



**DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY, NOVEMBER 11, 2020 – 3:00 P.M.**

BOARD MEMBERS PRESENT:

Austin Black
David Blaszkiewicz
Richard Hosey
Melvin Hollowell
James Jenkins
Nick Khouri
John Naglick
David Massaron
Steve Ogden

BOARD MEMBERS ABSENT:

Marvin Beatty
Ehrlich Crain
Sonya Delley
Charity Dean

OTHERS PRESENT:

Roger Basmajian (311 E Grand River, LLC)
Kenyetta Bridges (DEGC/DDA)
Cora Capler (DEGC/DDA)
Gay Hilger (DEGC/DDA)
Paul Kako (DEGC/DDA)
Jennifer Kanalos (DEGC/DDA)
Glen Long, Jr. (DEGC/DDA)
Alexis Mabry (DEGC/DDA)
Rebecca Navin (DEGC/DDA)
Nevan Shokar (DEGC/DDA)



**MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
BOARD OF DIRECTORS REGULAR MEETING
WEDNESDAY, NOVEMBER 11, 2020
ZOOM VIRTUAL MEETING – 3:00 P.M.**

GENERAL

Call to Order

The Chairman's Representative, Mr. Khouri, called the regular 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. Khouri asked if there were any additions, deletions or corrections to the minutes of the October 14, 2020 Regular Board meeting. Hearing none, the Board took the following action:

Mr. Hollowell made a motion approving the minutes of the October 14, 2020 Regular Board meeting, as presented. Mr. Black seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Black, Mr. Blaszkiewicz, Mr. Hollowell, Mr. Hosey, Mr. Massaron, Mr. Naglick, Mr. Ogden, and Mr. Khouri.

Nays: None.

DDA Resolution Code 20-11-02-629 was approved.

Receipt of Treasurer's Report for September 2020

Mr. Naglick reviewed the Treasurer's Report of Receipts and Disbursements for the month of September 2020. With there being no questions or discussion, the Board took the following action:

Mr. Hollowell made a motion approving the Treasurer's Report for September 2020, as presented. Mr. Blaszkiewicz seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Black, Mr. Blaszkiewicz, Mr. Hollowell, Mr. Hosey, Mr. Massaron, Mr. Naglick, Mr. Ogden, and Mr. Khouri.

Nays: None.

DDA Resolution Code 20-11-03-514 was approved.

PROJECTS

Amendment to the Development Agreement for 311 E Grand River

Mr. Shokar advised that in April 2017, the City of Detroit Downtown Development Authority (the "DDA") entered into a development agreement (the "Agreement") with 311 E Grand River, LLC



(the “Developer”) for the redevelopment of 311 Grand River as a result of a Request for Proposals issued by DDA staff.

The DDA Board of Directors approved the First Amendment to the Agreement in August 2018 to amend the proposed use from a hotel and event space into a restaurant, collaborative workspace and banquet facility. Thereafter, in April 2019, the DDA board approved the Second Amendment to the Agreement to reduce the purchase price, extend the date of Closing, and to provide DDA financing. Such DDA financing included \$1,500,000 in Urban Development Action Grant (“UDAG”) loan proceeds for construction and related activities and seller financing of the \$1,200,000 purchase price pursuant to a \$2,700,000 promissory note. The Third and Fourth Amendments, approved in December 2019, extended the date of closing through March 31, 2020, with the option to extend the date of closing to May 31, 2020 without further DDA Board approval. The extension option was exercised.

Given uncertainty due to the Covid 19 pandemic, the Developer was not able to close as scheduled. Developer has secured a financing commitment from Mercantile Bank and has hired MIG construction as its general contractor. The building permit has been approved, subject to the closing of the transaction. Consequently, Developer is now prepared to close on the purchase and financing in the near future, subject to DDA’s approval of certain amendments to the transaction, as follows:

1. DDA staff is requesting to change the funding source for the portion of the DDA financing for construction and related activities from UDAG funds to the DDA’s Housing/Office/Retail Development Fund that is funded under the DDA’s Restated Tax Increment Financing and Development Plan. This change will allow available UDAG proceeds to be made available for loans for development projects outside of the DDA through the Economic Development Corporation’s gap loan fund program. The other loan terms have not changed, but are attached to the resolution as Exhibit A. The DDA Finance Committee reviewed the proposed amendment in May, 2020 and recommended its approval to the Board of Directors.
2. For personal reasons, certain of the original investors have voluntarily opted out of the Project. Specifically, Patricia Cole and Leon Richardson have decided that they are unable to invest in the project. A new proposed ownership structure was included as Exhibit B.
3. Developer seeks a closing extension to January 31, 2021.

