



**DOWNTOWN DEVELOPMENT AUTHORITY  
FINANCE COMMITTEE MEETING  
WEDNESDAY, OCTOBER 26, 2022 – 3:00 P.M.**

**COMMITTEE MEMBERS PRESENT:** Melvin Hollowell  
John Naglick  
Steve Ogden

**COMMITTEE MEMBERS ABSENT:** David Blaszkiewicz

**OTHERS PRESENT:** Cora Capler (DEGC/DDA)  
Dan Draper  
David Esshaki (GJC)  
John Filbrandt  
Gay Hilger (DEGC/DDA)  
Lanard Ingram (DEGC/DDA)  
Malinda Jensen (DEGC/DDA)  
Kevin Johnson (DEGC/DDA)  
Paul Kako (DEGC/DDA)  
Jennifer Kanalos (DEGC/DDA)  
Glen Long, Jr. (DEGC/DDA)  
Monika McKay-Polly (DEGC/DDA)  
Rebecca Navin (DEGC/DDA)  
Michael Nicholas (GJC)  
Detroit's Otter.ai  
Amy Senese  
Nevan Shokar (DEGC/DDA)  
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**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY  
FINANCE COMMITTEE MEETING  
WEDNESDAY, OCTOBER 26, 2022  
DETROIT ECONOMIC GROWTH CORPORATION  
500 GRISWOLD, SUITE 2200 – 3:00 P.M.**

**GENERAL**

**Call to Order**

Chairman Naglick called the Finance Committee meeting of the Downtown Development Authority Board of Directors to order at 3:03 p.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 May 25, 2022, Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Ogden made a motion approving the May 25, 2022, minutes, as written. Mr. Hollowell supported the motion. All were in favor with no opposition, and the May 25, 2022, minutes were unanimously approved.

**ADMINISTRATIVE**

**DDA Draft Audit for FY 2021-2022**

Mr. Long introduced Mr. Michael Nicholas and Mr. David Eshaki of George Johnson & Company (GJC) who reviewed the Audit Wrap-Up document (attached) for the benefit of the Board and responded to questions.

Mr. Naglick congratulated Mr. Long and his staff for the “clean” audit and getting it done in a timely fashion, as he always does, not just for the DDA, but for all of the entities that DEGC manages.

Mr. Naglick asked the Committee Members if there were any additional questions. Hearing none, Mr. Naglick asked for a motion to recommend to the Board acceptance of the Audited Financial Statements and Management Report for FY 2021-2022.



Mr. Ogden made a motion to recommend acceptance of the Audited Financial Statements and Management Report for FY 2021-2022, as presented. Mr. Hollowell supported the motion. All were in favor with none opposed and the Committee recommended to the Board acceptance of the Audited Financial Statements and Management Report for FY 2021-2022.

## **PROJECTS**

### **Housing, Office, Retail Development and Absorption Fund—Additional Loan Parameters for Affordable Housing Units**

Mr. Shokar reported that the DDA Development and Tax Increment Finance Plan for Development Area No. 1 (the “DDA Plan”) established a Housing, Office, Retail Development and Absorption Fund (the “Program”) pursuant to which the DDA may make loans to support housing, office, and retail projects in the Development Area. The DDA Plan provides, among other things, that the DDA shall adjust the procedures and parameters of the Program to be consistent with market demand.

As demand for housing within the Development Area continues to increase as it has in recent years, ensuring that new housing stock is inclusive will be of the utmost importance. DDA staff has identified a need to encourage affordable housing units reserved for households with incomes less than 80% of 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.

As such, DDA staff proposes adding the following loan parameters under the Program for housing developments where at least 20% of the residential rental units will be reserved for households making 70% of AMI or less (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)

<b><u>Affordability Target</u></b>	<b><u>Loan Amount</u></b>
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) 1-2% interest, repayment period flexible
- (3) If legacy Detroiters occupy the affordable units, then portion of loan may be eligible for partial or full forgiveness, upon terms to be approved by DDA Board of Directors
- (4) Maximum Loan Amount = \$200k/affordable unit

DDA staff requested that the DDA Finance Committee recommend to the DDA Board the approval of the additional loan parameters for the affordable housing units.

