



**DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY, MAY 22, 2019 – 3:00 P.M.
(Amended at the Table)**

BOARD MEMBERS PRESENT:

Marvin Beatty
Austin Black
David Blaszkiewicz
Ehrlich Crain
Charity Dean
Sonya Delley
Melvin Hollowell
Thomas Lewand
David Massaron
Steve Ogden

BOARD MEMBER ABSENT:

Richard Hosey
James Jenkins
John Naglick

OTHERS PRESENT:

Kenyetta Bridges (DEGC/DDA)
Francis Grunow (Neighborhood Advisory Committee – Arena)
Craig Fahle (Deadline Detroit)
Donna Fontana (Fleishman Hillard)
John Gallagher (Detroit Free Press)
John Graves (IHI)
Amanda Hanlin (DEGC)
Gay Hilger (DEGC/DDA)
Violet Ikonomova (Deadline Detroit)
Malinda Jensen (DEGC/DDA)
Paul Kako (DEGC/DDA)
Jennifer Kanalos (DEGC/DDA)
Eric Kehow (Preservation Detroit)
John Lauve (Public)
Glen Long, Jr. (DEGC/DDA)
Mike McLauchlan (IHI)
Meredith McLellan (ODM)
Rebecca Navin (DEGC/DDA)
Nevan Shokar (DEGC)
Ron Sorey (Fidelity National Title)
John Valentine (ODM)
Brian Vosburg (DEGC)



**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY, MAY 22, 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. Lewand, the Chairman's Representative, called the Regular meeting of the Downtown Development Authority Board of Directors to order at 3:04 p.m.

Approval of Minutes

Mr. Lewand asked if there were any additions, deletions or corrections to the minutes of the May 9, 2019 Regular Board meeting. Hearing none, the Board took the following action:

On a motion by Mr. Hollowell, seconded by Mr. Blaszkiewicz, Resolution Code EDC 19-05-02-617 was unanimously approved.

Receipt of Treasurer's Report

Mr. Long reviewed the Report of Receipts and Disbursements for the month of April 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 Mr. Hollowell, seconded by Mr. Beatty, Resolution Code EDC 19-05-03-497 was unanimously approved.

Mr. Lewand advised that he was going to move the agenda around and go to the administrative items first.

ADMINISTRATION

DDA Budget for FY 2019-20

Ms. Kanalos advised that we attempted to convene a Finance Committee meeting to review the budget and we were unable to secure a quorum. Mr. Naglick, Finance Committee Chair, reviewed the budget and was fine with staff presenting to the Board.

Ms. Kanalos reported that pursuant to Article 228, Act 57, as amended, DDA staff has prepared the attached DDA budget for FY 2019-20 Downtown Development Authority's General Fund Budget for your review prior to its submission to the City Council for its approval.



The amount of funds available from the one mill tax for FY 2019-20 has been estimated at \$1,050,000.00, net of collection delinquencies and reserves for tax settlements representing an increase of \$100,000.00 from 2018-19 due to increase in property valuations. Transfer from the DDA's Tax Increment Fund will remain unchanged from the 2018-19 budgeted allocation of \$750,000.00.

The FY 2019-20 budget reflects revenues of \$800,000.00 to be generated from the parking operations, representing a reduction of \$700,000.00 in parking revenues from the FY 2018-19 budget due to the sale of DDA surface lots for the Monroe Block project. It should be noted that these parking lots were always intended to be a temporary revenue source until they would be included in a development. Other/Events Center Revenues are estimated at \$15,000.00, representing a reduction of \$28,000.00 from FY 2018-19 due to the completion of arena building activities. A Fund balance of \$350,000 represents an expected excess of expenses over revenues.