Mr. Shokar advised that a draft resolution was included in the Board material for consideration and that Mr. Roger Basmajian is on the Zoom call if Board members have questions or further clarification.

Mr. Khouri asked if there were questions.

Mr. Jenkins stated that he assumes that Executive Orders are in place for this project. Ms. Navin responded that to the extent that they are applicable, they would apply. Due to the size of the project and the incentives here, they would not apply.



Mr. Hollowell added that the developer could voluntarily comply with Executive Orders. Ms. Navin stated that was true but doesn't believe that was built into their proforma.

Mr. Hosey asked if we knew who the two developers are that were leaving the project. Mr. Shokar advised that Patricia Cole and Leon Richardson asked to be out and Roger and Shakeh Basmajian have agreed to buy their interest.

Mr. Hollowell stated his major concern is if this project will ever get done and if there is an end in sight. The date has been moved six, seven, or eight times now. Mr. Khouri asked staff or the developer to respond to Mr. Hollowell.

Mr. Basmajian stated that Mr. Hollowell has a legitimate question. Covid has set them back considerably. The loan has been secured and closing is set for the end of November, so there is a buffer before the expiration date of January 31, 2021. Groundbreaking is set for December and we are anxious to get this project going.

Mr. Hollowell said he is glad to hear they will be breaking ground in December. The Board will breathe a sigh of relief when it gets done, and as public stewards, we must ask these questions.

Mr. Hosey stated he understands things happened, but this was initially brought to the Board as a Detroit-led project and it sounds like they are out now and asked if the separation was amicable. Mr. Basmajian responded that yes, Patricia Cole was an instrumental part of this deal and because of Covid, many people are getting cold feet and at her age of 80, she feels she cannot invest in the project now. Mr. Richardson dropped out maybe two years ago. It is all amicable, we keep in touch and all support this project.

Mr. Ogden asked if there was a way they can stay attached to the deal in some way, like maybe in a consultant role or something. Mr. Ogden added that he is not trying to negotiate a job for them, but a big part of the approval process was how the Mayor pitched the various developments in this footprint that had Detroit participation. If you would have come in with this deal a few years ago, it wouldn't have fit the mold of what the Mayor was trying to communicate.

Mr. Hollowell agreed with Mr. Ogden and said that it was important that the project was representative and reflective. Mr. Shokar mentioned that this was brought up with the Mayor and he was supportive of the changes.

Mr. Basmajian advised that if there is any position that Pat Cole would like to take, they are in constant contact with her. The spirit of the project is still very much in tune with the original deal. 311 W. Grand River, LLC is a Detroit company and very committed to hiring Detroiters whenever possible.

Mr. Khouri asked if there were any additional questions. Hearing none, he called for a motion:



Mr. Naglick made a motion approving the Amendment to the Development Agreement for 311 E Grand River, as presented. Mr. Hosey seconded the motion. A roll call vote was conducted with the following result:

Ayes: Mr. Black, Mr. Blaszkiwicz, Mr. Hollowell (with reservations), Mr. Hosey, Mr. Jenkins (with reservations), Mr. Massaron, Mr. Naglick, Mr. Ogden, and Mr. Khouri.

Nays: None.

DDA Resolution Code 20-11-110-59 was approved.

ADMINISTRATION

None.

OTHER BUSINESS

Mr. Khouri advised that this will probably be his last meeting, thanked the Board, and stated that Ms. Nicole Sherard-Freeman will probably be taking over and the Board will be in good hands with her and the DEGC. The Board members thanked Mr. Khouri for his year of service and chairing the Board meetings.

