



**DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY, APRIL 28, 2021 – 3:00 P.M.**

BOARD MEMBERS PRESENT: Marvin Beatty
Austin Black
David Blaszkiewicz
Melvin Hollowell
Nicole Sherard-Freeman
Richard Hosey
James Jenkins
John Naglick

BOARD MEMBERS ABSENT: Ehrlich Crain
Sonya Delley
Steve Ogden

OTHERS PRESENT: Malinda Jensen (DEGC/DDA)
Jennifer Kanalos (DEGC/DDA)
Cora Capler (DEGC/DDA)
Kenyetta Bridges (DEGC/DDA)
Charlotte Fisher (DEGC/DDA)
Rebecca Navin (DEGC/DDA)
Glen Long, Jr. (DEGC/DDA)
Alexis Mabry (DEGC/DDA)
Paul Kako (DEGC/DDA)
Kevin Johnson (DEGC)
David Howell (DEGC/DDA)
Richard Barr (Honigman)
Rainy Hamilton (Hamilton Anderson)
Chante Jackson
Noah Kincade
Tasha Lord
Theo Pride
David Schervish



**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY, APRIL 28, 2021
ZOOM VIRTUAL MEETING – 3:00 P.M.**

GENERAL

Call to Order

Ms. Sherard-Freeman, the Chair's Representative, called the regular meeting of the Downtown Development Authority Board of Directors to order at 3:00 p.m. Roll call was conducted, and a quorum was established.

Ms. Sherard-Freeman took a moment to acknowledge the passing of Ms. Delley's late husband and offered her condolences as well as those of the DDA Board.

Approval of Minutes

Ms. Sherard-Freeman asked if there were any additions, deletions, or corrections to the minutes of the March 31, 2021 Special Board meeting. Hearing none, the Board took the following action:

Mr. Hollowell made a motion approving the March 31, 2021 minutes, as written. Mr. Blaszkiewicz seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Beatty, Mr. Black, Mr. Blaszkiewicz, Mr. Hollowell, Mr. Hosey, Mr. Naglick, and Ms. Sherard-Freeman.

Nays: None.

DDA Resolution Code 21-04-02-634 was approved.

Mr. Jenkins joined the meeting at 3:04 pm.

Receipt of Treasurer's Report for March 2021

Treasurer Naglick reviewed the Treasurer's Report of Receipts and Disbursements for the month of March 2021.

Mr. Naglick asked if the DDA is expected to run a surplus for the current fiscal year. Mr. Long stated that the DDA will likely run a surplus for the current fiscal year since the DDA did not have the expenses of the Winter Blast and some other expenses that are typical annual expenses for the DDA.



Ms. Sherard-Freeman asked if there were further questions. Hearing none, the Board took the following action:

Mr. Beatty made a motion approving the Treasurer's Report for March 2021, as presented. Mr. Hollowell seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Beatty, Mr. Black, Mr. Blaszkiewicz, Mr. Hollowell, Mr. Hosey, Mr. Jenkins, Mr. Naglick, and Ms. Sherard-Freeman.

Nays: None.

DDA Resolution Code 21-04-03-520 was approved.

PROJECTS

Paradise Valley Business & Entertainment District: Amendment to Development Agreement for 1435 Randolph and 1455 Centre

Mr. Howell presented the Paradise Valley Business & Entertainment District: Amendment to Development Agreement for 1435 Randolph and 1455 Centre.

The City of Detroit Downtown Development Authority (the "DDA") approved the award of a development agreement (as amended, the "Development Agreement") for 1435 Randolph and 1455 Centre (the "Property") to Randolph Centre 2020, LLC (the "Developer") following a Request for Proposals issued by DDA staff. In June 2017 and August 2019, the DDA approved certain amendments to the Development Agreement, including but not limited to:

1. Reduction of the purchase price to \$1,400,000;
2. Provide a forgivable development credit against the purchase price of \$400,000;
3. Provide seller financing of the purchase price & additional financing of \$835,000 (the "DDA Loan") for predevelopment and construction activities; and
4. Allow for an immediate closing on the property, with the senior construction financing (the "Senior Loan") to close within six months following closing.

Developer closed on the acquisition of the Property in October 2019, including the \$1,000,000 seller financing and a disbursement of \$400,000 of the DDA Loan proceeds. From November 2019 through April 2020, Developer timely remitted interest-only payments on the \$1.4 million loan.