On the appropriations side, contractual services of \$1,940,000.00, reflects a \$2,000.00 increase from FY 2018-19 due to an anticipated increase in audit expense. The budgeted amount of \$550,000.00 for professional services and fees, inclusive of a \$10,000.00 expense for Computer Support, representing an increase of \$20,000.00 from FY 2018-19 due to an increase in insurance fees. There is a \$75,000.00 budgeted expense related to parking operations for FY 2019-20, this represents a \$50,000 decrease from FY 2018-2019 due to a decrease in the amount of lots owned by DDA requiring maintenance and security. Finally, \$500,000.00 of allocated funds for Special Projects and Contingencies for FY 2019-20 indicates no increase from last year.

A resolution was included in the Board material for review and authorization of the DDA staff to submit the DDA budget for FY 2019-20 to City Council for its approval, in accordance with Section 228(1) of Act 57, Public Acts of Michigan, as amended, prior to its adoption by the DDA Board.

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

On a motion by Mr. Hollowell, seconded by Mr. Blaszkiewicz, Resolution Code DDA 19-05-18-69 was unanimously approved.

2019 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.

The 2019 tax rate, to be signed by the DDA Board of Directors Chair or his representative, and the DDA Board of Directors Secretary and a resolution authorizing its submission was included for consideration.

With there being no questions or discussion, the Board took the following action:

On a motion by Mr. Hollowell, seconded by Mr. Blaszkiewicz, Resolution Code DDA 19-05-01-448 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 present, Mr. Lewand called on Ms. Navin, in Ms. Pavelko's absence. Ms. Navin advised that Ms. Pavelko presented this item at the April 10, 2019 DDA Board meeting. Board member Jenkins disclosed at that meeting that he has a fiduciary interest in the project, and the item was tabled for a mandatory minimum of a seven-day waiting period. Ms. Navin stated that it is being brought back to the Board for a vote today would answer any questions.

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

On a motion by Mr. Hollowell, seconded by Mr. Massaron, Resolution Code DDA 19-05-110-50 was approved. A roll call vote was taken and all ten (10) Board members present voted in favor of approval.

Catalyst Development Project: Fifth Amendment to Master Development Agreement

Ms. Navin advised that on December 11, 2014, the City of Detroit Downtown Development Authority (the "DDA") and Olympia Development of Michigan, LLC ("ODM") executed that certain Master Development and Reimbursement Agreement relating to the commitment by to invest, or cause the investment of, at least \$200 Million in private investment as part of the EC Ancillary Development Project (as amended, the "MDA").

In April, 2015, in connection with a re-zoning request relating to the Little Caesars Arena ("LCA"), the MDA was amended to provide for the redevelopment of former Eddystone Hotel, owned by an affiliate of ODM and located across from the LCA, into a mixed-use development including a 20 percent affordable housing component. The amendment contemplated that the development would be complete within one year of the opening of the LCA and granted third party enforcement rights of this provision to the City of Detroit.

Due to various factors, ODM was unable to complete the redevelopment within the time frame provided, and DDA staff and ODM representatives have negotiated a proposed fifth amendment to the MDA included in the Board material as **Exhibit A**, which amendment, among other things, adjusts this timeline and adds development milestones and incorporates a more detailed development plan (the "Proposed Amendment"). Under the Proposed Amendment, certain activities would commence within 15 days of the DDA's approval, roof and masonry repairs would commence 15 days following permit issuance, and completion would occur within 25 months of commencement. In addition, under the Proposed Amendment, ODM is required to obtain a performance bond or other acceptable letter of credit or performance guarantee so that the DDA or City could cause the completion of the redevelopment if ODM fails to meet the milestones. Pursuant to the terms of the MDA, amendments to this section of the MDA are subject to the consent of the City and, accordingly, representatives of the City have indicated support of the Proposed Amendment.



A resolution was included for the Board's consideration.

Mr. Massaron questioned if ODM has made progress towards the obligation or know if they will be able to comply with it. Ms. Navin stated that she does not know and advised that there are representatives from Olympia present. Mr. Lewand called on Mr. McLaughlan and stated the question to him was if they are ready to post a letter of credit. Mr. McLaughlan stated that they have been in discussions and are ready and eager to get this project moving.

