DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
WEDNESDAY, OCTOBER 6, 2021 – 1:00 P.M.

COMMITTEE MEMBERS PRESENT: David Blaszkiewicz
Melvin Hollowell
John Naglick

COMMITTEE MEMBERS ABSENT: Steve Ogden

OTHERS PRESENT:
Cora Capler (DEGC/DDA)
David Esshaki (George Johnson & Co.)
Eugene H. (Public)
Gay Hilger (DEGC/DDA)
David Howell (DEGC/DDA)
Malinda Jensen (DEGC/DDA)
Jennifer Kanalos (DEGC/DDA)
Paul Kako (DEGC/DDA)
Glen Long, Jr. (DEGC/DDA)
Rebecca Navin (DEGC/DDA)
Michael Nicholas (George Johnson & Co.)
Theo Pride (Detroit Peoples Platform)
Kelly Shovan (DEGC/DDA)
MINUTES OF THE DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE MEETING
WEDNESDAY, OCTOBER 6, 2021
ZOOM VIRTUAL MEETING – 1:00 P.M.

GENERAL

Call to Order

Chairman Naglick called the Finance Committee meeting of the Downtown Development Authority Board of Directors to order at 1:02 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 June 23, 2021 Finance Committee meeting. Hearing none, the Committee took the following action:

Mr. Hollowell made a motion approving the June 23, 2021 minutes, as written. Mr. Blaszkiewicz supported the motion. All were in favor with no opposition, and the June 23, 2021 minutes were unanimously approved.

ADMINISTRATION

DDA Audited Financial Statements and Management Report for FY 2020-2021

Mr. Naglick thanked staff for their hard work in completing the audit in a timely fashion once again and called on Mr. Long to introduce the auditors.

Mr. Long introduced Mr. Michael Nicholas and Mr. David Esshaki of George Johnson and Company.

Mr. Nicholas shared his screen to view the Audit Wrap-Up document prepared by George Johnson & Company. He reviewed the Status of Audit, Services Performed, Key Audit Areas, and the Required Communications, and then turned it over to the Senior Manager, David. Esshaki, who reviewed the Summary of Financial Results.

Mr. Naglick commented that everything Mr. Esshaki said about the historical financial statements makes sense. Everyone is elated to see the amount of capture DDA is getting and building this cushion, but from his seat at the City, he knows there are numerous property owners appealing their property taxes. Office usage has changed and is less populous, so they have an argument that their building is worth less. Developers are talking about converting some downtown office space to residential and it is unknown what affect that will have. Mr. Naglick stated that he has always liked the fact that Mr. Long is very conservative and has built up cushions. No one could have predicted what affect the pandemic would have and that is a reason to have these cushions. Mr. Naglick asked Mr. Long if he would like to comment.
Mr. Long stated that it should be kept in mind that the effects of how this is all shaking out will begin to be seen next year. The taxable values are set December 31 of each year. The way the LCA bond deal was set up, there is a five-year freeze period, so in 2023, we will know what our revenues are and can investigate what our options are.

Mr. Hollowell commented that based on Mr. Esshaki’s report, the books look good, but as Mr. Naglick and Mr. Long have indicated, the reduction in use of the office buildings downtown could be the “canary in the coal mine” as it relates to what our position is in 2023.

Mr. Hollowell asked about depreciation on LCA. Mr. Esshaki advised that the depreciation itself is based on a gap estimate that management has established where beginning with the period of time when the asset was considered to be placed in service, it is depreciated over a straight-line basis of 40 years. You will have annual depreciation of approximately the same amount each year. The percentage may shrink as it gets closer to realizing the full depreciation, but the amounts will be similar each year in the $26 - $28 million range.

Mr. Long advised that DDA has a 35-year term on the agreement for LCA. The value of the asset was taken and divided by 35, so you will see that amount every year. Red Wings/Little Caesars/Olympia is responsible for the maintenance and DDA pays a fixed amount into that fund every year. If DDA must make an additional capital investment, that additional capital would then be depreciated over the remaining life of the building.

Naglick asked if there were other questions. Hearing none, Mr. Nicholas continued with the Audit Wrap Up Report - Internal Control over Financial Reporting, Current Developments and Best Accounting Practices for the Board.

Mr. Naglick thanked George Johnson & Company and Mr. Long for the clean audit and meeting the City’s deadline. Mr. Blaszkiewicz also expressed his appreciation for the hard work Mr. Long and his team do every year. Mr. Hollowell stated his comments mirror those of the other Committee members.

Mr. Naglick called for a motion.

Mr. Hollowell made a motion approving the DDA Audited Financial Statements and Management Report for FY 2020-2021, and Mr. Blaszkiewicz seconded the motion. All were in favor with none opposed, and the Committee recommended approval of the audit to the Board.

PROJECTS

None.

OTHER MATTERS

Mr. Blaszkiewicz asked Mr. Long for a projection of what the next two years look like to get a better insight prospectively of what the debt service and service across the board looks like. Mr. Long responded he would be happy to present that at a future meeting.
Mr. Hollowell asked for an update on the status of the 150 Bagley United Artists proposal for DDA support. Mr. David Howell, Director of Real Estate at DEGC, responded that staff has been in extensive talks with the developer about the request and has taken everything that they have given us into consideration. There were a few inconsistencies in information we received. We are in the process of finalizing the underwriting of their request in terms of how it impacts the overall performance of the asset, and by the close of business today, we will respond to the developer’s request.

Mr. Naglick asked if Mr. Howell thought it would be far enough along to be an agenda item for the October 13 Board meeting. Mr. Howell replied that he is anticipating that will be the case. Ms. Navin advised that before it can go to the full Board, we would need to reconvene this body, the Finance Committee. The urgency is recognized and if we are not able to convene a Finance Committee meeting before the next Board meeting, there is always the ability to call a Special Board meeting if the timing of the project requires it.

PUBLIC COMMENT

Mr. Naglick called for public comment.

Mr. Theo Pride of the Detroit Peoples Platform asked if the community and public had access to the audit, and if so, how does the public access that document.

Mr. Naglick advised that he knows that all of the City’s components get posted on the State of Michigan Department of the Treasury website. He also knows that the DEGC website has a wealth of information and asked Mr. Long to respond. Ms. Long stated that the audit is not yet final and, therefore, is not available. Mr. Long asked Ms. Kanalos to let Mr. Pride know how to go about accessing the information once it becomes final. Ms. Kanalos advised that the audit will be posted on the DEGC website under DDA Documents. It will also be posted on Bond Dissemination through DAC, Digital Assurance Certification and will be posted in a whole host of places with the State of Michigan. The easiest access to the information will be the DEGC website.

ADJOURNMENT

With there being no other business to be brought before the Committee, Mr. Hollowell made a motion to adjourn the meeting. Mr. Blaszkiewicz seconded the motion and Mr. Naglick adjourned the meeting at 1:42 p.m.