Since the closing, several factors have prohibited the Developer from moving forward, effectuating the development plan and closing on the Senior Loan. First, the onset of the global pandemic has created uncertainty in the financial and real estate markets. This required Developer to restructure the terms and conditions of the project's construction



and permanent financing and has dramatically slowed leasing activity in the CBD, particularly among retail/restaurant tenants, negatively impacting the leasing of 9,000 SF of ground floor space. Furthermore, continued increases in construction costs and overall project costs have required the Developer to value engineer the project by reducing the overall project scope. Lastly, the initial real property assessment was significantly higher than the project projections could support, thus requiring the Developer to pursue a tax appeal that has brought the taxes to a level that makes the project feasible from an operating perspective.

Based on the foregoing, DDA staff is recommending amendments to Development Agreement and the loan agreement upon the terms and conditions set forth in term sheet described in **Exhibit A** (the “Revised Terms”), the key terms of which are summarized below:

- 1) Extend the date of the Senior Loan closing to six (6) months from the date of the Board’s approval of the Revised Terms;
- 2) Disburse a portion of the remaining \$435,000 DDA Loan prior to the Senior Loan closing;
- 3) Increase the Development Credit from \$400,000 to \$835,000; provided that Developer closes on the Senior Loan within the above-period;
- 4) Extend the amount of time the Developer has to lease the ground floor retail space from 24 months to 36 months and reduce the leasing requirement from 9,000 SF to 6,000 SF;
- 5) Forgive the unpaid interest that has accrued on the principal balance of \$1,400,000 from April 2020 through December 31, 2020 and add unpaid interest accrued from January 1, 2021 through the DDA Loan closing to the principal balance of the DDA Loan; and,
- 6) Extend the maturity date of the DDA Loan to September 30, 2043, provided that the maturity date shall automatically be extended for up to 12 months to match the initial maturity date of the Senior Loan.

DDA staff has received a copy of written correspondence from Developer’s selected senior lender, Flagstar Bank, confirming that the project’s revised proforma, reflecting the Revised Terms, is acceptable to commence its formal underwriting process. In addition, Flagstar Bank has expressed interest in purchasing the historic tax credits for the project, the details of which require further negotiation between Developer and the bank.

The DDA staff was seeking the Board’s approval to negotiate and execute an Amendment to the Development Agreement and the documents governing the DDA Loan consistent with the Revised Terms. DDA Staff advised that the Finance Committee has reviewed the Proposed Terms and recommended approval thereof to the Board.



Mr. Naglick stated that the DDA Finance Committee reviewed the project and elected to hold the meeting in the Finance Committee for an additional review before providing its recommendation to the DDA Board and after additional information the DDA Finance Committee recommends approval of the project.

Mr. Hollowell stated that what he wanted to see from this project, including a closer look at the finances for the project and a written commitment from Flagstar Bank, have now been presented to the Board and that he supports the project and wanted reaffirmation that the project will not be brought back to the DDA Board for an additional amendment. Mr. Howell reaffirmed that the project will not be brought back to the DDA Board for an additional amendment and that he does not see any reason why the project would need another amendment to the Development Agreement.

Mr. Blaszkiewicz stated that he would like to let the DDA Board know that Invest Detroit also took a look at the underwriting for the project to make sure they were in alignment with the underwriting that was performed by DDA Staff and that it was in alignment.

Citing no further questions or comments, Ms. Sherard-Freeman called for a motion regarding the Paradise Valley Business & Entertainment District: Amendment to Development Agreement for 1435 Randolph and 1455 Centre. The Board took the following action:

Mr. Hollowell made a motion approving the Paradise Valley Business & Entertainment District: Amendment to Development Agreement for 1435 Randolph and 1455 Centre, as presented. Mr. Blaszkiewicz seconded the motion. A roll call vote was conducted with the following result:
Ayes: Mr. Beatty, Mr. Black, Mr. Blaszkiewicz, Mr. Hollowell, Mr. Hosey, Mr. Jenkins, Mr. Naglick, and Ms. Sherard-Freeman.
Nays: None.
DDA Resolution Code 21-03-110-61 was approved.

ADMINISTRATION

2021 Tax Rate Request Report to the County Board of Commissioners

Ms. Kanalos advised that according to the provision in Section 212(1) of Public Act 57 of 2018, the Detroit Downtown Development Authority (the "DDA") is allowed to levy 1 mill on real and personal property in the downtown district. The proceeds of the levy are to be used to fund the DDA's operating budget.