Mr. Black asked if ODM misses any of these deadlines, can DDA then step in at any point. Ms. Navin responded, yes, after we have provided them a Notice of Default and they have had a 30-day opportunity to cure. If they are unable to cure within that 30 days, then DDA and the City can enforce the bond.

Mr. Ogden asked when they went through the process for the District itself, was this project already a CBA. Ms. Navin advised that this project pre-dates the arena project. If you look at the total project costs, it is just over \$40 million and does not reach the threshold costs of \$75 million that is required under the Community Benefits Ordinance. The land is privately owned and there are no abatements or incentives in front of this Board. Olympia has not requested any of these costs count towards the \$200 million commitment.

Mr. Hollowell asked what the main reason was for the delay in this project. Mr. McLaughlan stated that they initially announced that they had a partner to work with them on some of the projects, including the Eddystone. After a period of time, they decided that the partners did not have the same vision for development, so they parted ways. After that, they decided that ODM would develop this project and they have been assembling a team internally and are ready to move forward. They have been working with the DDA/DEGC staff as well as the city and they are confident that this project will move forward on time.

Mr. Lewand advised that he as well as Ms. Navin have been in extensive discussions with Mr. McLaughlan for some time, and they are very much committed to moving forward and getting this project underway and completed.

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

On a motion by Mr. Hollowell, seconded by Ms. Delley, Resolution Code DDA 19-05-123-70 was approved, with Ms. Dean abstaining.

PUBLIC COMMENT

Mr. Lewand called for public comment.

Francis Grunow – Chair of NAC Arena District (see attached written statement).

John Lauve – Resident of Holly, Michigan – I notice the Chairman of the Board is absent and a non-member is filling in as Chair. That is inappropriate. It should be the Vice Chair. This Ilitch thing is just beyond belief. I've given you a copy of the lease Ilitch signed that says they have to provide tickets to 50,000 children from low income families per year to enable them to go not just say well here you go, you figure how to get there, but enable them to go. That has not been done



so they have broken this promise that they made in 2000, and you still haven't stepped up to finish, although I know you're working on it, but to give them a pass. They owe millions of dollars to this shortchanging the kids. It is owed. What is this plan. Forty-eight West Adams, the erector set building, you gave them a million and a half dollars. Nothing. It's an eyesore. It is an insult. It is an insult to the people that are responsible for fixing this place up and to let that continue to fester. What do we got now? We got the Eddystone? What about the Fort Wayne Hotel next to the Masonic Temple? Well they finally boarded those windows up. What did they do with the money? The big development projects that you've okayed are parking decks. That's really turning the neighborhood around. And they're going to get credit for this. And this is an \$800 million tax that has been levied taking money from the school aid fund. It's not just cash that they got, it's the financing costs. Here is what the lease says. Here is what they owe us. You're not doing anything about it. It is insulting.

Mr. Jensen advised that staff received nine written public comments in advance of the meeting, which have been distributed to the Board and will become a part of the minutes.

Mr. Lewand called for any further public comments.

Eric Kehow – President of the Board with Preservation Detroit – Obviously they support reusing old buildings and bringing them back to life and activating them for the benefit of the city. I am also a Detroiter—I live in Detroit. Seeing buildings rehabbed and put to use--unique, one-of-a-kind buildings and spaces--for the benefit of Detroiters is what is going to set us apart from other cities. It is what differentiates us. Obviously, we support the Hotel Eddystone being revitalized, but there are a lot of concerns regarding this developer's track record. They haven't been able to rehab a single building since the Fox, and that is scary. Honestly, it is a little saddening just to see that area in the north part of the downtown to see that not being rehabbed but to see a brand-new arena in its place and working fine raises concerns. It is getting to the point where it is just becoming sad. So, I want to question where the accountability is on behalf of the DEGC and DDA. I am wondering if, like Mr. Grunow said, there are other ways to enforce and other ways to step up the accountability. I think this is a step in the right direction, but it isn't enough.

OTHER MATTERS

ADJOURNMENT

With there being no other business to be brought before the Board, Mr. Lewand adjourned the meeting at 3:29 p.m.