Naglick informed that two minutes were up and thanked Mr. Lauve for his comments.

PROJECTS

Amendment to Parking Lease Agreement for Parking Facilities Located at 150 Michigan Avenue

Mr. David Di Rita and Mr. James Van Dyke, the developers for this project, arrived to answer Board members' questions.

Mr. Van Dyke gave background on the project and the original deal and the rationale for structuring this transaction as presented. Mr. Van Dyke and Mr. Di Rita responded to the questions that were raised earlier by the Board.

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

Mr. Ogden withdrew his motion to table this item, and Mr. Crain withdrew his support of the motion.

Mr. Naglick asked if there was a motion to approve the transaction as presented in the Board material.

On a motion by Mr. Ogden, seconded by Mr. Jenkins, Resolution Code DDA 19-05-44-53 was approved.

Mr. Naglick asked if there was further discussion. Ms. Delley stated that she felt the deal could be amended to the greater of 5% or CPI. Mr. Naglick asked how the other Board members felt about the proposed amendment and discussion took place.

Mr. Massaron commented that this is a Board, and that staff negotiates the terms and the Board tries to set policy. He asked the questions, "at what point is the Board stepping beyond its role and do we want to be negotiating at the Board table." Mr. Massaron stated that would be more comfortable saying "we don't think this is market" or "we don't like the way this percentage was come to" than actually setting the term at this table. Ultimately, the Board sets policy and sends staff to negotiate it, and then the Board decides whether or not staff is doing this appropriately. This is just his opinion of the Board's role here.

Ms. Navin advised that Ms. Pavelko was able to talk to the parking operator regarding what they look at for market escalators. Ms. Pavelko said that the parking operator agreed with the 3% and reiterated what was said earlier about the rate--given they are floating spaces and given how the garage is laid out and where you would have to park, the escalator rate is slightly lower. The ongoing relationship with the lessee and their consistency of payment also is a factor.

Mr. Hosey stated that the Board is better off going with policy. This being the Downtown Development Authority, the Board needs to be on the lookout for this arbitrage opportunity that is



happening in the parking—where you don't have to build a complex, you can just by the parking and suck all the profitability out which does not help development. We might actually start thinking in terms of how do we protect this market, especially in the long run, and actually remain in the parking business for longer than we wanted to in order to keep the market stable, as opposed to allowing parking buyers to kill the downtown market.

Ms. Pavelko added that it is not really an issue of what will the rate rise to in the market, it is will the space be available. Right now, everyone is looking for parking spaces. Given this complex is on top of DDA's parking structure, DDA has a vested interest in seeing the long-term sustainability of that structure and making sure it continues to operate and continues to set the market in terms of the quality and types of tenants it attracts and the operations of that building. That as how we, as staff, were looking at this in the evaluation.

Ms. Delley commented that she is good with whatever market is. She just wanted to make sure whatever is negotiated is fair to the organization and to the City.

Mr. Naglick called for a vote on the transaction as presented and it was unanimously approved.

ADMINISTRATION

OTHER MATTERS

ADJOURNMENT

With there being no other business to be brought before the Board, Mr. Naglick adjourned the meeting at 4:18 p.m.



CODE DDA 19-05-02-616

APPROVAL OF MINUTES OF APRIL 10, 2019

RESOLVED, that the minutes of the Regular meeting of April 10, 2019 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.

May 8, 2019



CODE DDA 19-05-03-496

RECEIPT OF TREASURER'S REPORT FOR MARCH 2019

RESOLVED, that the Treasurer's Report of Receipts and Disbursements for the period ending March 31, 2019, as presented at this meeting, is hereby in all respects received by the Downtown Development Authority.

May 8, 2019



CODE DDA 19-05-44-53

AMENDMENT TO PARKING LEASE AGREEMENT FOR PARKING FACILITIES LOCATED AT 150 MICHIGAN AVENUE

WHEREAS, on September 16, 2014 the DDA and Griswold Project, LLC (the "Developer") entered into an Agreement to Purchase and Develop Property (the "Development Agreement"); and

WHEREAS, in March 2018, pursuant to the terms of the Development Agreement, the DDA entered into a lease agreement with the Developer (the "Lease Agreement") for the lease of up to eighty (80) unreserved parking spaces at the parking facility located at 150 Michigan Avenue (the "Parking Facility").and

WHEREAS, according to the terms of the Lease Agreement, Developer is entitled to extend the term of the Lease Agreement for two (2) consecutive periods of sixty (60) months each (each a "Renewal Term"); and

WHEREAS, rent is set at \$125 per space for the first 24 months of the Lease Agreement and then market thereafter ("Rent") and the initial term commenced February 1, 2017; and

WHEREAS, the DDA and Developer wish to amend the terms of the Lease Agreement to provide for two additional Renewal Terms and account for increases in the Rent paid by the Developer to the DDA; and

WHEREAS, the proposed terms of the amendment to the Lease Agreement (the "Amendment") are provided for in **Exhibit A**, which provides Developer with an additional two (2) Renewal Terms and allows for increases in the Rent which can be generalized as follows:

- From the date of the Lease Agreement through August 31, 2019, the Rent shall be One Hundred Twenty-Five and 00/100 (\$125.00) Dollars.
- From September 1, 2019 through July 31, 2020, the Rent shall increase to Two Hundred Twenty-Five and 00/100 (\$225.00) per month.
- After July 31, 2020 and during the first and second Renewal Terms, the Rent shall increase annually by the greater of three (3%) of the Amended Rate or the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics published immediately prior to the termination of the prior year.
- During the third and fourth Renewal Terms, the Rent shall increase to the prevailing monthly market rates offered by the DDA at the Parking Facility and shall be adjusted annually.

; and



WHEREAS, the DDA Board has determined that approval of this Amendment to the Lease Agreement is in the best interests of the DDA.

NOW, THEREFORE, BE IT RESOLVED, that the DDA Board of Directors hereby approves the Amendment, together with such modifications to the Amendment as deemed appropriate by such Authorized Agents and counsel which are not inconsistent with this resolution and do not alter the substance of the Amendment or adversely affect the rights and/or obligations of the DDA thereunder.

BE IT FURTHER RESOLVED that any two Officers, any two of the Authorized Agents of the DDA, or any one of the Officers and any one of the Authorized Agents of the DDA, shall hereafter have the authority to negotiate and execute the Amendment, and the any and all other documents, contracts, or other papers, or take any and 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.

May 8, 2019

TIGER LEASE

2000 TIGERS GET FREE HOME

2019 NO PLAN (FOR KIDS) TICKETS

(ZIP, ZERO, NONE)

↙ "to be approved by the DDA and the Authority"

SEC 21.2

↘
50,000 KIDS TICKETS (Low Income)

MISSING DATA

_____ # OF KIDS @ ballpark

_____ # of low income kids

13,000 # of unused tickets 2018

_____ unused total since 2000

\$ 416,000

Amount owed for unused kids tickets @ \$32 each