



**DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
TUESDAY, SEPTEMBER 8, 2020 – 10:30 A.M.**

COMMITTEE MEMBERS PRESENT: Sonya Delley
Melvin Hollowell
John Naglick
Steve Ogden

COMMITTEE MEMBERS ABSENT: David Blaszkiewicz

OTHERS PRESENT: Malinda Jensen (DEGC/DDA)
Jennifer Kanalos (DEGC/DDA)
Kenyetta Bridges (DEGC/DDA)
Cora Capler (DEGC/DDA)
Paul Kako (DEGC/DDA)
Glen Long, Jr. (DEGC/DDA)
Lexi Mabry (DEGC/DDA)
Rebecca Navin (DEGC/DDA)
Sarah Pavelko (DEGC/DDA)
David White (DEGC/DDA)
Derek Bringham (Clearcover, Inc.)
Heidi Craun (Clearcover, Inc.)
Dannis Mitchell (Barton Mallow)
Eric Stavriotis (CBRE)



**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
TUESDAY, SEPTEMBER 8, 2020
ZOOM VIRTUAL MEETING – 10:30 A.M.**

GENERAL

Call to Order

Chairman Naglick called the Finance Committee meeting of the Downtown Development Authority Board of Directors to order at 10:31 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 July 6, 2020 Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Hollowell made a motion approving the July 6, 2020 minutes, as written. Ms. Delley seconded the motion. A roll call vote was conducted with the following result:
Ayes: Ms. Delley, Mr. Hollowell, Mr. Ogden, and Mr. Naglick
Nays: None.

PROJECTS

Housing/Office/Retail Development: Clearcover, Inc.

Mr. White advised the Committee that Mr. Derek Bringham, COO and co-founder of Clearcover, Ms. Heidi Craun of the Customer Experience team at Clearcover, and Eric Stavroptos of CBRE who helped the company with site selection, are participating in the virtual meeting .

Mr. White stated that Clearcover, Inc. (“Clearcover”) is a venture-backed, Chicago-based auto insurance carrier that leverages technology to improve customer experience and increase efficiencies to drive down insurance costs. Clearcover handles the full personal auto insurance experience, from underwriting to servicing each policy. Clearcover continues to grow its service offerings and expand availability of current insurance products into new regions of the U.S.

As a result of this growth, Clearcover is considering expanding its presence to the City of Detroit to establish a customer experience center to support its business functions, including its industry-leading customer experience team and claims team (the “Project”). The customer experience center would be Clearcover’s first office outside of Chicago. The Project involves the employment of up to 303 individuals at an average salary of \$59,000. The positions have a full benefits package, including medical, dental, vision, and 401k match. Every employee also receives an equity stake in the company. Project roles include customer advocate, claims advocate, underwriters, and team leadership positions. The vast majority of the positions do not require a four-year degree. In addition to the 303 jobs included in the Project, Clearcover anticipates that



software engineering positions will be included in the Detroit office as those employees are given the choice of working out of Chicago or Detroit.

Due to the health impacts of the COVID-19 pandemic, Clearcover will immediately begin hiring employees from Metro Detroit to conduct virtual work. When the health crisis has abated, Clearcover will evaluate the timing, scope and location of a physical office. Establishing a physical office is a key goal of the company to further its company culture of collaboration and teamwork.

Clearcover conducted a national search and chose Michigan and Metro Detroit over its final competing site in Indianapolis, Indiana. Establishing an office in downtown Detroit would be significantly more costly than doing so in Indianapolis, due to higher parking fees, property taxes, and labor costs. To entice Clearcover to choose Michigan over Indiana and the other competing states, on August 25, 2020, the Michigan Strategic Fund (“MSF”) approved a \$3.5 million Michigan Business Development Program performance-based grant and a \$400,000 Jobs Ready Michigan program performance-based grant for the Project. In addition to the foregoing incentives from the MSF, Clearcover seeks local support for the Project.

The City of Detroit Downtown Development Authority (“DDA”) may provide local support for the MSF grants through the DDA’s Restated Tax Increment Financing and Development Plan for Development Area No. 1 (the “Plan”). The Plan has established the Housing/Office/Retail Development and Absorption Fund (the “Program”) for the purpose of assisting tenants wishing to locate within the Downtown District with costs associated with improving existing office space to accommodate the relocation. Although the Plan establishes certain conditions relating to the size of the spaced leased (less than 100,000 square feet) and the amount of subsidy per square foot (\$1.50) per year, the Plan permits the Board of Directors of the DDA to waive or modify the requirements and guidelines, as individual circumstances warrant. The objectives of the Program are to encourage employment and slow property deterioration in the Downtown District.