Attached was the 2021 tax rate, to be signed by the Chair, or his representative, and the Secretary of the DDA Board of Directors. A resolution authorizing its submission was also attached for consideration.



Ms. Sherard-Freeman asked if there were any questions. Hearing none, the Board took the following action:

Mr. Naglick made a motion approving the 2021 Tax Rate Request Report to the County Board of Commissioners, as presented. Mr. Jenkins seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Beatty, Mr. Black, Mr. Blaszkiewicz, Mr. Hollowell, Mr. Hosey, Mr. Jenkins, Mr. Naglick, and Ms. Sherard-Freeman.

Nays: None.

DDA Resolution Code 21-04-01-460 was approved.

OTHER BUSINESS

None.

PUBLIC COMMENT

None.

ADJOURNMENT

On a motion by Mr. Beatty, seconded by Mr. Hollowell, Ms. Sherard-Freeman adjourned the meeting at 3:30 p.m.



CODE DDA 21-04-02-634

APPROVAL OF MINUTES OF MARCH 31, 2021

RESOLVED that the minutes of the Special meeting of March 31, 2021 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.

April 28, 2021



CODE DDA 21-04-03-520

RECEIPT OF TREASURER'S REPORT FOR MARCH 2021

RESOLVED, that the Treasurer's Report of Receipts and Disbursements for the period ending March 31, 2020, as presented at this meeting, is hereby in all respects received by the Downtown Development Authority.

April 28, 2021



CODE DDA 21-04-110-61

PARADISE VALLEY BUSINESS & ENTERTAINMENT DISTRICT: AMENDMENT TO DEVELOPMENT AGREEMENT FOR 1435 RANDOLPH AND 1455 CENTRE

WHEREAS, in July 2017, the City of Detroit Downtown Development Authority (the “DDA”) entered into a development agreement (as amended, the “Development Agreement”) with Randolph Centre 2020, LLC (the “Developer”) for the redevelopment of properties located at 1435 Randolph and 1455 Centre (the “Property”); and

WHEREAS, in October 2019, the Developer closed on the acquisition of the Property, DDA seller financing, and a portion of a \$835,000 loan to be provided by the DDA, with the closing of Developer’s senior construction financing (the “Senior Loan”) to close within six months thereafter; and

WHEREAS, Developer has experienced delays in closing on the Senior Loan and completing the redevelopment of the Properties in accordance with the Development Agreement, caused, in part by a global pandemic and a lengthy property tax appeal process; and

WHEREAS, such delays resulted in delays in finalization of proformas and financing and additional costs due to rising construction pricing, both of which have affected the financial viability of the project; and

WHEREAS, the Developer has requested certain modifications to the Development Agreement, including but not limited to additional time to close in the Senior Loan, an increase to the Development Credit (as defined in the Development Agreement), and additional time to lease the ground floor retail space, in order to ensure the viability of the project; and

WHEREAS, DDA staff is seeking this Board’s approval to execute an amendment to the Development Agreement (an “Amendment”) in accordance with the terms revised terms attached hereto as **Exhibit A** (the “Revised Terms”); and

WHEREAS, the DDA Finance Committee has reviewed the matter and recommends approval of the Revised Terms to the Board of Directors; and

WHEREAS, the DDA Board has determined that approval of the Revised Terms is in the best interests of the DDA.

NOW, THEREFORE, BE IT RESOLVED, that the DDA Board of Directors hereby approves the Revised Terms.



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 in accordance with the Revised Terms and other modifications to the Agreement as deemed appropriate by such Authorized Agents and counsel which are not inconsistent with this resolution and do not alter the substance of the Revised Terms

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 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.