PUBLIC COMMENT

None.



ADJOURNMENT

On a motion by Mr. Ogden, seconded by Mr. Naglick, Mr. Khouri adjourned the meeting at 3:23 p.m.



CODE DDA 20-11-02-629

APPROVAL OF MINUTES OF OCTOBER 14, 2020

RESOLVED that the minutes of the Regular meeting of October 14, 2020 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.

November 11, 2020



CODE DDA 20-11-03-514

RECEIPT OF TREASURER'S REPORT FOR SEPTEMBER 2020

RESOLVED, that the Treasurer's Report of Receipts and Disbursements for the period ending September 30, 2020, as presented at this meeting, is hereby in all respects received by the Downtown Development Authority.

November 11, 2020



CODE DDA 20-11-110-59

PARADISE VALLEY BUSINESS & ENTERTAINMENT DISTRICT: AMENDMENT TO DEVELOPMENT AGREEMENT--311 E GRAND RIVER

WHEREAS, in April 2017, the City of Detroit Downtown Development Authority (the “DDA”) entered into a development agreement (as amended, the “Agreement”) with 311 E Grand River, LLC (the “Developer”) for the redevelopment of the DDA-owned property located 311 Grand River (the “Project”); and

WHEREAS, in April, 2019, the DDA Board approved a \$2,700,000 loan to Developer for the Project, including a \$1,500,000 loan for construction and related activities payable from Urban Development Action Grant (“UDAG”) loan proceeds; and

WHEREAS, DDA staff is requesting to change the funding source for above-referenced loan from UDAG funds to the DDA’s Housing/Office/Retail Development Fund that is funded under the DDA’s Restated Tax Increment Financing and Development Plan (the “DDA Plan”); and

WHEREAS, the DDA Finance Committee has reviewed the proposed amendment and recommends its approval to the Board of Directors; and

WHEREAS, DDA staff is requesting the ownership structure that was initially presented during the RFQ process be amended to show Roger Basmajian (50.22%), Shakeh Basmajian (30.56%), and Brandon Jones (19.22%) as the only remaining owners in the percentages indicated; and

WHEREAS, due to the COVID-19 related tenanting and financing delays, DDA staff seeks the Board’s approval of an extension to the date of closing to January 31, 2021 which will be incorporated into an amendment to the Agreement; and

WHEREAS, the Board of Directors has determined that the proposed amendments are reasonable and consistent with the DDA’s objectives for development in the Downtown District and the DDA Plan.

NOW, THEREFORE, BE IT RESOLVED, that the DDA Board of Directors hereby approves the amendments as described herein.

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 an amendment to the Agreement and 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.

November 11, 2020



EXHIBIT A

PROJECT FINANCING TERMS Approved in April 2019

Loan: \$2,700,000.00 of which \$1,200,000 is seller financing of the purchase price and \$1,500,000 is for additional activities that are to be determined shall be payable pursuant to a promissory note payable to the DEGC and executed by Developer at Closing (the "Developer Note"). The Developer Note shall include the following terms and conditions:

Interest: 1% annual interest during construction with a 1.5% annual interest rate beginning with receipt of the Certificate of Occupancy. Interest payments will be calculated annually based on the remaining principal. Interest not paid will accrue into the outstanding principal balance.

Term: 240 months. No prepayment penalties will be applied. Repayment of the loan will be due upon the maturity date of the Developer Note, sale of the property or refinance of the existing mortgage, whichever occurs earlier.

Amortization: 240 months.

Payments: Interest only payments due commencing on the first business day of the month following Closing, and every month until receipt of Certificate of Occupancy. 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.

Reporting: Annual financial statements prepared certified by a certified public accountant in accordance with Generally Accepted Accounting Procedures will be provided to the DDA staff.

Reporting: Annual financial statements must be provided to the DEGC for review.

Security: Subordinated mortgage on Property; personal guaranty of development team, and such other documents reasonably and typically required by the DDA staff for such a transaction.



EXHIBIT B

Revised Ownership Structure

Roger Basmajian	50.22%
Shakeh Basmajian	30.56%
Brandon Jones	19.22%
TOTAL	100%