Staff recommended that the DDA provide an incentive to entice Clearcover to establish an office location in the Downtown District and hire Detroit residents by providing up to \$750,000 in cash subsidies (the “Cash Grant”) only if Clearcover meets defined milestones related to the size of the office, Detroit resident hiring, and other metrics described in the terms sheet included as Exhibit A (the “Term Sheet”). The Cash Grant would also incentivize Clearcover to hire Detroit residents during the remote work phase of the Project. Clearcover has established a relationship with Detroit at Work and has agreed to employer commitments including implementation of a Staffing Plan, “banning the box,” priority hiring windows for Detroit residents, and participation in Grow Detroit’s Young Talent program. However, Clearcover will not receive any installment of the Cash Grant until it has hired at least 100 full time employees and has occupied an office space in Downtown Detroit with expansion options aggregating at least 30,000 square feet pursuant to a long-term lease having an initial term expiring no sooner than December 31, 2030.

Staff believes that the Term Sheet is consistent with the Program’s objectives and is requesting that the DDA Finance Committee recommend to the DDA Board of Directors that it (i) waive requirements of the Program set forth in the Plan, as authorized by the Plan and specifically as it relates to the size of the spaced leased and the amount of subsidy per square foot per year; (ii) approve the Term Sheet; and (iii) approve the reallocation of funds from other Plan Table 3 line items, as authorized by Section 408.1 of the Plan, should there not be sufficient funds in the H/O/R line item in a given year during the term of this incentive.



Mr. White turned the presentation over to Mr. Bringham who provided additional background on the company for the benefit of the Committee.

Ms. Craun provided additional information on the contract structure of the company.

Mr. Naglick thanked Ms. Craun and Mr. Bringham for the informative presentation and stated that Detroit's Mayor has been super passionate from the moment he was elected about insurance reform in the State of Michigan because we have so many Detroiters that drive uninsured simply because they could not afford the cost of the insurance from the existing scheme. A Committee member, Mr. Ogden, works for the Rock family of companies who has quickly become a very large employer in Detroit showing that technology does work in our city. Mr. Naglick stated that he was personally impressed with the milestone approach to this proposal.

Mr. Naglick asked if any of the Committee members have questions.

Mr. Ogden thanked Mr. Naglick for the acknowledgement and stated that the Committee would be remiss if it didn't first recognize the Commissioner, our Board expert, Mr. Hollowell, who has spent a lot of time being a disrupter in this space.

Mr. Hollowell moved approval subject to discussion. Ms. Delley seconded the motion.

Mr. Hollowell advised that this has been his lifelong project as Commissioner. Insurance reform was the first thing discussed with the Mayor when he talked about running. The Michigan market is an incredibly competitive market. The reform package that we were able to put together, get through the Legislature, and get the Governor to sign last year was only further evidence that we want insurance to be affordable to everyone.

Mr. Hollowell asked if Clearcover was looking to rent or own their location in Detroit. Mr. Bringham responded that they will be renting, as buying is not in the budget at this time. They are working with CBRE to locate properties.

Mr. Ogden stated that Mr. Bringham had made a reference that there were conversations with the Mayor and asked if the conversations were left on friendly terms. Mr. Bringham advised that the conversations were very positive but were rushed due to Covid. The meeting itself was very positive and they were aligned. Their team would like to see some additional actions being taken, and based on the discussions with Mayor Duggan, he thinks he would also like to see additional actions.

Mr. Ogden pointed out that obviously his company has an interest in this and he will be abstaining from voting. He added that he is very supportive of the project.

Ms. Delley stated that she is also very supportive of the project and is pleased that the City was able to develop an incentive package that made sense economically for them to expand their business into the City.

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



Mr. Hollowell made a motion to recommend approval to the Board of the Housing/Office/Retail Development loan to Clearcover, Inc, as presented. Ms. Delley seconded the motion. A roll call vote was conducted with the following result:

Ayes: Ms. Delley, Mr. Hollowell, and Mr. Naglick.

Nays: None.

Abstentions: Mr. Ogden

ADMINISTRATION

None.

PUBLIC COMMENT

None.

ADJOURNMENT

With there being no other business to be brought before the Committee, on a motion by Mr. Hollowell, seconded by Ms. Ogden, Mr. Naglick adjourned the meeting at 11:00 a.m.