April 28, 2021



EXHIBIT A

Development Agreement and Loan Agreement

Amendment Terms

1435 Randolph and 1455 Centre

Effective Date: Date of DDA Board approval of these amended terms

Office Renovations Timeline:

Office Construction Commencement Date: The earlier of thirty (30) days following Developer's closing of its senior construction financing in the amount of at least \$3,500,000 (the "Senior Loan Closing") or seven (7) months following the Effective Date

Office Construction Completion Date: The earlier of twenty-four (24) months following the Senior Loan Closing or thirty-one (31) months following the Effective Date

Retail Construction:

Retail Construction Completion Date: The earlier of thirty-six (36) months following the Senior Loan Closing or forty-three (43) months following the Effective Date

Developer Loan: \$1,835,000 for acquisition and project costs, as follows:

\$1,000,000 seller financing for acquisition cost (completed 10/7/19)

\$400,000 for project predevelopment costs (completed 10/7/19)

\$435,000 for construction or other project costs, which will include the 2021 tax payments. Funds to be disbursed as follows: 1) \$150,000 for A&E and other professional fees pursuant to a closing statement at DDA Loan Closing, 2) \$235,000 for construction costs following the Senior Loan Closing on a construction drawdown basis under the same conditions as the senior debt financing, and 3) \$50,000 for 2021 property taxes prior to the due date therefor. DDA Loan Closing will occur approximately 21 days following Effective Date.

Loan Terms:

Outstanding Interest: Unpaid interest accrued on principal balance of \$1,400,000 from April, 2020 through December 31, 2020, shall be forgiven. Unpaid interest accrued on principal balance of \$1,400,000 from January 1, 2021 through the DDA Loan Closing shall be added to the Principal balance of the \$1.4 Million Developer



Loan as of the DDA Loan Closing. Interest only payments on all the disbursed DDA Loan amounts resume on first business day of the month following DDA Loan Closing.

Interest: 1.5% per annum, payable monthly in arrears.

Maturity Date: September 30, 2043, provided that the maturity date shall automatically be extended for up to 12 months to match the initial maturity date of the Senior Loan.

Payments: Except as described above, Interest only payments due commencing on November 1, 2019 through the earlier of the 60th month after receipt of Certificate of Occupancy for both the office and retail development and ninety-nine (99) months following the Effective Date. Principal and interest payments on a 20-year amortization schedule commence thereafter. All unpaid principal and accrued but unpaid interest shall be due and payable on the maturity date or such other event triggering repayment of the Developer Note, as described by the loan documents. Without the DDA's express written permission, no event or circumstance will be deemed to grant Developer the right to defer payments of interest or principal under the Loan Agreement.

Security: Mortgage on Property and other security remains; reaffirmation of personal guaranty of Rainy Hamilton, Jr. DDA will subordinate its mortgage at the Senior Loan Closing.

Partial Conversion of Note: The Developer Loan will be decreased by an amount equal to \$435,000 and the Development Credit Note will be increased by an amount equal to \$435,000 in the event that the Senior Loan Closing occurs on or before the date that is six (6) months following the Effective Date. In such event, interest accrual will cease to accrue on the \$435,000 conversion amount and such amount will be governed by the terms of the Development Credit Note.

Development Credit Note:

Development Credit Note (existing \$400,000 + \$435,000, if conversion event occurs) is payable to the DDA on the same terms as the other project financing if each of the following does **not** occur: (1) by the Office Construction Completion Date above, the issuance of certificate of occupancy for the office space and executed leases for 75% of the office space; (2) by the Retail Construction Completion Date above, an executed lease for a minimum of 6,000 square feet of retail space and the issuance of certificate of occupancy. In the event that each of the foregoing conditions occurs, the Development Credit Note will be forgiven.

Conditions to Construction Financing Closing



- ***Additional Conditions to Closing:***

- Payment of legal fees under Section 8.06 and Closing Tax Payment under Section 5.02 of the Development Agreement, both of which were deferred at Acquisition Closing
- Execution and recording of Consent to Declaration of Restrictions recorded in Liber 55562, page 1163.



CODE DDA 21-04-01-460

ADMINISTRATION: 2021 TAX RATE REQUEST REPORT TO THE COUNTY BOARD OF COMMISSIONERS

WHEREAS, according to the provision in Section 212(1) of Public Act 57 of 2018, the Detroit Downtown Development Authority (the “DDA”) is allowed to levy 1 mill on real and personal property in the downtown district to be used to fund the DDA’s operating budget.

NOW THEREFORE BE IT RESOLVED that the Detroit Downtown Development Authority (the “DDA”) Board of Directors hereby authorizes the submittal of the 2021 Tax Rate Request Report to the County Board of Commissioners.

BE IT FINALLY RESOLVED that the DDA Board of Directors hereby authorizes the DDA Chair, or his representative, and the DDA Secretary, to take any actions and execute any documents to implement the provisions of this Resolution.

April 28, 2021