Mr. Hollowell asked how “Legacy Detroiters” was defined. Mr. Shokar responded that there isn’t an established definition of a Legacy Detroiters and that that would have to be established. Ms. Navin added that the recent CDBG loan the City made to the United Artists Building defined “Legacy Detroiters” as someone who was a resident of Detroit for at least 12 months, so that is the precedent that has been set.

Mr. Hollowell suggested that there be a consistent definition of the term as the issue of the “lack of affordability” is addressed. Mr. Ogden supported the suggestion.

Mr. Naglick asked the Committee Members if there were any other questions.

Hearing none, Mr. Naglick asked if there was a motion.

Mr. Hollowell made a motion to recommend to the Board approval of the Housing, Office, Retail Development and Absorption Fund-- Additional Loan Parameters for Affordable Housing Units, as presented. Mr. Ogden supported the motion. All were in favor with none opposed and the Committee recommended approval of the Additional Loan Parameters.

**Amendment to Development Agreement and Development Credit Note for 1407 and 1427 Randolph**

Mr. Shokar presented the request for Amendment to Development Agreement and Development Credit Note for 1407 and 1427 Randolph (N/K/A Gotham Capital Partners, LLC) to the Finance Committee.

In April 2017, the City of Detroit Downtown Development Authority (the “DDA”) entered into a development agreement (as amended, the “Agreement”) with Gotham Capital Partners, LLC (“Gotham”) for the redevelopment of properties located at 1407 and 1427 Randolph (collectively, the “Properties”). With the Board’s approval, Gotham assigned the Agreement to Randolph Capital Partners, LLC (“Developer”) and the Developer closed on the Properties in January 2020.



In April 2019, due to project delays stemming from litigation related to the Properties and changing marketing conditions, the DDA Board approved the provision of seller financing in the form of a development credit in the amount of \$150,000 (the “Credit”). The Credit was issued to Developer in January 2020 upon closing of the Properties. Pursuant to the terms of the Credit, the Credit would be forgiven, and no payments would be due to the DDA by Developer upon Developer’s satisfaction of each of the following conditions within 12 months of commencement of construction: i) Developer receives a certificate of occupancy for the Properties, and ii) Developer obtains a letter of intent(s) for the entire leasable space of the Properties. In January 2021 and March 2022, due to unexpected delays and rising construction costs, the DDA Board approved various extensions to the completion date for the redevelopment of the Properties. The most recent extension approved by the DDA Board extended the construction completion date to August 31, 2022. Although the development timelines were extended by the DDA Board, as an unintended oversight, these extensions did not include a corresponding extension to the twelve-month forgiveness timeline contained in the Credit.

As of today, the Developer has completed the redevelopment of the Properties, has obtained a certificate of occupancy for the Properties, and has executed lease agreements for the entire leasable space located in Properties. Given DDA’s staff support for the previous extensions to the development timelines and the Developer’s completion of the project, DDA staff is seeking a retroactive extension of the forgiveness timeline provided in the Credit to coincide with the previously approved extension to the project completion date, being August 31, 2022. The approval of such extension to the Credit will result in the forgiveness of the Credit.

DDA staff is supportive of this request as the Developer has persevered through numerous challenges, including the Covid-19 pandemic, to complete the project. DDA staff recommends the DDA Finance Committee recommend the extension of the timeframe provided in the Credit and ultimate forgiveness of the Credit as outlined herein to the DDA Board for approval.

Mr. Shokar provided a slide presentation so the Committee could see the progress made on the project to date.

Mr. Naglick asked the Committee Members if there were any questions.



Hearing none, Mr. Naglick asked for a motion.

Mr. Hollowell made a motion to recommend approval of the Amendment of the Development Agreement and the Development Credit Note to Gotham Capital Partners, LLC (N/K/A Gotham, LLC), as presented. Mr. Ogden supported the motion. All were in favor with none opposed and the Committee recommended approval of the Amendment to the Development Agreement and Development Credit Note for 1407 and 1427 Randolph

### **ADMINISTRATION**

None.

### **OTHER**

None.

### **PUBLIC COMMENT**

None.

### **ADJOURNMENT**

With there being no other business to be brought before the Committee, Mr. Hollowell made a motion to adjourn the meeting, seconded by Mr. Ogden. Mr. Naglick adjourned the meeting at 3:42 p.m.